SOCIAL JUSTICE IRELAND

working to build a just society

Budget 2017
Analysis & Critique

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CONTENTS:

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Something for (almost) everyone but lacking in strategy

Budget 2017 contained a number of welcome initiatives which will see most people benefit to some degree, with the working poor gaining the least.

Most people on social welfare received an increase for the first time in seven years, ranging from €5 a week for pensioners to €2.70 for jobseekers aged 18 to 24. These increases are welcome, even if they don't go the full way to retrieving the value lost through inflation in recent years.

The new childcare programme is also a positive development. We welcome this universal subsidy that will be available to parents in all income groups and we also welcome the support for service providers as a means of improving quality. It is important that sufficient resources are allocated over time to childcare, after-school care and early-years education and that families can avail of the childcare arrangements that are most suitable for them.

Tax changes could be so much fairer

Social Justice Ireland is very disappointed with the choices Government made in cutting the Universal Social Charge and income tax. These changes are unfair and provide larger gains to those on higher incomes compared to those on lower incomes. For example, a single person earning €25,000 gains €127.60 per annum while a single person on €75,000 gains almost three times more (€352.82 per annum). For the same amount of money (€383m) Government could have made tax credits refundable (thus tackling the working poor issue) and given every taxpayer an additional tax credit of €100 per annum. In practice this would have meant that everyone would be €100 better off while the working poor would gain a little more (page 6).

Budget 2017's lack of strategy can be seen in its failure to address the long-range challenges facing Irish society. In his Budget speech, Minister for Finance, Michael Noonan, TD, acknowledged that "climate change is the global challenge of our generation". Yet the Budget contains little to address this challenge.

Another unaddressed challenge is in funding education. Ireland's ratio of spending on education (as a percentage of overall government expenditure) to population under the age of 19 is the lowest in the European Union, and Budget 2017 does very little to change that.

At the opposite end of the lifecycle, there will be almost a million people over-65 in 15 years time (up 86%), of which 136,000 will be over-85 (up 132%). The increase in the state pension is most welcome. However, little is being done to invest in the services and infrastructure required to care for the increasing population of older people.

Add to this the challenges Ireland faces in financing local government, repairing and modernising our water infrastructure, pay-

Continued on page 2

Welcome

- Increases in Social Welfare rates
- Increases in State Pension rates
- Childcare package
- Increased funding for rural programmes

Regret

- Unfair choices in income tax package
- Failure to broaden the tax base
- Failure to provide sufficient resources to maintain the existing level of services in healthcare.
- Provision of inadequate resources to address the social housing shortage.

Fails to tackle challenges - lacks coherence

ing our (rising) EU contribution, funding pollution-reducing environmental initiatives that are required by European and international agreements, and building an infrastructure for rural broadband. It is clear that Budget 2017 failed to address many long-term challenges. But this wasn't all - the Budget also lacked coherence.

Budget decisions lacked coherence

Government's social housing policy lacks coherence on two fronts. Firstly, while the long-range housing plans (to build 47,000 homes by 2021) are welcome, it is clear they will be nowhere near the scale required to eliminate the current waiting list of 89,000 households, and they make no provision for the increased demand for social housing that demographic developments will require (page 7).

Secondly, the assistance being granted to first-time house buyers in Budget 2017 is short-sighted and will do nothing to tackle the cause of the current housing crisis i.e. shortage of supply. In effect it is pointless. Whatever resources are available should be allocated to increasing housing supply. This would certainly make more sense than granting tax breaks that will mainly serve to increase the cost of homes (page 15).

There is a similar lack of coherence in the Budget's decisions on healthcare. Additional resources are being made available to address waiting lists, to provide medical cards to all children in receipt of Domiciliary Care Allowance, to promote health and wellbeing and to assist older people and people with disabilities. However, sufficient funding has not been provided to maintain the existing level of service. This makes no sense (page 18).

Aid to developing countries increased by only €10.2m on 2016; the total budget is now down to 0.30% of national income. In addition, nothing has been done to change the fact that Ireland is acting as a tax haven, depriving those same developing countries of an opportunity to broaden their own revenue base and exit the cycle of dependency in which many find themselves (page 24).

Tax-take

There has been a significant increase in the tax-take from households (both directly and indirectly) over the past eight years. Despite this, the level of revenue (i.e. total tax-take) raised by the Irish exchequer remains one of the lowest in Europe (page 9).

Budget 2017 does little to address this fact, and on a no-policy change basis, Ireland's tax take is set to remain at its current low level over the next few years, proportionate to the size of the economy.

This low-tax model is not sustainable, and means that Ireland does not have sufficient resources to provide the social and economic infrastructure that should be expected in a developed European nation.

Budget 2017 failed to substantially broaden the tax-base, which is the essential pre-requisite to increasing the country's total tax-take in a fair manner. (page 15)

A policy that focused on increasing Ireland's tax-take to 34.9 per cent of GDP, a figure defined by Eurostat as 'low-tax', would yield an increase in revenue which could be used to tackle poverty, mitigate our social housing crisis, increase capital investment, or develop an effective climate mitigation plan.

Greater public investment required

Government is claiming that Budget 2017 has been "Brexit-proofed". While the immediate impact of Britain voting to leave the EU was not as severe as feared by many, a further weakening of the UK economy and sterling is a major risk to the Irish economy.

Social Justice Ireland believes that the best way to Brexit-proof the Irish economy is to invest in the infrastructure Ireland so desperately needs. This would be good for the economy and good for society.

While it contained a number of welcome initiatives Budget 2017 failed to tackle many of the long-term challenges facing Irish society and it lacked coherence in many areas.

Budget 2017 does not address the fact that Ireland has one of the lowest levels of public investment in the EU. While the resources available for distribution were relatively small, Government chose to spend some of these meagre resources reducing the tax-contribution of the better off in Irish society.

Having raised taxes equitably, the net 'fiscal space' available should have been put into public investment. Government should also have sought adjustments to the fiscal rules which are blocking the investment Ireland so badly needs if it is ever to address its infrastructure deficits in areas such as social housing, rural broadband and water.

Budget proofing ignored

The response to the economic crisis has had a devastating impact on poor and vulnerable people. There is an urgent need to ensure that the annual Budget does not increase inequality, but rather reduces it—in particular that it reduces poverty among all groups living in this situation.

Budget 2017 has not taken any significant initiative to measure whether or not poverty and inequality will fall rather than rise as a result of the overall impact of the decisions taken.

Budget proofing should be an integral part of all future Budgets in Ireland. This means that efforts must be made at policy level to ensure the desired outcomes are achieved. This, in turn, requires resources and commitment particularly from the Government of the day but it should be a priority for all members of the Dáil and Seanad.

Conclusion

In Budget 2017 Government took a series of decisions that ensured most people gained something. Some of the decisions made are welcome. But overall, Budget 2017 failed to tackle major challenges and lacked coherence. It was a missed opportunity.

Ireland now has choices to make. The resources and the capacity exist to build a fair and just future for everyone in Irish society. Such a future would be welcomed by a large majority of Irish people. A new approach is required. Planning for Ireland's future requires that decisions are made that give priority to long-term policy outcomes (page 24).

Welfare Increase Welcome

Welfare payments target those most in need within Irish society. They also play a central role in alleviating poverty.

while there continues to be much talk of 'recovery', Social Justice Ireland believes that any such recovery must be broad based and delivering benefits to all

Budget 2017 delivered a €5 increase to most welfare rates, although this increase has been delayed until March 2017.

Social Justice Ireland welcomes this increase. In particular we welcome that it has been distributed across all those dependent on these payments rather than a select few.

The Budget increase will bring the rate of payment for Jobseekers to €193 a week from March.

As we detailed in our pre-Budget document, *Budget Choices*, this payment has remained static since January 2011 and since then inflation has eroded its value. We proposed an increase of €6.50 per week to the basic social welfare payment to address this gap. While the increase goes some way to address this, a gap remains.

While there continues to be much talk of 'recovery', *Social Justice Ireland* believes that any such recovery must be broad based and delivering benefits to all those in Irish society.

In the context of widespread pay increases and tax cuts there is potential for the relative position of welfare recipients to disimprove. If divides open up, as in the late 1990s, poverty for this group will rise.

Inadequate Minimum Wage Increase of 10c

We regret that the minimum wage will only increase by 10c per hour. This increase, which is so low the Minister avoided announcing it in his Budget speech, will give a full-time worker on the minimum wage an additional €202.80 per annum in gross pay.

Addressing low pay, which is experienced by at least one in every five workers (see below), remains a key challenge for Irish society. As we have continuously highlighted, the annual poverty figures show that just over 100,000 people in employment are living in poverty (the working poor). Improvements in the low pay rates received by many employees offer an important method by which these levels of poverty and exclusion can be reduced. However, the new hourly minimum wage rate of €9.25 is almost 25% below the living wage of €11.50 per hour (see Chart 3.2).

In principle, a living wage is intended to establish an hourly wage rate that should provide employees with sufficient income to achieve an agreed acceptable minimum standard of living. Paying low paid employees a Living Wage offers the prospect of significantly benefiting the living standards of these employees. *Social Justice Ireland* has supported the emergence of this concept and we hope to see this new benchmark adopted across many sectors of society.

Chart 3.2: The Low Pay Gap of €2.25 per hour

Low Paid: a forgotten group in Budget 2017

As we show throughout this document, the Budget attempted to give a little to many with mixed results.

One group who received limited benefits are the low paid. They will experience limited gains from the reductions in income taxes (USC) and as working households they do not receive any welfare benefits.

For example, a full-time worker on €11.50 per hour (€23,400 per year), the Living Wage, will receive only €2.29 per week. In contrast a worker earning almost three times as much (on twice average earnings at €72,000 per annum) will gain €6.76 from the Budget.

In international terms Ireland is an economy with high rates of low pay. Recent OECD figures show that only the US and South Korea have a higher percentage of full-time workers recorded as being low paid.

During the past year a report from the Nevin Economic Research Institute provided new insights into the scale and composition of low pay in Ireland. It established that 25% of employees (almost 345,000) earn less than the low pay threshold of €11.45 per hour. The threshold corresponds to a value of two-thirds of median hourly earnings.

The paper found that low pay was most common among: female workers; young workers; those in retail, hotels and security sectors; single parents and those on temporary contracts. Looking at the household level, the paper also found that a higher proportion of low paid employees are living in households that struggle financially, borrow for day to day living costs and experience deprivation.

In recent times much has been said regarding the idea of 'making work pay'. If that slogan is to really mean anything, *Social Justice Ireland* believes that it should translate into better pay and living standards for the working poor. Unfortunately, Budget 2017 made limited progress in this area.

