Draft National Risk Assessment 2018

Overview of Strategic Risks

Social Justice Ireland, June 2018

Contents

Introduction

Social Justice Ireland is an independent think tank and justice advocacy organisation that advances the lives of people and communities through providing independent social analysis and effective policy development to create a sustainable future for every member of society and for societies as a whole. We welcome the opportunity to respond to the Government's call for submissions in respect of the Draft National Risk Assessment 2018, Overview of Strategic Risks.

This submission follows the format of the submission questions contained in the consultation document. *Social Justice Ireland* is available to the Department of An Taoiseach to expand or elaborate on any area within.

Submission Questions

1. Have the correct strategic risks been identified or are there other significant risks that should be included?

Need to Broaden the Tax Base and increase the Tax Take

Reforming and broadening the tax base

Consecutive Country Reports on Ireland produced by the European Commission have highlighted the need for Ireland to broaden the tax base and, by extension, increase the tax take. The Irish experience of the last decade has highlighted the centrality of taxation in budget deliberations and to policy development at both macro and micro level. Taxation plays a key role in shaping Irish society through funding public services, supporting economic activity and redistributing resources to enhance the fairness of society. Consequently, it is crucial that clarity exist with regard to both the objectives and instruments aimed at achieving these goals. To ensure the creation of a fairer and more equitable tax system, policy development in this area should adhere to our core policy objective of collecting sufficient taxes to ensure full participation in society for all, through a fair tax system in which those who have more pay more, while those who have less pay less.

Social Justice Ireland believes that there is merit in developing a tax package which places less emphasis on taxing people and organisations on what they earn by their own useful work and enterprise, or on the value they add or on what they contribute to the common good. Rather, the tax that people and organisations should be required to pay should be based more on the value they subtract by their use of common resources. Whatever changes are made should also be guided by the need to build a fairer taxation system; one which adheres to our already stated core policy objective. There are a number of approaches available to Government in reforming the tax base. Recent Budgets have made some progress in addressing some of these issues while the 2009 Commission on Taxation Report highlighted many areas that require further reform. A short review of the areas we consider a priority are presented below:

- Tax Expenditures / Tax Reliefs

The most recent comprehensive tax expenditure data published by the Revenue Commissioners covers the tax year 2015. In total it provides data for 117 tax breaks ranging from those associated with tax credits for earners (Personal, PAYE, Couple, Single Parent etc.) to reliefs on capital investment and films. Twenty seven per cent of tax breaks did not report any data either on account of delays, non-collection or discontinuation. These include the tax breaks for some pension reliefs which are only available for earlier years. Overall, the tax breaks with available data involve revenue forgone of €25bn.

Despite progress being made in addressing and reforming tax breaks, recent Budgets and Finance Bills have introduced new tax breaks targeted at high earning multinational executives and research and development schemes, and extended tax breaks for film production and the refurbishment of older buildings in urban areas. For the most part, there has been no, or limited, accompanying documentation evaluating the cost, distributive impacts or appropriateness of these proposals.

There needs to be prior evaluation of the costs and benefits of any proposed expenditure, the need to collect detailed information on each expenditure, the introduction of time limits for expenditures, the creation of an annual tax expenditures report as part of the Budget process and the regular scrutiny of this area by an Oireachtas committee.

- Minimum Effective Tax Rates for Higher Earners

It is important that Government continues to raise the minimum effective tax rate for high earners so that it is in line with that faced by PAYE earners on equivalent high-income levels. Following Budget 2018 a single individual on an income of €125,000 gross will pay an income tax and USC effective tax rate of 37.4 per cent (down from 39.3 per cent in 2014); a figure which suggests that the minimum threshold for high earners has potential to adjust upwards over the next few years. We also believe that Government should reform the High Income Individuals' Restriction so that all tax expenditures are included within it. The restriction currently does not apply to all tax breaks individuals avail of, including pension contributions. This should change in Budget 2019.

- Corporation Taxes

Over the past few years there has been a growing international focus on the way multi-national corporations (MNCs) manage their tax affairs. The OECD's Base Erosion and Profits Shifting (BEPS) examination has established the manner and methods by which MNCs exploit international tax structures to minimise the tax they pay. Similarly, the European Commission has undertaken a series of investigations into the tax management and tax minimisation practices of a number of large MNCs operating within the EU, including Ireland. The European Parliament's Special Committee on Tax Rulings has also completed a review of the EU tax system and highlighted its problems and failures (TAXE, 2015).

Despite a low headline rate (12.5%), to date there has been limited data on the effective rate of corporate taxation in Ireland. Looking at tax receipts for 2016, the 2016 Report of the Comptroller and Auditor General (C&AG, September 2017) found that there were 44,000 corporate taxpayers but that receipts were dominated by "a small number of taxpayers, mainly multi-national enterprises (MNEs)" (2017:289). Noting the fiscal risk associated with this, the report indicated that 37 per cent of the 2016 corporation tax was paid by the top 10 taxpayers and 70 per cent by the top 100 taxpaying companies. Four sectors accounted for 84 per cent of the €7.35 billion in revenue collected in 2016 and these were: financial and insurance activities (28%); manufacturing including pharmaceutical manufacturing (25%); information and communications (17%); and wholesale and retail trade (14%). The report noted that the three largest of these are sectors "dominated by MNEs" (2017:291).

Social Justice Ireland believes that an EU-wide agreement on a minimum effective rate of corporation tax should be negotiated and this could evolve from the ongoing discussions around a Common Consolidated Corporate Tax Base (CCCTB). We believe that the minimum rate should be set well below the 2017 EU-28 average headline rate of 21.9 per cent but above the existing low Irish level. A headline rate of 17.5 per cent and a minimum effective rate of 10 per cent seem appropriate. This reform would simultaneously maintain Ireland's low corporate tax position and provide additional revenues to the exchequer. Based on the C&AG report the impact of such a reform would be confined to a small number of firms yet it is likely to raise overall corporate tax revenues. Rather than introducing this change overnight, agreement may need to be reached at EU level to phase it in over three to five years. Reflecting this, we proposed prior to Budget 2018 that the effective rate be adjusted to a minimum of 6 per cent – an opportunity regrettably missed.

- Site Value Tax

There has also been a number of research papers published on this issue over the past decade, including publications by *Social Justice Ireland*. Overall they point towards a recurring site value tax that is fairer and more efficient than other alternatives. *Social Justice Ireland* believes that the introduction of a site value tax would be a better alternative than the current value based local property tax. A site value tax would lead to more efficient land use within the structure of social, environmental and economic goals embodied in planning and other legislation.

- Second Homes

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, something reflected in the 2016 Census data. *Social Justice Ireland* believes that 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 Government should introduce a levy on empty houses of €200 per month with the revenue from this charge collected and retained by local authorities.

- Empty Houses and Underdeveloped Land

Local authorities should also be charged with collecting 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, hinted at but not introduced in Budget 2018, should be levied at a rate of €2,000 per hectare (or part thereof) per annum. Income from both measures should reduce the central fund allocation to local authorities.

- Taxing Windfall Gains

A windfall tax level of 80 per cent imposed on the profits earned from the vast profits made by property speculators on the rezoning of land by local authorities is appropriate and, still leaves speculators and land owners with substantial profits from these rezoning decisions. The profit from this process should be used to fund local authorities. In announcing his Budget 2016 decision, the Minister for Finance noted that the tax was not currently raising any revenue and so justified its abolition on this basis. However, as the property market recovers and as the population continues to grow in years to come, there will be many beneficiaries of vast unearned speculative windfalls.

Social Justice Ireland believes that this tax should be re-introduced. Taxes are not just about revenue, they are also about fairness.

- Financial Transactions Tax

Social Justice Ireland regrets that to date Government has not committed to supporting recent European moves to introduce a Financial Transactions Tax (FTT), a progressive tax, designed to target only those profiting from speculation. It is levied at a very small rate on all transactions but given the scale of these transactions globally, it has the ability to raise significant funds. In September 2011 the EU Commission proposed an FTT and its proposal has evolved since then through a series of revisions and updates. Current plans are for the tax to commence under the EU's enhanced co-operation procedure in at least 10 EU members states in 2017/2018. It suggested that an FTT would be levied on transactions between financial institutions when at least one party to the transaction is located in the EU. Although the final structure of rates has yet to be agreed, the initial rates reflect the concept's focus on charging small rates on financial flows. These included the taxing of the exchange of shares and bonds at a rate of 0.1 per cent, and derivative contracts at an even lower rate of 0.01 per cent. The rates are minimums as countries within the EU retain the right to set individual tax rates and could choose higher levels if desired.

We believe that the revenue generated by this tax should be used for national economic and social development and international development co-operation purposes, in particular assisting Ireland and other developed countries to fund overseas aid and reach the UN ODA target. According to the United Nations, the amount of annual income raised from a Tobin tax would be enough to guarantee to every citizen of the world basic access to water, food, shelter, health and education. Therefore, this tax has the potential to wipe out the worst forms of material poverty throughout the world.

- Carbon Taxes

Budget 2010 announced the long-overdue introduction of a carbon tax. This had been promised in Budget 2003 and committed to in the National Climate Change Strategy (2007). The tax has been structured along the lines of the proposal from the Commission on Taxation (2009: 325-372) and is linked to the price of carbon credits which was set at an initial rate of €15 per tonne of CO_2 and subsequently increased in Budget 2012 to €20 per tonne. Budget 2013 extended the tax to cover solid fuels on a phased basis from May 2013 with the full tax applying from May 2014. Products are taxed based on the level of the emissions they create.