The Socio-Economic Context of Budget 2017

Table 4.1: Ireland's Social and Economic Context - Budget 2017

Population		**Taxation**	
Population (2016 Census)	4,757,976	Tax as % of GDP (2000)	31.7%
Population 2021 *	4.9 million (approx)	Tax as % of GDP (2006)	32.6%
Population 2041 *	5.7 million (approx)	Tax as % of GDP (2016)	25%
Income Levels		Value of costed tax reliefs per annum	€21.2 billion
Average Gross Household Income (2014)**	€1,080.81 per week	**Labour Market** **(all figures Q2 2016, unless otherwise stated)**	
Avg. Disposable Household Inc. (2014)**	€810.40 per week	Labour Force	2,202,700
Poverty and Inequality **		Employment (num / rate (ILO basis))	2,014,900
Poverty line, 1 Adult (week/year)	€218 / €11,379	Unemployment (num / rate (ILO basis))	187,900 / 8.6%
Poverty line, 2 Adults (week/year)	€362 / €18,888	Long-term Unemployment (num / rate)	95,900 / 4.4%
Poverty line, 1 Adult + 1 Child (week/year)	€290 / €15,133	Youth Unemployment (num / rate)	39,400 / 19%
Poverty line, 2 Adults + 2 Children (wk/yr)	€506 / €26,398	Live Register - Seasonally adjusted (Aug 2016)	299,200
Living in poverty in 2014 (% / number)	16.3% / 751,365	Minimum Wage (per hour / 39 hr week)	€9.25 / €360.75
Children in poverty in 2014 (% / number)	18.6% / 229,918	No. of workers on the Minimum Wage	70,000 approx.
Living in deprivation in 2007/2014 (%)	11.8% / 29%	Living Wage (per hour / 39 hr week)	€11.50 / €448.50
Gini coefficient 2009 / 2014 ^	29.3 / 31.8	% of employees on less than Living Wage	25%
Ratio of bottom 20% to top 20% (2009)	4.3	Net Migration (year to April 2016)	3,100
Ratio of bottom 20% to top 20% (2014)	5.0	Net Migration of Irish Nationals (2008-2016)	-153,900
Social Welfare Rates		**Inflation**	
Jobseekers Benefit personal rate / Increase for qualified adult	€193 / €128.10	CSO annual CPI inflation rate (year to August 2015)	-0.10%
Jobseekers Allowance Maximum Personal Rate aged 26 and over/aged 25/aged 18-24	€193 / €147.80 / €102.70	CPI, excluding mortgage interest (year to August 2015)	+0.2%
State Pension: contributory / non-contrib	€238.30 / €227	**Literacy & the Environment**	
Child Benefit (flat rate for all children)	€140 per month	Illiteracy rate of adult population (2013)	17.9%
Housing		% of waste landfilled (2012)	38.2%
Local Authority Waiting List—households	89,872 ^	Greenhouse Gas Emissions vs. Kyoto target	-5.3%
On waiting list for more than 2 years (%)	60% ^	**Overseas Aid**	
Homeless people in Ireland	6,525	ODA as a % of GDP: 2000 / 2004 / 2008	0.30 / 0.39 / 0.59
Homeless children in Ireland (June 2016)	2,177	ODA as a % of GDP: 2011 / 2014 / 2017	0.46 / 0.39 / 0.30*

Sources: Census 2011; Census 2016 preliminary results; CSO SILC data; CSO QNHS survey; NERI; Focus Ireland; Irish Aid annual reports; Comprehensive Expenditure Report; Central Bank; ESRI; OECD Literacy Survey; CSO Environment Indicators; Various other Government Departments and Agencies
Note: * = projection; ** = CSO SILC data; ^ = latest available figure

Budget 2017 — Key Numbers, Data & Trends

To accompany Budget 2017, the Departments of Finance and Public Expenditure and Reform have published a series of documents detailing the changes announced in the Budget. Throughout this *Analysis and Critique,* we examine various aspects of these changes.

The table below brings together some of the key figures from the published Budget documents. It presents the Department of Finance's expectations of National Income next year, and for the following two years.

It outlines expectations of GDP growth to 2019. It also outlines the projected exchequer budgetary position over that period. Expectations of future changes to employment, unemployment and inflation are also detailed.

The table also includes information on the taxation system following the implementation of the Budgetary changes, and details Government projections in terms of inflation, the labour market, and the size of budgetary adjustments.

Finally, the table outlines the Department of Finance's calculations regarding the full year cost of the tax and social welfare changes announced in the Budget.

Table 5.1: The Budget in Numbers - Key Data from Budget 2017

National Income		**Inflation and the Labour Market**	
GDP in 2017 (€m)	275,050	Inflation in 2017 (HICP)	1.2%
GDP in 2018 (€m)	287,700	Inflation 2017-2019 (HICP average)	1.6%
GDP in 2019 (€m)	300,575	Unemployment rate in 2017	7.7%
GDP growth in 2017	3.5%	Employment growth in 2017	2.1%
GDP growth in 2018	3.4%	Unemployment rate 2017-2019(average)	7.3%
GDP growth in 2017-2019 (average)	3.36%	Employment growth 2017-2019 (average)	2%
Exchequer Budgetary Position		**Taxation**	
Current Budget Balance, 2017 (€m)	2,025	Income Taxation - lower rate	20%
Current Budget Balance, 2018 (€m)	2,910	Income Taxation - higher rate	40%
Current Budget Balance, 2019 (€m)	4,870	%Tax on €25,000 income (single / 2 earners)	13% / 0.7%
Net Capital Investment, 2017 (€m)	5,630	%Tax on €60,000 income (single / 2 earners)	31.1% / 15.3%
Net Capital Investment, 2018 (€m)	6,125	%Tax on €100,000 income (single / 2 earners)	39.1% / 27.5%
Net Capital Investment, 2019 (€m)	6,890	Corporation Tax Rate	12.50%
Underlying General Govt. Balance (€m)	-1,235	Capital Gains Tax Rate	10%* / 33%
Underlying General Govt. Balance (% GDP)	-0.4%	Universal Social Charge**. Incomes of €13,000 or less are exempt. Otherwise; €0 to €12,012 @ 0.5% / €12,012 to €18,772 @ 2.5% / €18,772 to €70,044 @ 5% / €70,044 to €100,000 @ 8% / PAYE income in excess of €100,000 @ 8% / Self-employed income in excess of €100,000 @ 11%	
Average Underlying General Govt. Balance 2015-17(€m)	-528		
Avg. Net Capital Investment 2017-2019 (€m)	6,125	**Size of Budgetary Changes**	
Interest on National Debt 2017 (€m)	6,085.1	Yield in 2017 of Tax changes (€m)	-424
Interest on National Debt 2018 (€m)	5,960.3	Value in 2017 of Expenditure changes (€m)	1,011
Debt to GDP ratio 2017 (%)	74.3%	Other Tax Policy Decisions (€m)	130
Debt to GDP ratio 2018 (%)	72.7%	Full yr cost new Social Welfare Measures (€m)	301

Sources: Various tables throughout Budgetary publications. *This special CGT rate applies to new start-ups with a €10m cap on gains. **If you are aged 70 or over or a medical card holder aged under 70 and your aggregate income for the year is €60,000 or less you pay a reduced rate of USC.

Fairer Income Tax Choices were Available

The Budget included an income tax package with a cost of €383m (€335m on USC reductions and €48m on income tax reductions).

As we show elsewhere in this document (see pages 8-9) these changes are unfair and provide larger gains to those on higher incomes compared to those on lower incomes. For example, a single person earning €25,000 gains €127.60 per annum while a single person on €75,000 gains almost 3 times more (€352.82 per annum).

For the same commitment of resources that the Government allocated to reforming these income taxes (€383m) Government could have chosen a much fairer set of alternatives. These include:

- Refunding the unused proportion of PAYE and personal tax credits to those who are active in the labour market but earn insufficient income to use up all these tax credits (i.e. introduce a system of refundable tax credits): ***full year cost of €140m***
- Increase the personal tax credit for all earners by €100 per annum: ***full year cost of €227m***

Our costings for these measures are based on a previous *Social Justice Ireland* study on refundable tax credits (see p10 of our pre-Budget *Budget Choices* document) and the recently released Revenue Commissioners *Ready Reckoner for Budget 2017*.

The costing of the €100 per annum increase in the personal tax credit also assumes a commensurate increase in the married persons, widowed persons and lone parent credit.

The annual cost of this increase according to the Revenue Commissioners is €227m; and to ensure our estimates are conservative, we assume the other €16m is allocated to those not currently factored into Revenue's estimates who would receive an increase in their tax credit refund.

The distributive impact of this alternative policy choice is outlined in Chart 6.1.

It provides an increase of €100 per annum to all single earners and couples with one earner. Couples with two earners gain twice this amount, €200 per annum. In contrast to the Budget outcomes (see p8-9) a single person earning €25,000 gains €100 per annum while a similar person on €75,000 gains the same. Below €16,500 single earners experience further gains due to a refund of unused tax credits.

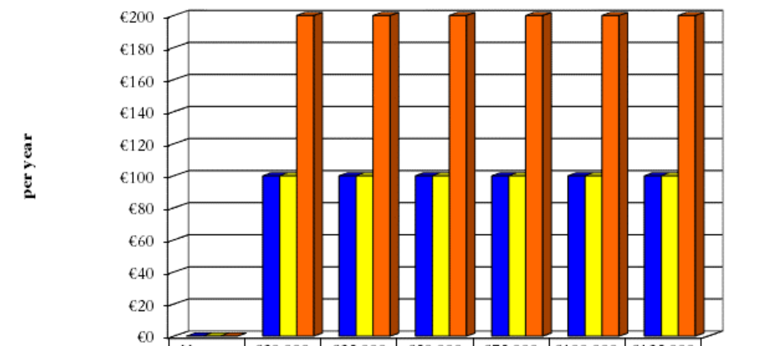
As the chart shows, a fairer tax package could have delivered the same amount of income gains to all single earners above €16,500.

Proportionally, such a gain is greater for lower income earners reflecting a more progressive distribution of budget income tax resources.

As our analysis shows, the Government could have chosen a fairer and more equitable income tax package in this Budget. We regret that Government ignored this option.

The skewed outcome of the income tax measures in Budget 2017 could have been avoided. A fairer alternative was available.

Chart 6.1: Distributive Effects of an Alternative Budget 2017 Income Tax Package



	Unemp	€20,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	-	100	100	100	100	100	100
Couple 1 Earner*	-	100	100	100	100	100	100
Couple 2 Earners*	-	200	200	200	200	200	200

Corporate Tax: limited progress

Budget 2017 has made limited progress in addressing the significant limitations and inequities within Ireland's corporate tax system. While *Social Justice Ireland*, among others, has highlighted these deficiencies for some time, it is now clear that they are the focus of international attention and becoming more and more damaging to the international reputation of Ireland.

The recent revelations regarding one company, Apple, are highly disturbing. The old Export Sales Relief tax incentive applied to manufacturing companies and provided for 0% corporation profits tax on export sales. This tax incentive was abolished in 1990 - to great fanfare - and replaced by a single rate of corporation profits tax (initially 10%) regardless as to whether the profits derived from domestic sales or exports. In effect, however, the old Exports Sales Relief seems to have continued to exist for Apple (and perhaps other companies?) long after it had been abolished.

It can be useful for Government to address individual tax loopholes when they come into public view, even if this correction often occurs many years after the loopholes have been availed of. However, this reactive approach is limited and more is required.

It is worth considering the approach taken some years ago when dealing with high income earners who paid little or no income tax because they made extensive use of tax reliefs and loopholes. At the time Government introduced the "High Income Individuals' Restriction" so that, regardless of a person's use of tax breaks, such incomes would be subject to an effective income tax rate of around 30 per cent. In July 2016, Revenue reported that this measure achieved its objective in 2014.

In light of the recent revelations, *Social Justice Ireland* believes that Government should introduce a minimum effective rate of tax on corporate profits. We have proposed a rate of 6% and regret that Budget 2017 did not do this.

Housing - lack of supply not addressed

In 2013 the waiting list for social housing was almost 90,000 households, representing over 200,000 people. This number has certainly risen in the intervening years and only increased supply of adequate accommodation for low income families will solve the problem. Unfortunately Budget 2017 has missed an opportunity to deal with the supply issue. While funding for housing has increased by 50 per cent, it is not being used to improve the lives of those in vulnerable and precarious accommodation.

Of the 21,000 units intended to be delivered by Budget 2017, 15,000 will be through the Housing Assistance Payment (HAP) scheme which has received an additional €105 million. This ignores two facts: HAP does not produce any additional housing supply; and rents have escalated to such an extent that were sufficient suitable accommodation available to rent, it would not be affordable to most of those in receipt of even the highest rate of HAP. This is particularly an issue in Dublin, which accounts for 35% of the social housing waiting list, where average rents in all council areas exceed the maximum HAP limits, one by as much as one third. Furthermore, 25 per cent of HAP recipients will transfer from Rent Supplement and are already accommodated. Reliance on the private rented sector is not the answer to the supply crisis. Rents have been increasing steadily since 2011, with Q.2 of 2016 seeing the highest rents since 2007.

There are 82,092 home mortgages in arrears (Q.2 2016) with Central Bank regulated lenders, with 57,571 in arrears of more than 90 days. If long term solutions are not found, many more families will find themselves in need of social housing. In response to a persistent mortgage problem, the Government have introduced an advice service, Abhaile, at a cost of €15 million over three years. This service aims to provide legal and financial support to those in long term mortgage arrears who have not engaged with their mortgage lender.

The housing crisis has been kicked down the road for too long, the scale of which only reflects the scale of neglect and supply of appropriate accommodation for families on low incomes is the only solution. With Budget 2017, the Government has again failed to provide for the necessary construction, with only 4,450 units expected to be built next year through local authority and Approved Housing Body construction programmes. Of the 8,000 voids, only 800 (10 per cent) will be brought back into use by local authorities in 2017.

Social Justice Ireland welcomes the increased allocation of €1.2 billion for housing (€655 million in capital and €566 million current), up from €814 million in 2016 however it represents just 10 per cent of the expenditure required to deal with the number of households in need three years ago, a number that has certainly increased in the intervening years. Fully financing the provision of adequate social housing 'on the books' is not possible given the fiscal rules that were adopted since the crash.

We have proposed two 'off balance sheet' mechanisms that could be adopted to meet current and future need: invoking the structural reform clause and creating a special purpose vehicle (SPV) to raise collateral for further investment in social housing. The Government has seemingly adopted one of these suggestions in the Rebuilding Ireland, Action Plan for Housing and Homelessness, the creation of an SPV to attract off-balance sheet investment, however the target of 5,000 social houses over a five year period is just too low.

Homelessness

Ireland is in the midst of a worsening homelessness crisis. The most recent figures (August 2016) indicate that 4,248 adults and 2,363 children accessed emergency accommodation – a total of 6,611 people. After accounting for rough sleepers, the number of people in need of emergency services in 2016 has increased by over 40% on last year.

In Budget 2017 1,200 tenancies will be created under the Dublin Region HAP Homeless Pilot and 800 units are expected to be delivered under the Rapid Build Housing Programme. The Housing Agency has been allocated €70 million for the acquisition of 1,600 social housing units from banks and investment funds over the period to 2020.

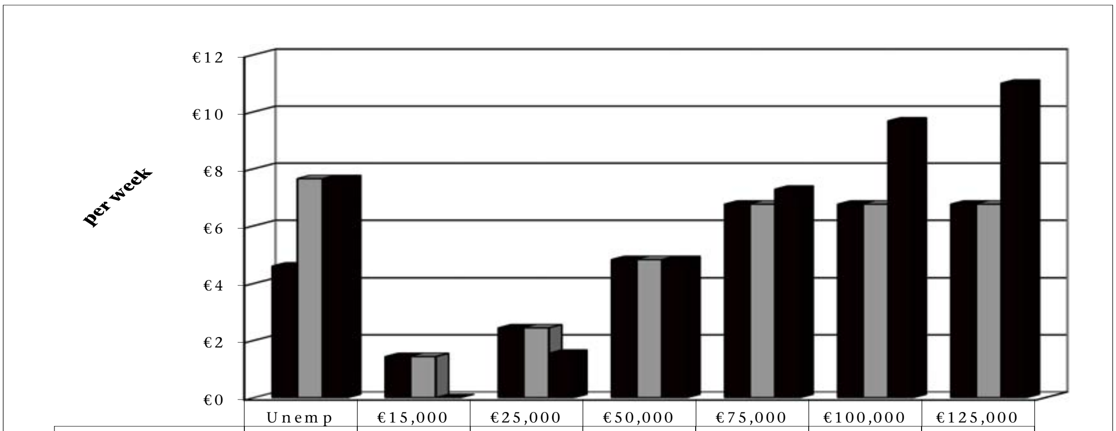
While there is a welcome increase in supported tenancies for homeless persons, the continued reliance on a precarious private rented sector and the rate at which homelessness units will be provided through capital investment means the majority of homeless people will remain in unsuitable emergency accommodation into the future. Budget 2017 has once again failed to properly protect the most vulnerable section of society. Funding for homelessness increased by €28 million; bringing the total spend to €98 million, however the increase reflects the additional costs of emergency accommodation and homelessness services rather than accelerating the supply of appropriate secure accommodation.

Tax incentives misdirected

In his presentation of Budget 2017, Minister Noonan acknowledged the "acute shortage" of supply of housing. Unfortunately what followed did little to address this shortage, particularly for those on low incomes. The Help to Buy Scheme for first time buyers introduced an income tax rebate of 5% on newly constructed homes worth €400,000, based on income tax paid during the four years prior to purchase. This rebate does nothing to stimulate the construction of affordable and sustainable accommodation for low income families currently on the social housing waiting list and is likely to be unavailable to some low income couples who have had insufficient tax liability during the relevant years.

With 40,000 landlords leaving the private rented sector in recent years, Budget 2017 has attempted to retain those who remain with the provision of a 5 per cent increase to mortgage interest relief from 75 to 80 per cent, further increases of 5 per cent per annum will be introduced in the coming years to attain 100 per cent over time. Of the 172,000 private landlords registered with the Residential Tenancies Board it is estimated that 36 per cent are 'accidental landlords' who are more likely than other types of landlord to leave the sector as soon as they can. An increase of 5 per cent on an existing tax relief is unlikely to incentivise those who wish to leave.

Chart 8.1: Impact of Tax and Headline Welfare Payment Changes from Budget 2017



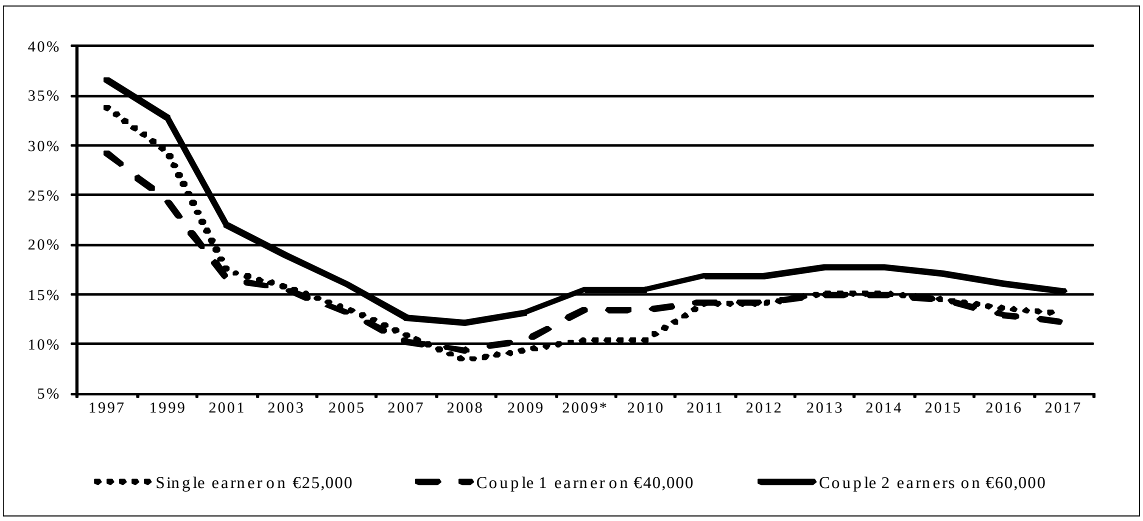
	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	4.61	1.44	2.45	4.84	6.76	6.76	6.76
Couple 1 Earner*	7.66	1.44	2.45	4.84	6.76	6.76	6.76
Couple 2 Earners*	7.66	0.00	1.56	4.84	7.29	9.68	11.00

Notes: * Except in case of the unemployed where there is no earner. Unemployed over 26 years of age.
Couple with 2 earners are assumed to have a 65%/35% income division.

Table 8.1: Effective Tax Rates following Budget's 2000/ 2008/ 2017			
Income Level	**Single Person**	**Couple 1 Earner**	**Couple 2 Earners**
€15,000	13.9% / 0.0% / 0.9 %	2.5% / 0.0% / 0.0 %	0.8% / 0.0% / 0.0 %
€20,000	13.9% / 4.4% / 7.2 %	8.3% / 2.7% / 3.7 %	6.1% / 0.0% / 0.0 %
€25,000	24.0% / 8.3% / 13.0 %	12.3% / 2.9% / 6.2 %	11.0% / 0.0% / 0.7 %
€30,000	28.4% / 12.9% / 15.6%	15.0% / 5.1% / 6.6 %	14.6% / 1.7% / 2.1 %
€40,000	33.3% / 18.6% / 22.1 %	20.2% / 9.4% / 12.1 %	17.5% / 3.6% / 7.9 %
€60,000	37.7% / 27.5% / 31.1 %	29.0% / 19.8% / 23.5 %	28.0% / 12.2% / 15.3 %
€100,000	41.1% / 33.8% / 39.1 %	35.9% / 29.2% / 34.6 %	35.9% / 23.8% / 27.5 %
€120,000	41.9% / 35.4% / 41.3 %	37.6% / 31.6% / 37.5 %	37.7% / 27.2% / 31.3 %

Notes: Total of income tax, levies and PRSI as a % total income. Couples assume a 65%/35% income division.

Chart 8.2: Effective Tax Rates in Ireland, 1997-2017



Notes: Total of income tax, levies and PRSI as a % total income. Couples assume a 65%/35% income division.

Budget and the Rich-Poor Gap

When assessing the change in people's incomes following any Budget, it is important that tax changes be included as well as changes to basic social welfare payments. In our calculations we have not included any changes to other welfare allowances and secondary benefits as these payments do not flow to all households. Similarly, we have not included changes to other taxes (including indirect taxes and property taxes) as these are also experienced differently by households. Chart 8.1 (page 8) sets out the implications of the Budget announcements on various household groupings in 2017.

Single people who are unemployed will benefit from the weekly increase from March and the Christmas bonus increase which equates to €4.61 a week (€241 a year). Those on €25,000 a year will see an increase of €2.45 a week (€128 a year) in their take-home pay while those on €50,000 will be €4.84 a week (€253 a year) better off in the coming year and those on €75,000 a year will be €6.76 a week (€353 a year) better-off.