While *Social Justice Ireland* welcomed the introduction of this tax, we regret the lack of accompanying measures to protect those most affected by it, in particular low income households and rural dwellers. Social Justice Ireland believes that as the tax increases the Government should be more specific in defining how it will assist these households. Furthermore, we are concerned that the effectiveness of the tax is being undermined as there is limited focus on the original intention of encouraging behavioural change and greater emphasis on simply raising revenue.

Increasing the Tax Take

Social Justice Ireland believes that, over the next few years, policy should focus on increasing Ireland's tax-take. Previous benchmarks, set relative to the overall proportion of national income collected in taxation, have become redundant following recent revisions to Ireland's GDP and GNP levels as a result of the tax-minimising operations of a small number of large multinational firms. Consequently, an alternative benchmark is required.

In our Socio-Economic Review, *Social Justice Matters: 2018 Guide to a Fairer Irish Society,* we proposed a new tax take target set on a per-capita basis; an approach which minimises some of the distortionary effects that have emerged in recent years. Our target is calculated using CSO population data, ESRI population projections, and CSO and Department of Finance data on recent and future nominal overall taxation levels. The target is as follows:

Ireland's overall level of taxation should reach a level equivalent to €15,000 per capita in 2017 terms. This target should increase each year in line with growth in GNI*.

Table 1 compares our target to the Budget 2018 expectations of the Department of Finance. We also calculate the overall tax gap for the economy; the difference between the level of taxation that is proposed to be collected and that which would be collected if the Social Justice Ireland target was achieved. In 2018 the overall tax gap is €2.8 billion and the average gap over the period 2017-2019 will be €2.6 billion per annum.