Couples with one income on €25,000 a year will be €2.45 a week (€128 a year) better-off while those on €50,000 will be €4.84 a week (€253 a year) better off.

Couples with two incomes on €25,000 a year will be €1.56 a week (€81 a year) better off while those on €50,000 will be €4.84 a week (€253 a year) better-off in the coming year.

The impact of Budget 2017 on the distribution of income in Ireland can be further assessed by examining the rich-poor gap. This measures the gap between the disposable income of a single unemployed person and a single person on €50,000 per annum. Budget 2017 has marginally widened the rich-poor gap by €0.23 per week (€12 a year).

Effective Tax Rates after Budget 2017

Central to a thorough understanding of income taxation in Ireland are effective tax rates. These rates are calculated by comparing the total amount of income tax a person pays with their pre-tax income. For example, a person earning €50,000 who pays €10,000 in taxation (after all their credits and allowances) will have an effective tax rate of 20 per cent. Calculating the scale of income taxation in this way provides a more accurate reflection of the burden of income taxation faced by earners.

Following Budget 2017 we have calculated effective tax rates for a single person, a single income couple and a couple with two earners. Table 8.1 (p8) presents the results of this analysis. For comparative purposes, it also presents the effective tax rates which existed for people with the same income levels in 2000 and 2008.

In 2017, for a single person with an income of €15,000 the effective tax rate will be 0.9 %, rising to 13.0 % of an income of €25,000 and 41.3 % of an income of €120,000. A single income couple will have an effective tax rate of 0.0 % at an income of €15,000, rising to 6.2 % at an income of €25,000, 23.5 % at an income of €60,000 and 37.5 % at an income of €120,000. In the case of a couple where both are earning and their combined income is €40,000 their effective tax rate is 7.9 %, rising to 31.3 % for combined earnings of €120,000.

As chart 8.2 (p8) shows, despite recent increases, these effective tax rates have decreased considerably over the past two decades for all earners.

Low Overall Tax-Take Impedes Ireland Progress

Data accompanying Budget 2017 outlines Government's plans for taxation and spending over the next 5 years (to 2021). Over that period, assuming the policies signalled by Government are followed, overall tax receipts will climb from €65.7bn in 2016 to €82bn in 2021.

Despite significant increases in the tax-take from households (both directly and indirectly) over the crisis period, Ireland remains a low tax economy with its tax take (as a % of national income) among the lowest in the EU.

The most recent comparable EU data (for 2014) shows that average EU tax levels are at 40% of GDP. Ireland's rate remains around 30% of GDP; within the EU only Latvia, Lithuania, Bulgaria and Romania collect a lower proportion of GDP in taxation.

Social Justice Ireland believes that over the next few years policy should focus on increasing Ireland's tax take. While the GDP measure has become problematic (see p15), we believe that the overall tax-take should rise to a figure equivalent to what was up to recent times 34.9 per cent of GDP; a figure defined by Eurostat as 'low-tax'.

In our pre-Budget *Budget Choices* document we showed that were Government to maintain overall taxation at the 2015 level, the state would collect an average of €4.7bn per annum in additional tax 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. Judged in that manner the current low tax model is not sustainable and continues to impede Ireland socio-economic progress. We regret that Budget 2017 did not take greater steps to address this.

Impact of Tax & Benefit Changes on Families

Over the past few years *Social Justice Ireland* has developed its ability to track the distributive impact of annual Budgets on households across Irish society. Our analysis, presented on this page, tracks the cumulative impact of changes to income taxation and welfare.

Our analysis tracks the cumulative impact of changes to income taxation and welfare...overall these choices have favoured the better-off in our society

At the outset it is important to stress that our analysis does not take account of other budgetary changes, most particularly to indirect taxes, other charges (such as prescription charges) and property taxes. Similarly, it does not capture the impact of changes to the provision of public services. 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 editions of our *Budget Analysis and Critique*, these changes have been predominantly regressive – impacting hardest on households with the lowest incomes.

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. Within those households that have income from a job, we include workers on the minimum wage, on the living wage, workers on average earnings and multiples of this benchmark, and families with incomes ranging from €25,000 to €200,000.

In the case of working households, the analysis is focused on PAYE earners only and therefore does not capture the changes in Budget 2017 targeted at the self-employed. The analysis complements our assessments on pages 8 and 9.

The combined effect of the welfare and taxation measures announced in Budget 2017 will deliver an increase in disposable income to all household types. However, the gains have been skewed towards those with the highest incomes.

Among households with jobs (see chart 10.2), the gains experienced range from €2.29 per week (for a single person on the living wage) to almost six times as much, €13.52 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 €4.60 per week (to single unemployed individuals) to €10.93 per week to pensioner couples - see chart 10.1.

Our analysis points towards the choices and priorities the Government has made. Overall these choices have favoured the better-off in our society.

Chart 10.1 Overall Budget 2017 Impact on Welfare Dependent Households

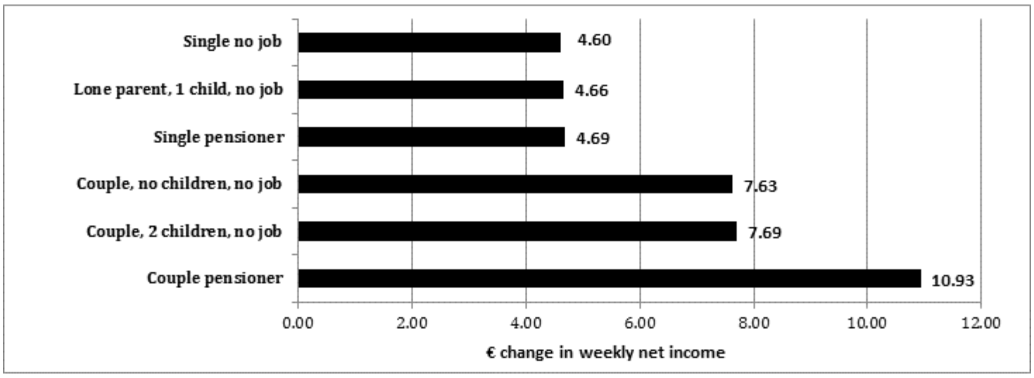
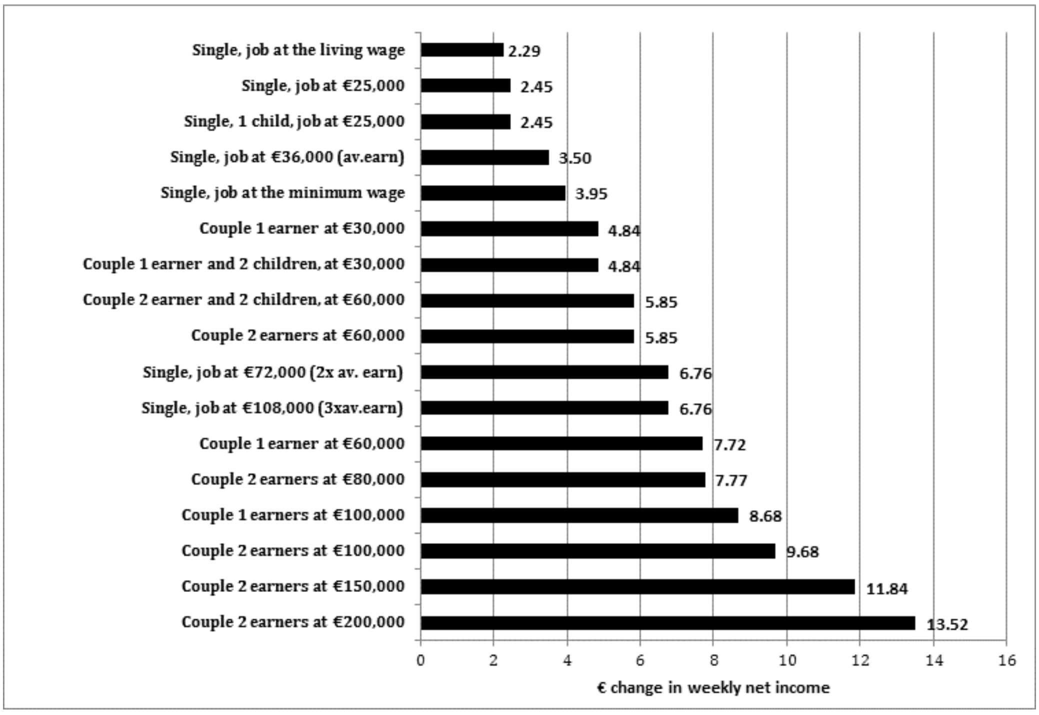


Chart 10.2 Overall Budget 2017 Impact on Households with Jobs



Children and Budget 2017

Almost one in five children in Ireland (18.6% of all those aged 0-17 years) live in households with incomes below the poverty line. Overall children represent one quarter of Ireland's poor. Households with children are among those with the highest deprivation rates and the highest poverty rates in Ireland.

These are alarming figures, and a major indictment of the society that has been allowed to develop over the last number of years. Budget 2017 did not address this issue as it gave no increase in child benefit or child dependent allowances.

The announcement of a new Single Affordable Childcare Initiative is a welcome first step towards meeting the recommendations of the Interdepartmental Group on the Future Investment in Childcare in Ireland.

The proposal includes the care of children up to 15 years which is a positive development and involves targeted support for families on low incomes of up to €8,000 per year. A second element is a universal subsidy of approximately €0.50 per hour of using Túsla recommended childcare services.

Quality childcare can only be provided by resourced services. The announced payment for non contact hours and allocation for childcare infrastructure are also to be welcomed. However, creating a real impact will require sustained investment over successive budgets.

Skilled interventions for children at risk are an essential component of quality services for children and young people. Increases in the allocations for Túsla and Youthwork Ireland are positive, and need to be continued.

Also positive is the continued funding of Access and Inclusion Model, to allow children with disability to access the free preschool ECCE initiative.

Long-term Unemployment

Long-term unemployment has been a major feature of the labour market in recent years, and one that has, once again, been largely ignored in the Budget 2017.

The number of people that have been unemployed for more than a year recently fell below 100,000 for the first time in seven years, but such individuals still make up more than half of those unemployed. Prior to the recession, you would have to go back to 1998 to find the last time this was the case.

Despite recent positive trends, the long-term unemployment rate remains high at 4.4 %, and disproportionately affects older workers (those aged 45 and over). The proportion of unemployment accounted for by long-term unemployed older workers has more than quadrupled since 2009, while older workers who lose their job are now more than twice as likely to be without a job 12 months later than prior to the recession.

Older unemployed people are much more likely to find themselves the subject of age-related discrimination, and often find it more difficult to return to education, or engage in re-skilling programmes.

The scale and nature of the long-term unemployment situation deserves far greater attention. The policy response has not been sufficiently targeted to deal with the problem, as focusing on reducing headline numbers of unemployment does little to assist those in long-term difficulty.

To properly support the long-term unemployed, the range of supports provided must be broadened. This could include adapting policies to encourage employers to take on such individuals through financial incentives, or labour market inclusion efforts like start-your-own business schemes.

Older People and Budget 2017

By 2031 almost one million people in Ireland will be over 65 with 136,000 being over 85. The latter who have the greatest healthcare needs, are growing by some 4% annually. It is disappointing that Government did not use Budget 2017 as an opportunity to start planning for this ageing of the population that will result in a steady increase in older people and people with disabilities accessing services.

The years ahead will see rising levels of disability and long-term ill-health. Planning and investment is required to address both the demographic growth from 2016 onwards and the deficits which have worsened since 2008 It requires health promotion measures and action to facilitate the full participation of people with disabilities – including older disabled people - in social life.

It also requires a comprehensive approach that would include integrated services across the areas of GP care, public health nursing, home care supports, acute hospital care, rehabilitation and long-term care.

Social Justice Ireland welcomes changes made in Budget 2017, the increases in the State Pension (contributory and non-contributory) by €5 per week and the restoration of the Christmas Bonus to 85%. The reduction in the monthly cap on prescription charges for those over 70 years of age from €25 to €20 and the €10m funding for homecare development.

We regret Government did not introduce a universal pension or outline a strategy of investment for demographic change. Older people face challenges in accessing appropriate healthcare, and suitable accommodation.

They need to be supported to remain in their communities. It is of concern that adequate resources have still not been provided for residential and home care supports, for older people's services and for respite and step-down care facilities.

Main Areas of Government Revenue — Budget 2017

Data on pages 12 and 13 is from various Budget documents published by the Department of Finance and the Department of Public Expenditure and Reform. The diagram outlines the main areas of income and expenditure for the coming year. Expenditure includes gross current figures.

Income tax accounts for 40% of tax revenue.

The 9% VAT rate for the hospitality and tourism sector was maintained in Budget 2017.

Corporation tax accounts for 15% of tax revenue.

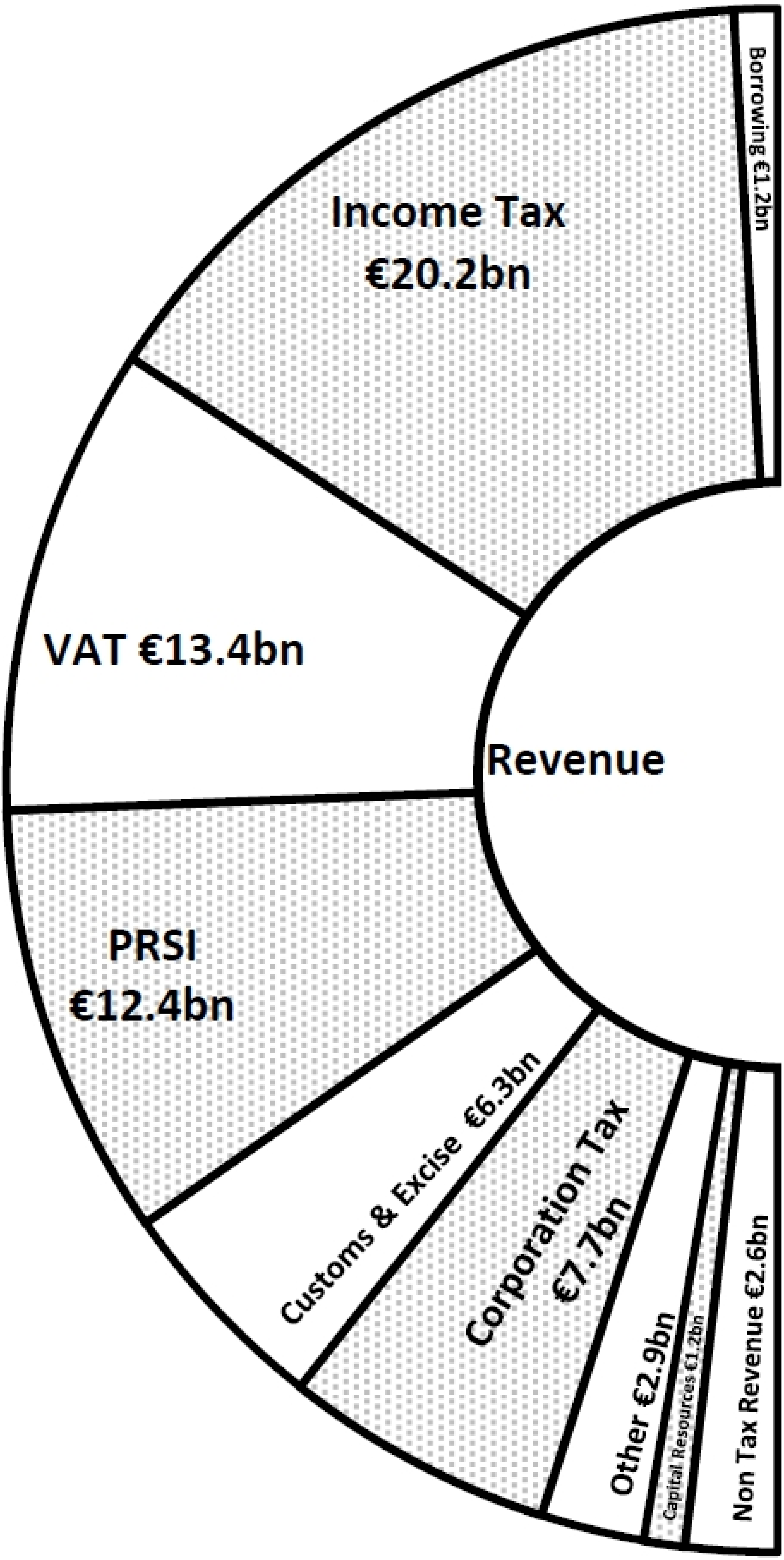
Other:

Local Property Tax: €460m

Capital Gains Tax: €710m

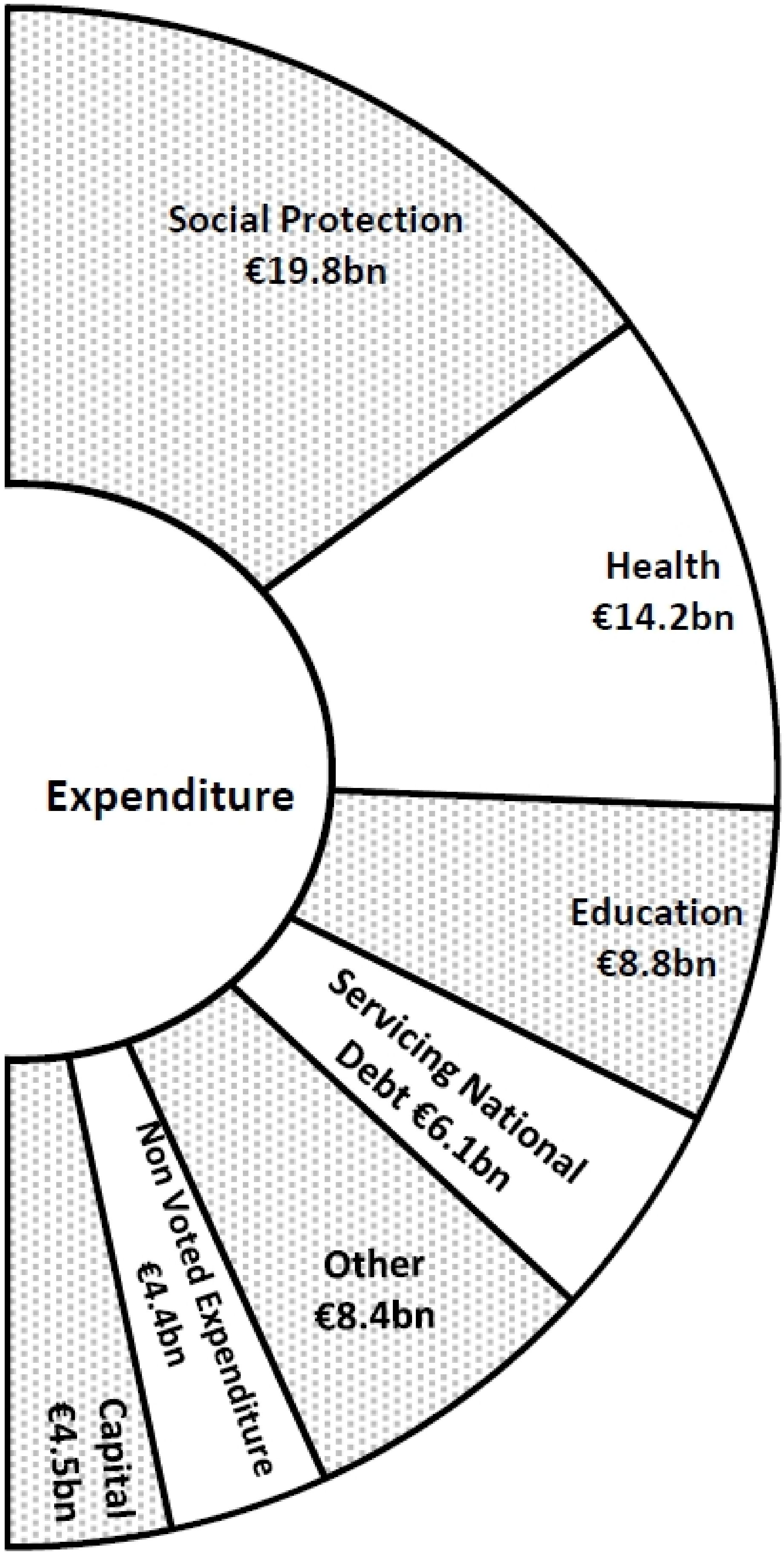
Capital Acquisitions Tax: €440m

Stamp Duty: €1,335m



Main Areas of Government Expenditure — Budget 2017

Exchequer Pay and Pensions Bill for 2017 is €19.4 billion



Increased maximum rate of all weekly social welfare payments by €5 per week.

Allocated €2 million for pre-activation supports for people with disabilities .

Restored Christmas Bonus to 85%

Provided funding for medical cards for all children on Domiciliary Care Allowance.

Allocated €20m to the NTPF to reduce waiting lists.

Allocated €10m to a programme for older people including Home Care Packages, Community intervention Teams, Transitional Care Beds, Acute Beds and funding for aids and appliances.

Allocated funding for an extra 2,515 posts.

Allocated an additional €36.5m to higher education including €4m to restore the maintenance grant for disadvantaged students.

Other:
Children and Youth Affairs : €1.3bn
Jobs, Enterprise and Innovation: €304m
Agriculture: €1.2bn
Justice: €2.4bn
Housing, Planning Community & Local Government: €1.01bn
Transport, Tourism and Sport €680m
Communications, Climate Action & Environment: €358m
Defence: €847m
Arts, Heritage , Regional, Rural & Gaeltacht Affairs: €249m

Taxation

The Context

- Taxation plays a key role in shaping Irish society through funding public services, supporting economic activity and redistributing resources to enhance fairness in society.
- Ireland's tax take is one of the lowest in the EU at 29% GDP. The recent re-emergence of economic growth should be seen as an opportunity to secure our revenue base and revitalise our depleted social infrastructure.
- Our low overall tax take is not sustainable and not adequate to support necessary economic, social and infrastructural requirements.
- Government decisions to raise or reduce overall taxation revenue needs to be linked to the demands on its resources.
- New future taxation needs (such as servicing the national debt and ensuring our public services can adapt and meet the demands of changing demographics), are in addition to those that already exist including funding local government, repairing and modernising our water infrastructure, paying for the health and pension needs of an ageing population.
- Ireland should aim to increase the overall tax take (from all sources) towards 34.9% of GDP over a number of years. This would raise additional revenue required for investment and service provision.
- Increasing the total tax-take should be done in a fair and equitable manner. The necessary extra revenue should be attained by reforming the tax code, broadening the tax base, and ensuring those who benefit most from Ireland's economic system contribute most. This will also involve ensuring the corporate sector pays a fair share of tax.