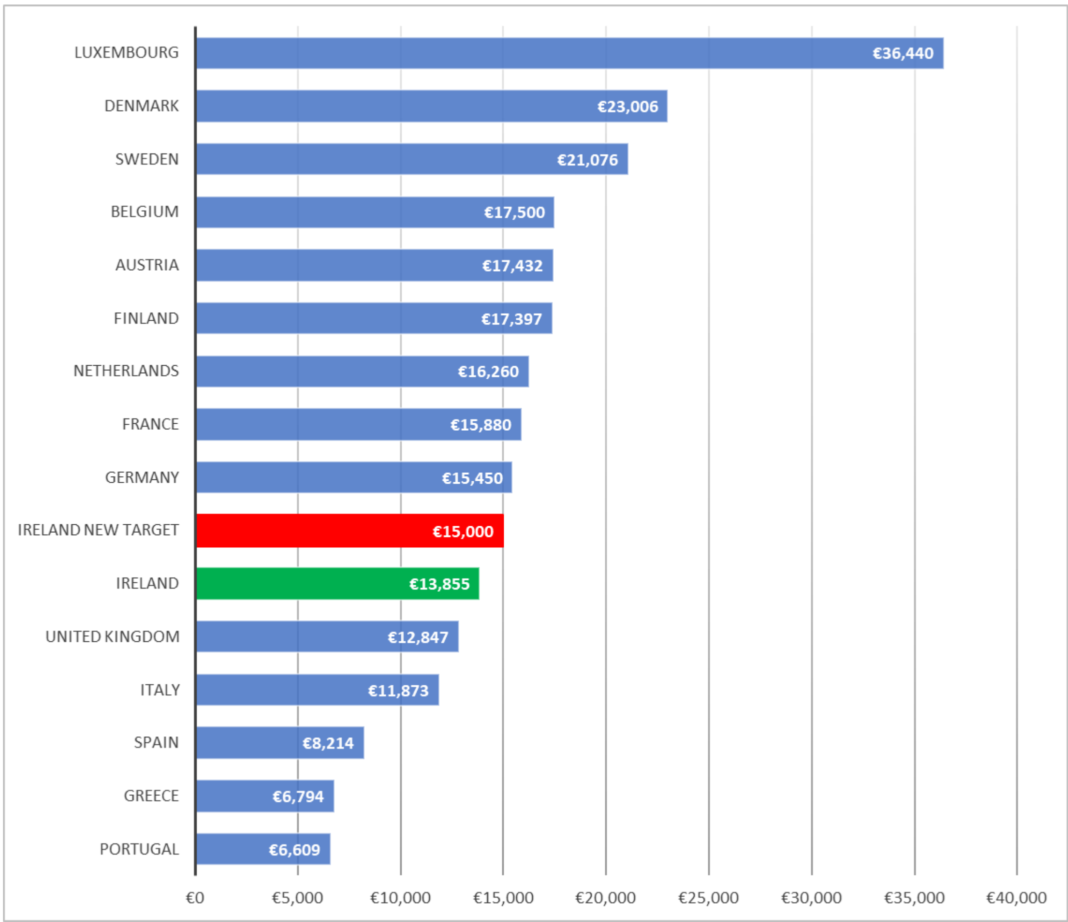
Table 1: Ireland's Tax Gap, 2017-2019

	2017	2018	2019
Tax-take € per capita			
Budget 2018 projection	€14,402	€14,979	€15,448
Social Justice Ireland target	€15,000	€15,495	€15,960
Difference	€598	€516	€512
Overall Tax-take €m			
Budget 2018 projection	€68,806m	€72,136m	€74,988m
Social Justice Ireland target	€71,663m	€74,620m	€77,473m
Tax Gap	**€2,857m**	**€2,484m**	**€2,485m**

Notes: Calculated from Department of Finance (2017: 49), CSO population data, ESRI population projections (Morgenroth, 2018:48), and CSO online database table GFA03. GNI* is assumed to move in line with GNP – as per Department of Finance (2017:49). The Tax Gap is calculated as the difference between the Department of Finance projected tax take and that which would be collected if total tax receipts were equal to the *Social Justice Ireland* target.

Increasing the overall tax take to this level would require a number of changes to the tax base and the current structure of the Irish taxation system, reforms which we highlighted in our Socio-Economic Review, but which are set out in brief later in this submission. Increasing the overall taxation revenue to meet this new target would represent a small overall increase in taxation levels and one which is unlikely to have any significant negative impact on the economy.

Chart 1: Per-Capita Tax Take in EU-15 states, 2016



Source: Eurostat online database and see notes to Table 4.2.

Chart 1 compares the target to the situation in other comparable high-income EU states (the EU-15) using the latest Eurostat data which is for 2016. In that year Ireland's per capita tax figure was €13,855, it grew to €14,402 in 2017. The *Social Justice Ireland* tax target of €15,000 per capita does not alter Ireland's relative position or alter its status as among the lowest taxed economies in Europe. As a policy objective, Ireland can remain a low-tax economy, but it should not be incapable of adequately supporting the economic, social and infrastructural requirements necessary to support our society and complete our convergence with the rest of Europe.

Ireland's overall level of taxation will have to rise significantly in the years to come – a reality Irish society and the political system need to begin to seriously address.

Precarious Employment and Long-Term Unemployment

Over the eleven years from 2007-2017 the labour force has remained stable, but participation rates dropped, full-time employment fell by almost 3 per cent, representing almost 60,000 jobs, while part-time employment increased by almost 3 per cent. In 2017 the number of underemployed people, defined as those employed part-time but wishing to work additional hours, stood at 116,200 people equivalent to 4.9 per cent of the labour force. Over this period unemployment increased by almost 44,000 people, bringing the unemployment rate up from 5.1 per cent to 6.9 per cent; although the 2017 figure represents a dramatic improvement on the levels experienced during the height of the economic crisis in 2010-2012.

This transformation in the labour market has significantly altered the nature of employment in Ireland when compared to the pre-recession picture in 2007. Overall, employment fell by 2 per cent (45,400 jobs) between 2007-2017. Within the CSO's broadly defined employment sectors, construction employment has seen the biggest fall of 46 per cent (108,800 jobs) with industrial employment falling by 11 per cent (35,900 jobs) and agricultural employment experiencing a small decrease. Services employment has gained almost 100,000 jobs over the period (plus 6.3 per cent) with just over three-quarters of all employees recorded as working in this sector. Compared to 2012, employment has been growing in all sectors, representing a welcome recovery that took a long time to emerge.

The consequence of all these job losses was a sharp increase in unemployment and emigration. Dealing with unemployment, between 2007 and 2017, male unemployment increased by 24,000 and female unemployment by almost 20,000. Most of the unemployed, who had been employed in 2007 and before it, are seeking to return to a full-time job with almost 21 per cent of those unemployed in 2017 indicating that they were seeking part-time employment. The impact of the unemployment crisis was felt right across the age groups with younger age groups seeing their numbers unemployed fall since 2012 – a phenomenon not unrelated to the return of high emigration figures over recent years.

The rapid growth in the number and rates of long-term unemployment are of concern. The number of long-term unemployed was 33,500 in 2007 and has increased since, exceeding 200,000 in 2012 before falling again to 65,500 in 2017. For the first time on record, in late 2010 the Labour Force Survey (LFS) data indicated that long-term unemployment accounted for more than 50 per cent of the unemployed. It has taken from then until 2017 for this number to consistently drop below that threshold, reaching 40.1 per cent of the unemployed in the third quarter of 2017. The transition to these high levels was rapid. 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 remains so high and that it is a policy area which receives limited attention.

Addressing a crisis such as this is a major challenge however, it is clear that reskilling many of the unemployed, in particular those with low education levels, will be a key component of the response. Using data for the third quarter of 2017, 48 per cent of the unemployed had no more than second level education with 20 per cent not having completed more than lower secondary (equivalent to the junior certificate). While Government should not ignore any group in its attempts to address the unemployment crisis, major emphasis should be placed on those who are most likely to become trapped in long term unemployment – particularly those with the lowest education levels.

Previous experiences, in Ireland and elsewhere, have shown that many of those under 25 and many of those over 55 find it challenging to return to employment after a period of unemployment. This highlights the danger of the aforementioned increases in long-term unemployment and suggests a major commitment to retraining and re-skilling will be required. In the long-run Irish society can ill afford a return to the long-term unemployment problems of the 1980s. In the short-run the new-unemployed are adding to the numbers living on low-income in Ireland and this, in turn, will continue to have a negative impact on future poverty figures.

Youth unemployment

While the increase in unemployment over the last 11 years was spread across all ages and sectors, there was a very rapid increase in the numbers unemployed under 25 years-of-age. The numbers in this group more than doubled between 2007 and 2009, peaking at almost 105,000 in Quarter 2 2009. Since then decreases have occurred, reaching 44,600 in 2017. While we have limited empirical knowledge of the reasons behind these decreases, some part is most likely associated with emigration trends over many of these years.

Although youth unemployment represents just over one-quarter of the total population that are unemployed, there is merit in giving it particular attention. Experiences of unemployment, and in particular long-term unemployment, alongside an inability to access any work, training or education, tends to leave a 'scaring effect' on young people. It increases the challenges associated with getting them active in the labour market at any stage in the future.

In the short-term it makes sense for Government to invest in the 'youth unemployed' and *Social Justice Ireland* considers this to be a central priority of any programme to seriously address the unemployment crisis. At a European level, this issue has been receiving welcome attention over the past few years; driven by high levels of youth unemployment in other crisis countries.

2. Should any particular risks be prioritised in light of their significance?

Demographic Changes – Preparing for an Ageing Population

Pension Provision

One of the key risks identified under the heading 'social' was the aging population and the challenges posed by Ireland's aging demographic on the pension and healthcare sectors. *Social Justice Ireland* recently proposed a Universal Pension Scheme based on residency. This would replace all other social welfare pension payments and would be funded by a restructuring of the tax relief system on private pensions and a modest increase in Employer PRSI. It is proposed that the Universal Pension would start at €243.30 a week, the same as the current State Pension (contributory). It would be residency based, meaning that the more working-age years a person is resident in Ireland, the higher the percentage of the full pension they receive. 40 years of residency between the age of 16 and the State Pension Age would entitle a person to the full amount.

Introducing this system in 2019 would cost the State €727m. There would be two primary mechanisms to fund this. First, reducing the rate of tax relief on private pensions from 40% to 20% and second increasing employers PRSI by 0.5%. These, along with some other smaller measures, would raise in the region of €949m, which is €200m+ more than the additional cost of the Universal Pension in 2019. Our submission proposes to increase the social welfare pension to 35% of average earnings and be maintained at that level in the decades ahead.

Infrastructure Development

The risks associated with the lack of sufficient infrastructure development – housing, healthcare, childcare – should be prioritised not only because of their impact on wellbeing on an individual and community level, but because of the negative impacts of the economy and society generally. The American Chamber of Commerce Ireland last year identified Ireland's housing deficit as one of the main risks facing inward investment and job creation by multinationals. Income inequality has also recently been identified by the OECD as having a destabilising effect on society.

While conscious of the need to avoid overheating the economy with the creation of an unsustainable 'bubble' in the construction sector, the social and economic benefit of investing in essential infrastructure provision cannot be overstated.

Low Cost Housing

According to the Social Housing Needs Assessments published in January 2018, there were 85,799 households on the waiting list for social housing, presenting as a decrease of over six per cent on the previous year (Housing Agency, 2017, 2016), however in real terms the reduction is half that amount. The counts for the 2016 and 2017 Social Housing Needs Assessments were conducted in September 2016 and June 2017 respectively. The number of households transferred to HAP from Rent Supplement in Q4 2016 and Q1 and 2 of 2017 was 3,054, or almost 53 per cent of the reported decrease. There is also over 36,000 households in receipt of HAP, deemed having their housing need met by way of a subsidy for increasing private rent. Added together, there are at least 121,667 households in need of sustainable, affordable, long-term housing.

Add to that the almost 10,000 people accessing emergency homeless accommodation, the 12,000 households in long-term mortgage arrears of more than 5 years, and the recent report by the CSO that shows that housing construction was overstated in Government figures by 31,576 dwellings between 2011 and 2017, in addition to the estimated 16,000-31,000 new constructions needed annually to take account of increasing populations and household formations (and the obsolescence of approximately 8,000 homes per annum) and the scale of the crisis, and risks to both societal economic stability, could not be clearer.