The Budget

USC

- Bands and rates changed to:
- Incomes up to €13,000, exempt. Otherwise

⇒ €0 - €12,012: 0.5%

⇒ €12,013 - €18,772: 2.5%

⇒ €18,773 - €70,044: 5%

⇒ €70,045 – €100,000: 8%

⇒ Above €100,000: PAYE: 8%: Self-employed:11%.

⇒ Medical card holders and those over 70 whose income is €60,000 or less will have a maximum USC rate of 2.5%.

- Cost of USC changes in 2017: €335m.

Income Tax

- **Carers:** Increased Home Carer Tax Credit to €1,100. Cost: €7m.
- **Self-employed:** Increased Earned Income Credit to €950. Cost: €33m
- **Interest relief for landlords:** The deduction available for qualifying interest payments increased to 80%. Cost: €8m.

Excise Duties

- **Tobacco Products:** Increased excise duty on packet of 20 cigarettes by 50 cents with pro-rata increases on other tobacco products. Yield: €65m.
- **Carbon Tax:** Removed from carbon tax the fuel inputs used for combined heat and power plants. Cost: €1m.

Other Income Tax

- **Help to Buy a House:** A new income tax rebate scheme, which will apply to income tax paid over the previous four years, up to 5% of the purchase price of a house up to €400,000. Cost: €50m.
- **Rent a Room:** Ceiling increased to €14,000. Cost €1m.
- **Living City Initiative:** Extended at cost of €1m.
- **Start Your Own Business Relief:** Extended for a further two years. Cost: €4m.
- **Fisher's Tax Credit:** A new tax credit of €1,270. Cost: €4m.
- **Decommissioning of Fishing Vessels:** Cost: €2m.

Capital Taxes

- **Capital Gains Tax:** Reduced CGT rate to 10% on disposals of business, subject to an overall limit of €1m in chargeable gains. Cost: €13m.
- **Capital Acquisitions Tax:** Increased tax-free threshold to €310,000 on Class A gifts/inheritances (from parents to children). Also increases for Classes B and C. Cost: €22m.
- **CGT Relief for Raised Bogs:** Cost: €2m.

Agri Measures

- **Farmer's Flat Rate Addition:** Increased to 5.4%. Cost: €9m.
- **Accelerated Capital Allowances for energy efficient equipment:** Extended to sole traders and non-corporates. Cost: €3m.
- **DIRT:** Reduced to 39% for 2017 at cost of €9m.

Compliance

- **Section 110 and Funds changes:** The Finance Bill will address loopholes. Yield: €50m.
- **Tackling offshore evasion:** A programme was announced to tackle this, using new data sources and advanced analytic techniques, together with a strict liability offence. Yield: €30m.
- **Increased staff resources and analytic activity in the Revenue Commissioners:**

Taxation

Our Response

- In Budget Choices, published in July 2016, *Social Justice Ireland* asked Government, amongst other things, to:

⇒ Increase the PAYE tax credit and introduce refundable tax credits to benefit low-income people;

⇒ Standard rate the tax break to 20% for all discretionary tax reliefs / expenditures, including for pension contributions;

⇒ Reform the R&D tax credit and introduce a minimum effective tax rate of 6% on corporation profits made here;

⇒ Tax empty houses / undeveloped land.

- Budget 2017 did not implement any of these proposals.
- Instead, Budget changes in relation to the USC mean that the more you earn the more you benefit (up to €75,000). As a result of Budget 2017, a single person earning €15,000 per annum will gain €1.44 per week while someone earning €125,000 will gain €6.76 or almost seven times that figure.
- In the face of a housing crisis, empty houses and undeveloped land remain untaxed. Instead, the Help to Buy scheme was introduced. There is no evidence that this measure will address the supply shortfall
- *Social Justice Ireland* welcomes the increases in the Home Carer Tax Credit and the Earned Income Credit for the Self-employed. We also welcome the increase in staff resources and analytic activity in the Revenue Commissioners. The proposed tax compliance measures to address tax loopholes are necessary; however, the details remain to be seen.

Regret on Sugar Tax

Social Justice Ireland regrets that Government has postponed the introduction of a Sugar Sweetened Drinks tax until Budget 2018. We believe that this is a missed opportunity to tackle one of the causes of chronic diseases identified by the Department of An Taoiseach as one of the social risks Ireland currently faces.

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. Making progress on this issue was an opportunity missed in Budget 2017.

'Help to Buy': pointless

Budget 2017 includes a new tax break focused on assisting first time buyers to purchase a newly built home. The measure is designed as an income tax refund of up to 5% of the value of the unit. It will cost €50m in 2017.

Numerous reports to Government over the past two decades have shown that various property related measures, have no beneficial impact for the state. In the case of the current scheme, it is clear that the measure will simply push up the price of these properties, for all purchasers, and thus become an indirect transfer to builders and developers. If the policy objective is to help first-time buyers, it will not achieve this goal. Indeed, it may just stimulate price rises across the property sector and indirectly fuel further increases in rent levels - which have now surpassed their boom-time peak in some places.

In the context of huge social housing problems (see p7) these resources could have been better used.

Need to Broaden Tax Base

The 2008-2013 economic crash and recession highlighted deficiencies in Ireland taxation system and at the time there appeared to be a willingness to pursue policies to broaden the tax base. As *Social Justice Ireland* had pointed out for many years prior to these events, there was a long overdue need and potential to do this.

It is of concern that the general direction of Budget 2017 has been towards narrowing the tax base; reducing income tax, capital acquisition tax etc. This follows a similar approach one year ago. It is as if the hard learnt lessons of recent years are already being forgotten.

Social Justice Ireland believes Government needs to refocus its taxation strategy so that we finally establish a broader and more stable tax base. A continued policy of populist narrowing of the tax base will put Ireland back in the vulnerable position it found itself in a decade ago.

Moving Beyond GDP

Measuring the size of an economy and changes in its level is an important part of policy making and evaluation. It should provide a benchmark for the adequacy of taxation and spending alongside facilitating comparisons over time and with other countries.

However, the 2015 GDP figures for Ireland released during the last few months are widely regarded as meaningless and offering little insight into the size of the Irish economy or its economic progress. Simply, the numbers have been rendered meaningless by the scale of international tax planning (minimisation) that is being routed to or through Ireland.

Consequently, we need new and more comprehensive measures of socio-economic progress. Ireland should take a lead role in establishing better measures of progress.

Social Protection

The Context

- One in seven or 16.3% of people are at risk of poverty (CSO SILC 2015). The consistent poverty rate is 8%.
- Almost one third of the population (29%) experiences two or more enforced types of deprivation. Households with one adult and one or more children have the highest deprivation rates (58.7%).
- People living in poor accommodation and people with a disability also have very high deprivation rates (over 50%).
- By age group, children (0-18) continue to have the highest risk of poverty with 229,918 children (18.6%) in this category. Children also have the highest deprivation rate (36.1%) and the highest consistent poverty rate (11.2%).
- The at risk of poverty rate in rural areas (19.1%) is almost 5 percentage points higher than urban areas (14.6%).
- Without social welfare payments 49.3% of Ireland's population would be at risk of poverty. Such an underlying poverty rate suggests a deeply unequal distribution of direct income. The basic social welfare rate for a single person is almost €30 a week below the poverty line.
- Tackling high rates of poverty and inequality effectively is a multifaceted task. It requires action on many fronts. However, the most important requirement in tackling poverty is the provision of sufficient income to enable people to live life with dignity. No anti-poverty strategy can possibly be successful without an effective approach to addressing low incomes.

The Budget

- Increased primary social welfare rates by €5.00 weekly (March 2017) - proportional increases for qualified adults and those on reduced rates of payment.
- Increased State Contributory and Non-Contributory Pensions by €5.00 per week from March 2017.
- Increased coverage of social insurance benefits for self-employed by extending entitlement to the Invalidity Pension (December 2017) and Treatment Benefit scheme (March 2017). Expanded Dental and Optical Benefit (October 2017) for insured employees and self employed. Reduced the access time of the Back to Work Enterprise Allowance to 9 months.
- Established Cost of Education Allowance (€500) per annum for parents in receipt of Back to Education Allowance (BEA) and increased BEA by €33.00 weekly for those under 26 years.
- Reduced personal rent contributions for those under 26 years receiving Jobseeker's Allowance.
- Increased income disregard to €110 from €90 for One Parent Family and Jobseeker's Transition Payments (January 2017).
- Improved means testing arrangements for lower-income farmers on Farm Assist.
- Extended the Medical Card coverage to children in receipt of domiciliary care allowance. Christmas Bonus restored to 85% of weekly payments for long-term recipients.
- Extended the payment of the Carer's Allowance for a period of 12 weeks after the person moves permanently into residential care/nursing home.
- Increased Guardian's Contributory and Non-Contributory payments of €15.00 weekly.
- Established funding for projects to provide pre-activation supports for people with disabilities.
- Increased funding for the nationwide Community Services Programme in 2017.

Our Response

- *Social Justice Ireland* welcomes the first increase in seven years in the primary social welfare rates (excluding the State Pension) of €5.00 per week.
- However, this increase is less than the €6.50 per week advocated by *Social Justice Ireland* and fails to address the impact of inflation. Between 2010 and early 2016 inflation was 3.44% implying that a buying power of €188 in 2010 was equivalent to €194.50 by February 2016.
- Therefore, primary social welfare rates at this level are required in 2016 to protect the basic living standards of welfare recipients.
- The extension of the Medical Card to all children in receipt of the Domiciliary Care Allowance and the €5.00 weekly increase in the Disability Allowance is noted. However, these measures, do not take into account the additional daily cost of living for people with a disability.
- The increased coverage of social insurance benefits for the self-employed is welcome as it addresses a gap in the social security net. However, the delay in its implementation is regrettable.
- The new Cost of Education Allowance for parents and the increased rate for jobseekers under 26 years is a needed, although limited, recognition of the cost involved in returning to education.
- *Social Justice Ireland* believes that while Budget 2017 responds to some extent to the needs of disadvantaged groups, the opportunity was lost to give significant and focused support to those most at risk of poverty e.g. people with a disability, those in Direct Provision and pensioners living alone.

Work, Unemployment, Job Creation

The Context

- There has been a welcome increase in the numbers of people employed in Ireland over that last 12 months. There has been an increase of 3% in the numbers employed (since Q2, 2015) and the unemployment rate now stands at 8.6% (CSO, QNHS Q2 2016).
- Meanwhile, more than 62 per cent of the rise in employment over the past 12 months is accounted for by just four counties; Dublin, Meath, Kildare and Wicklow. In fact, jobs growth in Dublin in the year to June was running at more than twice that of the Border region, and nearly five times that of the West. There is a real need for comprehensive polices to address rural unemployment, underemployment and precarious employment.
- Despite the increase in employment, the fact that over half of those who are unemployed are long-term unemployed is now a structural problem. It is clear that reskilling many of the unemployed, in particular those with low education levels, must be a key component of the policy response.
- The group most affected by the increase in long-term unemployment has been in the age cohort 45 to 66+ years. The percentage of older unemployed workers that are without a job for more than a year has grown from 29 per cent in Q2 2009 to 69 per cent today.
- Ensuring sufficient resources are available for the up-skilling of those who are unemployed and at risk of becoming unemployed through integrating training and labour market programmes will be a crucial part of the policy response. In particular the needs of older workers and those in rural areas must be addressed.