Healthcare

There are a range of issues in the Irish health system relating to access to healthcare, including access to primary care, delays in Emergency Department admissions, and waiting times for access to hospital care in the public system. International experts have noted that Ireland is the only EU health system that does not offer universal coverage of primary care (World Health Organisation & European Observatory on Health Systems and Policies, 2014). Accessing our complex system depends on whether one has a medical card, a GP visit card, private health insurance, private resources to spend on health services, where one lives and what type of services one is trying to access; it is also those who are poorest, sickest and those with disabilities who find it hardest to pay charges, to negotiate access, and who must wait longer for care (Burke 2016). Those who are poor and sick without medical cards fare worst in terms of coverage and access (Burke 2016).

The predominant influence on health policy choices from 2009 to 2014 was the prolonged austerity leading to continuous cuts to staff and budgets alongside an increasing demand for care (Burke et al 2016). Research paints a picture of a fractured and uneven system of access (Burke et al 2016).

Problems with overcrowding in emergency departments are a feature of the Irish healthcare system. The Irish Nurses and Midwives Organisation's (INMO) Trolley/Ward Watch analysis showed that 612 patients were waiting on trolleys on 3 January 2017, and this figure has reached a record high of 677 patients a year later (3 January 2018) (INMO 2018). In 2006, a former health Minister was forced to declare a national emergency when the number of patients on trolleys hit 495 (Cullen, Irish Times, 2015). A national survey of patients conducted by the Health Information and Quality Authority in 2017 found that 70 per cent (5,910) waited for more than six hours before being admitted to a ward, and 241 people (3 per cent) said that they waited 48 hours or more (Health Information and Quality Authority, HSE and Department of Health 2017). Behind these figures there is unnecessary human suffering for many patients, often older patients, left waiting on trolleys or chairs for hours or days before they are admitted to hospital, to say nothing about the risk to patient safety created in cramped conditions.

This situation can be exacerbated by inability to discharge many patents, often older people, due to problems accessing support in the community and step-down facilities, nursing homes and other forms of support. It was estimated, for example, that increasing availability of rehabilitation beds would potentially free up 12 per cent of delayed discharge beds (HSE, 2017a).

Our complex two-tier system for access to public hospital care means that private patients have speedier access to both diagnostics and treatment, while those in the public system can spend lengthy periods waiting for a first appointment with a specialist and for treatment.

National Treatment Purchase Fund figures suggest that just over 80,500 people (72,926 adults and 7,669 children) were waiting for treatment as an in-patient or day case at the end of November 2017, a situation that had worsened since December 2015 (when it was just above 68,000). Some 4,500 were waiting for 18 months or more. A further almost 500,000 were waiting for treatment as an outpatient (National Treatment Purchase Fund National Waiting List Data).

Ireland's health system was ranked 21st out of 35 countries in 2016 (Health Consumer Powerhouse, 2017). But on the issue of accessibility, Ireland ranks among the three worst countries. The report notes that even if the (then) Irish waiting-list target of 18 months were reached, it would still be the worst waiting time situation in Europe.

It is imperative that Government implements the recommendations of the SláinteCare report to develop the healthcare system by increasing supports at community level, thereby reducing waiting times for acute services. In our Budget Choices document, we proposed an investment of €1 billion in Budget 2019 to begin this implementation, focused on primary care teams, GP and community services and disability and mental health services in addition to a €500 million investment in infrastructure development.

Funding Higher Education

For Higher Education, the Final Report of the Independent Expert Panel (HEA, 2018) recommends a transparent model of funding providing clarity on where such funding is channelled, with flexibility of allocation depending on student demand and discipline-based weightings in favour of institutions providing courses which are high-cost, such as STEM, in line with the Government's policy to build skills-bases in these areas. While Social Justice Ireland welcomes innovation in funding allocation and a move towards a more demand-based system to support students in their chosen careers, we are concerned at the inclusion of the recommendation from the Cassels report on funding options for higher education to supplement funding by way of 'income contingent loans', deferred fees payable after graduation at a rate of 2-8 per cent interest. This model of funding in contingent on the availability of well-paid employment after graduation which can sustain an increased cost of living and rent inflation in addition to loan repayments.

In our Budget Choices, *Social Justice Ireland* proposed that Government allocate €150 million for the implementation of the funding provisions of the Strategy for Higher Education and Funding (the Cassells Report) towards eradicating this risk.

Climate Change

The White Paper on Energy (DCENR, 2015) envisages Ireland reducing emissions from energy systems by up to 95 per cent (based on 1990 levels) by 2050 and zero by 2100. Ireland's target is part of the overall headline target pledged by the European Union of at least a 40 per cent reduction in domestic CHG emissions by 2030 compared to 1990. Ireland's individual country target has yet to be negotiated. The White Paper states that Ireland will make a technically feasible, cost-effective and equitable contribution to the overall EU target. While overall the White Paper contains some very positive aspirations, it is short on detail as to how we are going to achieve these aspirations.

Social Justice Ireland believes Ireland should be ambitious in setting our individual 2030 target and think of the longer-term outcome and benefits of ambition rather than the short-term benefit for cost-effectiveness. Chapter 3 of the National Mitigation Plan sets out in more detail the ambition for Ireland in decarbonising electricity generation, with a stated aim of moving from a fossil fuel-based electricity system to a low carbon power system by 2050. However, the actions put forward concentrate again on feasibility studies, further action plans (including finalising the overdue Bioenergy Plan, a draft of which was published in 2014 and which, according to the National Mitigation Plan, would be finalised in 2017) and research, without any real pathway to how this might be achieved, or how Ireland might progress towards its EU2020 targets without making 'statistical transfers' at an estimated cost of between €65 million and €130 million per percentage point below the overall 16 per cent target (DCCAE, 2017:37).

The broad range of estimated fines reflects uncertainty around compliance costs. To give an indicator of the potential costs/savings, Table 2 extrapolates on the projected shortfall from the EPA (2016). A bulletin published in March 2016, assessing Ireland's progress towards achieving emission reduction targets set under EU Effort Sharing Decision No 406/2009/EU for 2013-2020 (European Union, 2009) suggests that Ireland's non-ETS emissions are projected to be 11 per cent below 2005 levels in 2020. The target is 20 per cent.

The table below shows potential fines if we remain on this course – as well as variations on that scenario – assuming the two extremes noted above (€65m and €130m per percentage shortfall), as well as a mid-point. If Ireland remains on its current course, a best-case scenario looks like a fine in the region of €715m, but this could potentially be closer to €1.4 billion.

Envisaged scenario	**Projected fine (based on €65m per % shortfall)**	**Projected fine (based on €97.5m per % shortfall)**	**Projected fine (based on €130m per % shortfall)**
EPA's projected scenario (11% below 2005) is met	€715m	€1,072.5m	€1,430m
EPA's projected scenario is out by further 20% (13.2% below 2005)	€858m	€1,287m	€1,716m
EPA's projected scenario is exceeded by 20% (8.8% below 2005)	€572m	€858m	€1,144m
EPA's projected scenario is out by further 40% (15.4% below 2005)	€1,001m	€1,501.5m	€2,002m
EPA's projected scenario is exceeded by 40% (6.6% below 2005)	€429m	€643.5m	€858m

Ireland has previously been taken to the European Court of Justice by the European Commission on many occasions for breaches of EU environmental legislation. Our record is not good, and we are currently well behind target.

Early Years Education and Care

Early childhood education and care has a profound and long-lasting impact on individual lives and on societies. It means that later learning is more effective and more likely to continue throughout life, lessening the risk of early school-leaving, increasing the equity of educational outcomes, and reducing costs for society in terms of lost talent and of public spending on social, health and even justice systems (European Commission 2011).

The most striking feature of investment in education in Ireland relative to other OECD countries is its under-investment in early childhood education. In consecutive studies, Ireland has spent just 0.1 per cent of GDP on pre-primary education compared to an OECD average which increased from 0.5 to 0.8 per cent (OECD, 2017(b):5, 2012: 339). The introduction of the Early Childhood Care and Education (ECCE) Scheme in 2010 represented a positive first step in addressing this. The present ECCE scheme provides every child with free pre-school education from the age of three years (that is, three hours of pre-school care for thirty-eight weeks in each year free of charge) until they start primary school. ECCE, also known as the 'free pre-school' package, is designed as an educational measure to better integrate the educational experience of young children. It is not to be confused with providing families with quality and affordable childcare. The issue of childcare is discussed in Chapter 9. Even with this 'free pre-school', Ireland's enrolment rate of 38 per cent in early education at age 3 lags behind the OECD and EU22 averages of 78 and 80 per cent respectively (OECD, 2017(b)). It is possible that this disparity may be attributed to parents in Ireland waiting until their child turns four before enrolling them in education and a comparative metric for OECD countries for children aged 3, 4 and 5 would be instructive in this regard. The Review of Early-Years Education-Focused Inspection: April 2016 to June 2017 (DES, 2018(a)) suggested improvements among the early childhood education providers inspected primarily in the areas of inclusiveness and engagement among children, promoting self-evaluation and awareness and a balance between adult-led and child-driven education. This move towards a more child-centric education is to be welcomed, as a positive relationship with education from an early age will help foster a life-cycle commitment.