The Budget

- Allocated €257m in current expenditure and 545m in capital expenditure to the Department of Jobs , Enterprise and Innovation.
- Increased minimum wage by €0.10 per hour to €9.25.
- Increased Jobseekers Benefit and Allowance by €5 per week for adults and pro rata for dependants.
- Forecast an unemployment rate of 7.8% and an increase of 43,000 people at work by the end of 2017.
- Increased IDA capital funding by 22% to €137m including provision for new Advance Facilities in the regions.
- Allocated funds to Enterprise Ireland to roll out a series of competitive regional funds to support job creation projects .
- Increased Local Enterprise Offices' (LEOs) capital funding by 22% to €22.5m, to stimulate local start-ups and job creation.
- Extended the Start Your Own Business Scheme for 2 years to support unemployed people to develop enterprises.
- Increased the expenditure on training / upskilling for people in employment by 29% to €107m.
- Decreased expenditure on training people for employment by 9% to €255m.
- Allocated funding to meet increased demand for traditional apprenticeships and those in new sectors.
- Increased Rural Social Scheme by 500 places.
- Reduced funding for Jobsbridge and Gateway work placement programmes by 44% and 78% respectively.

Our Response

- *Social Justice Ireland* welcomes the increase in the Minimum Wage by 10c to 9.25 per hour. However, this is still well below the Living Wage of €11.50 per hour.
- We welcome the increase in payments to jobseekers. But regret that the gap between rates of payment for adults and young people has widened.
- The Government's target of 7.8% unemployment at the end of 2017 is extremely unambitious and would leave c172,000 people unemployed, of whom at least half are likely to have been so for over a year.
- The projected increase of 43,000 people at work next year must be reviewed in the context of the changing demographics which are increasing the number of people in the labour force, thus increasing the demand for jobs. A more ambitious rate of job creation is required to make a real impact on the number of people unemployed.
- *Social Justice Ireland* considers it essential that new jobs created via the various supports outlined in the Budget provide sustainable decent employment for their workers. We welcome the commitment to increasing employment in the regions. This needs to be carefully monitored to ensure it addresses the current imbalances .
- Moving towards full employment requires an investment in upskilling people who are seeking work and also those who are in precarious employment.
- In a recovering jobs market it is more important than ever to ensure that long term unemployed people are able to access new opportunities. This requires intensive training and support focussed on this group.

Healthcare

The Context

- Healthcare is a social right that every person should enjoy. People should be assured that care in their times of vulnerability is guaranteed. Universal access is needed to ensure that a social model of health can become a reality.
- Ireland is the only EU health system that does not offer universal coverage of primary care. In Ireland out-of-pocket spending on medical expenses as a share of household consumption is above the EU 28 average.
- Ireland's population is ageing. By 2031 there will be nearly 1 million people aged 65 and over living in Ireland.
- This level of population ageing requires a greater shift towards primary and community services as a principal means of meeting patient needs.
- *Social Justice Ireland* is seriously concerned that there is no evidence that funding has been provided to address the ageing of the population.
- Since 2008 the number of home help hours delivered has decreased by over 2.2 million hours and there has been a 12% reduction in the number of people being supported by the service.
- In the same period there has been a 70% increase in the number of people being supported by home care packages.
- If the health of older people is to be addressed appropriately it is essential that they are supported in ways that enable them to live at home as long as possible.
- This requires the provision of and continued resourcing of community-based services which are adequate to meet their needs.

The Budget

- Allocated €14.6 billion, which represents an increase of approximately €500m (having regard to the fact that an additional €500m had already been allocated during 2016). Additional resources detailed in Expenditure Report for Budget 2017 from the Department of Public Expenditure and Reform totalled €103m made up as follows:

⇒ Extended Medical Card Eligibility to Children in receipt of the Domiciliary Care Allowance (cost €10m).

⇒ Reduced cap on prescription charges for medical card holders aged over 70 by €5 per month (cost €10m).

⇒ Committed additional €15m funding to the National Treatment Purchase Fund (NTPF) targeting patients waiting longest.

⇒ Older People: Introduced a Winter Initiative Management of older persons care pathways intended to allow people to move out of acute care, including 950 additional Home Care Packages (cost €40m).

⇒ Disability: Provision of certain services and supports aimed at children and young people with disabilities (€21m).

⇒ Allocated €5m to Healthy Ireland and €2m to the Irish Longitudinal Study on Ageing.

- Recruitment of 1,200 additional staff was included but no cost breakdown was given. An amount of €119m was referenced in respect of demographic pressures in 2017. Spending for other services were said to be set out in the Health Service Executive's National Service Plan for 2017, which is not yet available. The net result is that there is a balance of €278m in respect of which it is not clear how it is to be allocated.

Our Response

- *Social Justice Ireland* acknowledges a very modest budget increase in health service funding.
- However, we doubt that the additional allocation will be sufficient to meet existing service levels and the introduction of new measures in Budget 2017 while also addressing demographic pressures.
- *Social Justice Ireland* in its pre-budget submission outlined the need for, amongst other things, investment in Community Healthcare Organisations and Primary Care Networks as well as development of the Primary Care Teams, provision of additional residential care services, additional community-based services to meet the needs of a growing older population, additional services for disabled people (including respite, residential and PA services), and resources for improved mental health services.
- Not for the first time, *Social Justice Ireland* is concerned about the transparency of the budgeting process within the Department of Health.
- In particular, it was impossible to reconcile the measures announced by the Department of Health (press release, 11.10.16) and their costings with those published in the Expenditure Report for 2017 by Dept. of Public Expenditure and Reform (see above).
- It is crucial from the point of view of transparency and democracy that every aspect of the budget is transparent for the benefit of Oireachtas members and the general public.
- It is also necessary that this be done before we can analyse and critique its provisions in a comprehensive way.

Education

The Context

- There are over 1 million full-time students in the Irish education system with the Department of Education projecting significant increases in enrolments at all levels between now and 2028.
- Enrolments at primary level and second level are projected to peak in 2018 and 2025 respectively and full-time enrolments at third level are expected to rise every year between 2015 and 2028.
- This level of increased enrolment will mean increased expenditure, both current and capital, at all levels and over the medium to long-term.
- Despite having 28% of the population aged 0-19 Ireland spends relatively limited amounts on education. There has been a decrease of 20.4 per cent in real expenditure per student at third level between 2004 and 2013.
- Ireland spends just 0.1 per cent of GDP on pre-primary education compared with an OECD average of 0.5 per cent of GDP. Continued underinvestment in early childhood education is a cause for concern and a long-term cost to the state.
- Ireland has a lifelong learning participation rate of 6.5%, far below the EU2020 target of 15%.
- Access in adult life to desirable employment and choices is closely linked to one's level of educational attainment. The OECD recommends that lifelong learning opportunities should be accessible to all whether outside work or in the workplace.
- Irish third level graduates enjoy the highest income return of all member states in the OECD, on average 64% more than those with a leaving certificate only.

The Budget

- Allocated funding for an additional 2,515 posts:

⇒ 680 additional posts to meet demographic needs;

⇒ 900 additional resource teachers;

⇒ 115 additional Special Needs Assistants;

⇒ 100 additional guidance posts;

⇒ 720 additional mainstream posts;

- Allocated €51m to provide for demographic growth (including 680 posts and capitation costs for approximately 11,000 students).
- Allocated an additional €5m to implement the Action Plan for Educational Inclusion.
- Allocated an additional €8m for ongoing curricular reform.
- Amended staffing allocations for Small Primary Schools whereby:

⇒ One teacher island primary schools can appoint a second teacher;

⇒ Single teacher schools with 15+ pupils and 6 or more class groups can apply to staffing appeals board for a second post;

- Allocated an additional €36.5m to higher education as the first instalment of an extra allocation of €160m over 3 years. This will include:

⇒ €4m to reinstate postgraduate maintenance grants in September 2017 for the most disadvantaged students;

⇒ €31m to provide for increased demand, further develop HEI's and TUIs and investment in research and skills initiatives;

⇒ €1.5m to implement the International Education Strategy.

Our Response

- *Social Justice Ireland* welcomes, the €51m allocation to provide for demographic growth in the school sector.
- We welcome the additional allocation of €36.5m to higher education in 2017. It is important to note that there has been a 20 per cent reduction in funding per student and a 30 per cent decline in the staff to student ratio in higher education in the past seven years.
- An allocation of €160m over three years will help to address some of the investment deficit within higher education system. However this allocation will have to increase significantly to bring our higher education funding in line with those countries we aspire to emulate and whom we compete with.
- We welcome the additional 2,515 post allocations in Budget 2017. It is of note that less than half of these posts are new frontline staff. It is important that future additional posts are part of a coordinated approach to meet increasing demographic pressures and to reduce the pupil teacher ratio at all levels.
- Whilst provision has been made for an additional 179,000 full-time enrolments in higher education it is important that there is a built in provision for part-time enrolments. Ireland must plan to invest in skills development at all levels including both full and part-time enrolments.
- We welcome the decision to reinstate maintenance grants for disadvantaged postgraduate students.
- We are disappointed not to see a focus on lifelong learning and adult literacy, two crucial areas to improve skills development.

Sustainability

Social Justice Ireland regrets that Government has not invested substantially in climate mitigation or sustainable development policies in Budget 2017. While continued investment in energy efficiency, retrofitting and the GLAS programme and subsidies for efficient combined heat and power stations are welcome, it is disappointing that Government did not pursue the opportunity to broaden Ireland's tax base through removing subsidies supporting harmful environmental practices. Regrettably Government continues to pursue policies that will ensure Ireland will exceed our limits in terms of emissions targets. This will have sizeable financial implications for Ireland in the coming years. The compliance cost of overshooting our emissions targets (which the EPA project will happen in 2017) is in the region of €60m to €120m per annum. In addition to emissions compliance costs Ireland could potentially face costs in the region of €168m (a conservative estimate) for not meeting legally binding renewable targets.

Rural and Regional

A growing urban-rural divide has developed in Ireland since 2008. Poverty and unemployment are higher in rural Ireland. A targeted approach is urgently required if these urban/rural disparities are to be addressed. The trend of falling agency assisted employment in rural areas and in certain regions is also a cause for concern. It highlights the barrier that a lack of an adequate rural broadband network, services and integrated transport presents to agencies in attracting FDI beyond the urban centres.

While we welcome the increase in funding for the Rural Development Programme, LEADER and CLÁR and the funding to develop an Action Plan for Rural Development in Budget 2017 it is disappointing that Government did not take the opportunity in Budget 2017 to implement a Rural Enterprise Scheme focussed on creating quality, sustainable jobs with career progression. We also regret that Government did not frontload investment in the rollout of rural broadband, which is the key to developing thriving and sustainable communities across Ireland.

Disability

People with a disability experience higher everyday costs of living because of their disability when compared to others in society. They 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.

While we welcome the increase of €5 in the disability payment and the medical card for children on a domiciliary care allowance we are disappointed that Government did not take this opportunity to introduce a cost of disability payment to ensure an adequate income for people with a disability who face extra costs on a daily basis.

Poverty and Budget 2017

Almost 1 in every 6 people in Ireland, just over 750,000, live on an income below the poverty line. Almost 230,000 of these are children living in low income households with a parent or parents who are also living on a poverty income.

The latest incomes data from the CSO identifies those groups who are at highest risk of poverty in Ireland. These include the unemployed, those on home duties, those unable to work because of illness and disability and children. Overall, 16.3% of the population live on incomes that are below the poverty line.

Budget 2017 has taken limited steps to assist these groups. Indeed the skewed nature of its distribution of resources is likely to lead to higher rates of poverty in the years to come. As a recovery emerges, current policy should not repeat the mistakes of the past and let those who are most vulnerable in society fall further behind.

Prescription Charges

Social Justice Ireland welcomes the reduction in the monthly cap on prescription charges for those over 70 years of age from €25 to €20.

Out-of-pocket medical expenses such as prescription charges operate as a major barrier for poorer people in accessing health services or treatments. The prescription charge has adversely affected poorer groups, and in particular older people, people with disabilities or with chronic conditions without the income to compensate for such charges. The 2010 report of the Expert Group on Resource Allocation and Financing in the Health Sector recommended such prescription charges be removed because they are often a disincentive to vulnerable and elderly people from seeking the medical care they need. While we welcome the reduction in the prescription charge cap in Budget 2017 it is important that Government work towards eliminating prescription charges in Budget 2018 and ensuring that nobody faces a financial barrier to access medical care and treatments.

Universal Pension

Social Justice Ireland has produced a detailed study showing how and why a Universal Pension could be introduced in Ireland. Such an initiative would provide older citizens, regardless of their means or employment history, with a guaranteed income during old age. It would also provide those older people who do not receive any support through the state pension system with a pension, thus achieving universal coverage.

Our proposal would establish a fairer distribution of income, reducing the exchequer spend on costly tax breaks, and thus help to ensure the long-term sustainability of the state pension system. We regret that Government has chosen not to follow this progressive path in Budget 2017.

Public Finances 2017 — 2019

Below we outline the government finances for 2017 and the following two years. The current budget comprises the income (or receipts) and expenditure associated with the day-to-day running of the country. Income includes revenue from taxation and flows of funds to the government from other sources including the Central Bank and the National Lottery. Collectively, these give a figure for the total income expected to be received by the government. Expenditure includes interest payments on the national debt, contributions to the EU and the costs associated with running on a day-to-day basis Ireland's economic and social services. When transfers to the social insurance fund (PRSI) and unspent resources from previous years are excluded a figure for ***net current expenditure*** planned for next year is reached. The ***current budget balance*** indicates how much day-to-day income exceeds (if positive), or falls short of (if negative), day-to-day spending. The capital budget captures government investment. Collectively the current budget balance and capital budget balance combine to give the Exchequer Balance. Finally, the General Government Balance measures the fiscal performance of all arms of Government, thus providing an accurate assessment of the fiscal performance of a more complete "government" sector. This is the measure used by the ECB in assessing compliance under the Stability and Growth Pact.

Rounding may impact on totals	**2017**	**2018**	**2019**
CURRENT BUDGET	€m	€m	€m
Expenditure			
Gross Voted Current Expenditure	53,495	54,715	56,070
Non-Voted (Central Fund) Expenditure	9,550	9,640	9,530
Gross Current Expenditure	**63,045**	**64,355**	**65,600**
less Receipts and Balances (including PRSI)	11,840	11,880	11,945
Net Current Expenditure	**51,210**	**52,475**	**53,650**
Receipts			
Tax Revenue	50,620	53,570	56,535
Non-Tax Revenue	2,615	1,820	1,985
Net Current Revenue	**53,235**	**55,385**	**58,525**
CURRENT BUDGET BALANCE	**2,025**	**2,910**	**4,870**
CAPITAL BUDGET			
Expenditure			
Gross Voted Capital	4,535	5,295	6,070
Non-Voted Expenditure	1,095	1,100	1,090
Gross Capital Expenditure	**5,630**	**6,395**	**7,160**
less Capital Receipts	270	270	270
Net Capital Expenditure	**5,360**	**6,125**	**6,890**
Capital Resources	**1,185**	**950**	**1,235**
CAPITAL BUDGET BALANCE	**-4,175**	**-5,175**	**-5,660**
Contingency Reserve	0	0	1,000
EXCHEQUER BALANCE	**-2,150**	**-2,260**	**-1,785**
GENERAL GOVERNMENT BALANCE	**-1,235**	**-820**	**540**
% of GDP	-0.4%	-0.3%	0.2%

SOCIAL WELFARE: Social Insurance weekly rates from March 2017

PERSONAL AND QUALIFIED ADULT RATES	Present Rate	New Rate	Change
State Pension (Contributory)	**€**	**€**	**€**
(i) Under 80:			
Personal rate	233.30	238.30	5.00
Person with qualified adult under 66	388.80	397.10	8.30
Person with qualified adult 66 or over	442.30	451.80	9.50
(ii) 80 or over:			
Personal rate	243.30	253.30	10.00
Person with qualified adult under 66	398.80	408.80	10.00
Person with qualified adult 66 or over	452.30	462.30	10.00
Widow's/Widower's Contributory Pension			
(i) Under 66:	193.50	198.50	5.00
(ii) 66 - 79:	233.30	238.30	5.00
(iii) 80 or over:	243.30	248.30	5.00
Invalidity Pension:			
Personal rate	193.50	198.50	5.00
Person with qualified adult	331.60	340.20	8.60
Carer's Benefit			
Personal rate	205.00	210.00	5.00
Maternity Benefit			
Personal rate	230.00	235.00	5.00
Occupational Injuries Benefit - Death Benefit Pension			
(i) Personal rate under 66	218.50	223.50	5.00
(ii) Personal rate 66 - 79	237.70	242.70	5.00
(iii) Personal rate 80 or over	247.70	252.70	5.00
Occupational Injuries Benefit - Disablement Benefit			
Personal rate (maximum)	219.00	224.00	5.00
Illness/Jobseeker's Benefit			
Personal rate	188.00	193.00	5.00
Person with qualified adult	312.80	321.10	8.30
Injury Benefit/Health and Safety Benefit			
Personal rate	188.00	193.00	5.00
Person with qualified adult	312.80	321.10	8.30
Guardian's Payment (Contributory)			
Personal rate	161.00	176.00	15.00
Increases for a qualified child			
All schemes in respect of all children	29.80	29.80	0.00

Child Benefit Monthly Rate from January 2017

	Present Rate	New Rate	Change
Child Benefit	**€**	**€**	**€**
Rate per child (all children)	140.00	140.00	0.00

SOCIAL WELFARE: Social Assistance weekly rates from March 2017

	Present Rate	New Rate	Change
State Pension (Non-Contributory)	€	€	€
(i) Under 80:			
Personal rate	222.00	227.00	5.00
Person with qualified adult under 66	368.70	377.00	8.30
(ii) 80 or over:			
Personal rate	232.00	237.00	5.00
Person with qualified adult under 66	378.70	388.70	10.00
Widow(er)'s Non-Contributory Pension			
Personal rate	188.00	193.00	5.00
One-Parent Family Payment			
Personal rate with one qualified child (not age 18)	217.80	222.80	5.00
Carer's Allowance			
(i) Under 66 (caring for one person)	204.00	209.00	5.00
(ii) 66 or over (caring for one person)	242.00	247.00	5.00
Disability Allowance			
Personal rate	188.00	193.00	5.00
Person with qualified adult	312.80	321.10	8.30
Pre-Retirement Allowance/Farm Assist			
Personal rate	188.00	193.00	5.00
Person with qualified adult	312.80	321.10	8.30
Guardian's Payment (Non-Contributory)			
Personal rate	161.00	176.00	15.00
Living Alone Allowance			
Weekly	9.00	9.00	0.00
Increases for a qualified child			
All schemes in respect of all children	29.80	29.80	0.00

Changes in Maximum Weekly Rates of Jobseeker's Allowance from March 2017

	Present Rate	New Rate	Change
18 to 24 years of age	€	€	€
Personal rate	100.00	102.70	2.70
Person with qualified adult	200.00	205.40	5.40
25 years of age			
Personal rate	144.00	147.80	3.80
Person with qualified adult	268.80	275.90	7.10
Over 25 years of age			
Personal rate	188.00	193.00	5.00
Person with qualified adult	312.80	321.10	8.30

Details regarding maximum weekly rates of Supplementary Welfare Allowance January 2017 available in Comprehensive Expenditure Report 2017-2019 p110

Building foundations of a vibrant Ireland

Most Irish people would like to live in a society 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 a **vision** of Ireland's future in which all men, women and children have what they require to live life with dignity and to fulfil their potential which includes having:

- Sufficient income;
- Meaningful work;
- Access to the services they need;
- Real participation in decision-making;
- Active inclusion in a genuinely participatory society.

If such a vision of Ireland's future is to be reached then care must be taken to ensure **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 will follow.

Instead it is critical to recognise the importance of an integrated approach that seeks to deliver five outcomes simultaneously:

1. A thriving economy;
2. Just taxation;
3. Decent services and infrastructure;
4. Good governance, and
5. 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 environmental 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.

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 and poor infrastructure.

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

Overseas Development Aid

Budget 2017 allocated €650.5m to Ireland's Official Development Assistance (ODA) programme, which is an increase of approximately €10m on 2016.

While an increase in allocation is certainly welcome, it is disappointing that moving towards the UN-agreed ODA target of 0.7 per cent of GNP is not a priority in this Budget.

The ODA budget is now down by 30 cent on 2008. Based on current projections, it is likely to be 0.30 per cent of GNP in 2017; a low for Ireland not yet seen in the 21st century.

While national income figures are often a poor guide — especially so for Ireland — the Minister for Finance is happy to cite them when claiming credit for meeting our debt targets. They are therefore good enough for ODA comparisons too, and it is regrettable that we have not at least maintained our ODA to GNP ratio. Our improving economic situation is an opportunity to recover lost ground in relation to our ODA targets, and this opportunity has not been grasped.

In recent times, Ireland has been commended by the OECD Development Assistance Committee (DAC) Peer Review for the effectiveness of our aid programme. We can be justifiably proud of our record of providing high quality, untied, grant-based aid.

We can be especially proud that we allocate aid to Least Developed Countries in a greater proportion than do the vast majority of other OECD countries.

However, many of these other countries have taken a leadership role in moving towards the 0.7 per cent target, and Ireland's record in this regard has historically been very poor.

In our Budget Choices Briefing, *Social Justice Ireland* urged Government to make a commitment to increase the aid budget over the next five years in order to reach 0.59 per cent of GNP, matching our pre-recession peak.

This would serve as a staging post, from which Ireland could then progress to reach the 0.7 per cent target by 2025. Budget 2017 is therefore a major step backwards in this regard.

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SOCIAL JUSTICE IRELAND

working to build a just society

Social Justice Ireland is an independent think-tank and justice advocacy organisation of individuals and groups throughout Ireland who are committed to working to build a just society where human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected.

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