ECCE in Ireland – some key data:

- Ireland has the highest rate of all OECD countries of children attending pre-primary education in private, non-government dependent institutions;
- Ireland is the only country in the EU with no public provision of ECCE for either age group (under or over three) (Eurydice/Eurostat, 2014);
- In Ireland CPD (continuous professional development) is not compulsory for educational and care staff in the ECCE sector (Eurydice/Eurostat, 2014);
- The percentage of graduates working in the sector, at 18 per cent, is below the 60 per cent recommended level (Joint Committee on Children and Youth Affairs, 2017).

The Joint Committee on Children and Youth Affairs (2017) recommended that an Early Years Strategy be published to avoid further fragmentation of the sector as an immediate priority. It further recommended that a plan be implemented to incrementally introduce parity of pay and conditions for staff within the sector with those of the wider education community, together with a national pay scale that recognises qualifications, experience and length of service. We note that a draft of this strategy is not now expected to issue until at least September 2018.

High quality educational experiences in early childhood contribute significantly to life-long learning success (DES, 2018(a)). This sector needs to be supported by Government, financially and through policy to ensure that all children have equal access to this success and all of the benefits of an adequate education.

In our Budget Choices, we proposed an allocation of €113 million in this area to bring the spend to just 0.2% of GNI* and a commitment from Government to build on this to reach the target of 1% of GDP set by the European Commission in their Country Specific Recommendations.

Disruptive Technologies and Skills

The skills that are easiest to automate or outsource are routine technical skills. Educational success is now about creative and critical approaches to problem solving, decision making and persuasion., applying the knowledge that we have to different situations. It is about the capacity to live in a multifaceted world as an active and engaged citizen . The Expert Group on Future Skills Needs (2016) reported a skills shortage in a number of key areas such as science, particularly in the pharmaceutical, biopharma and food innovation sectors; engineering; ICT; specialised Business and Finance professionals; construction, particularly crafts; arts, sports and tourism; healthcare; education; transport; sales and consumer care; social care; and operatives. If these skills deficits are not addressed, Ireland risks losing its reputation for having a highly-skilled workforce and resultant investment in key global sectors.

Although the funding available for education increased in Budgets 2016, 2017 and 2018, the deficits that exist within the system, particularly as a result of the recent austerity budgeting, require significant additional resources. This requires the development of a long-term education policy strategy across the whole educational spectrum to ensure that education and continuous upskilling and development of the workforce is prioritised if Ireland is to remain competitive in an increasingly global marketplace and ensure the availability of sustainable employment.

Investment is required at all levels of our education system. In reality this will mean increased expenditure, both current and capital at all levels and over a period of time. In terms of planning for demographic pressures the Government has allocated €3.8 billion to education in the Capital Plan 2016-2021. The key objective of this plan is to meet the demand for new places at all levels. The Final Report of the Expert Group on Funding Higher Education points out that funding requirements for higher education should be benchmarked against the funding in those countries we aspire to emulate and compete with. This is critical if we are to maintain our skills base while fostering innovation and upskilling the labour force.

3. Are any of the risks listed not significant enough to warrant inclusion?

The risks identified within the draft National Risk Assessment, in addition to those mentioned in this submission, are all areas about which Government should rightly be concerned. The rise of populism and influence of outside forces on public debate and the democratic process are, while perhaps not as urgent as the need to provide the basic standards expected of housing, healthcare, education and job security, should still be acknowledged and strategies developed to safeguard democracy.

Conclusion

There are a large number of crises facing Ireland today. The risks inherent with each one need to be prioritised and addressed systematically to ensure that short-term political gain does not trump long-term security and sustainable growth. In our Socio-Economic Review, *Social Justice Ireland* provides a Policy Framework for a Just Ireland (see Table 3) that is both socially fair and economically sound and recognises that European-average levels of services are not possible without European-average levels of taxation.

Vibrant economy	Decent services and infrastructure	Just taxation	Good governance	Sustainability
Fiscal and financial stability and sustainable economic growth	Secure, well-funded public services and social infrastructure	A tax-take closer to the EU average	Deliberative democracy & PPNs	Increased environmental protection and climate justice
Adequate public investment	Reduced unemployment & underemployment	Increased equity in taxation and reduced income inequality	Social dialogue – all sectors in deliberative process	Balanced regional development
A more just economic structure	Seven social, economic and cultural rights to be achieved	A fair share of corporate profits for the State	Reformed policy and budgetary evaluation	New indicators of progress and Satellite National Accounts

It is possible to avoid, or at least mitigate the risks identified, but not without developing shock-proof solutions – both revenue and structural.

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.

Social Justice Ireland,
Arena House,
Arena Road,
Sandyford,
Dublin 18
Phone: 01 213 0724
Email: secretary@socialjustice.ie
Charity Number: CHY 19486
Registered Charity Number: 20076481
www.socialjustice.ie