

BUDGET 2009

CORI Justice *ANALYSIS AND CRITIQUE*

Working Poor and Children Lose Out in Budget 2009

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Budget 2009 did not protect the vulnerable. The working poor and children lose out in Budget 2009. Other social welfare recipients will also be worse off in real terms in the coming year.

This happened despite the fact that the distribution of resources in Budget 2009 was very progressive with the only net beneficiaries being people in receipt of social welfare payments - all other groups will in fact lose out.

The Working Poor

30% of all households at risk of poverty in Ireland are headed by a person with a job. These are the 'working poor'. Many of these paid no tax because their incomes were outside the tax net in 2008. Following Budget 2009 they will pay a levy of 1% on every Euro they earn. In practice this means that a person (or couple) on €15,000 will be €150 a year worse off. A person (or couple) on €25,000 will be €250 worse off as a

result of Budget 2009.

The introduction of an income levy means that people at or below the minimum wage who were outside the tax net in previous years now find themselves paying tax from their al-

Pluses

- Social Welfare Benchmark honoured
- Provided for 200 additional primary care teams.
- Maintained the social housing output.
- Standard rated health expenses relief.

Minuses

- Failed to raise social welfare payments sufficiently to match the real cost of living increases for poor people.
- Did not increase Child Benefit.
- Failed to address Ireland's huge literacy problem.

ready very meagre income - an income that is below the poverty line in many cases. (cf. page 6).

Children

The failure to raise Child Benefit payments means that the value of this payment will fall by 2.5% per cent in real terms in 2009. This will have a negative impact on 'working poor' households. Even with the changes introduced in the Family Income Supplement many working poor households will see their standard of living fall in 2009.

As a result of the changes introduced in Budget 2009 there will be no reduction on Ireland's extensive child poverty. In this context it would be crucial that if Government decides to tax Child Benefit in a future Budget then it should be done on a revenue neutral basis with all of the gain to the Exchequer being spent on reducing child poverty.

(Continued on page 2)

Some Positive Initiatives But Not Enough to Protect the Vulnerable

(Continued from page 1)

Social Welfare Benchmark Honoured but Recipients Worse Off

The Budget honoured the commitment by Government to maintain the lowest social welfare payment for a single person at 30% of Gross Average Industrial Earnings (GAIE). An increase of €5.95 a week was required and the increase for most payments is €6.50.

This increase fails, however, to compensate for food price inflation which is well ahead of the standard rate of inflation. This hits poor people much more than others as they spend a large proportion of their income on food.

The allocation in the Budget to meet this additional cost is only 55 cents a week. A supplement of €3.95 a week was required to address this shortfall adequately. The failure to increase the lowest Social Welfare payment by €9.90 (€5.95+3.95) is most regrettable.

The distribution of resources in Budget 2009

The only direct beneficiaries from Budget 2009's decisions on income distribution were people in receipt of Social Welfare payments. A single jobseeker will be €6.50 a week better off in 2009; a couple will gain €10.80. People on €15,000 a year will be €2.87 a week worse off; those on €25,000 will be €4.79 a week worse off.

A household with one earner on €50,000 will be €5.56 a week worse off; people on €75,000 (-€11.35 a week) and €100,00 (-€16.14) [cf. pages 6 and 7].

This shows a commendable resolve by Government to allocate its resources in a fair manner. However, it would have been far more effective if Government had ensured the 'working poor' did not lose from the choices they made.

Taxation

The tax changes in Budget 2009 contain a number of welcome, long-overdue changes such as the standard rating of medical and dental expenses relief and the increase in capital gains tax.

The levy will have a huge impact on the working poor, many of whom earn less than the poverty line. Where previously they paid no tax now they will have an effective tax rate of 1%. At first glance this may seem a small change but it will make a big difference to people with low incomes. In some cases it will mean the levy will reduce their take-home income below the poverty line.

Increasing the tax bands was not the most progressive way to use the available resources as they go only to those above the thresholds. Using this money to increase tax credits would have meant that all taxpayers would have benefited - not just those with incomes large enough to pay the higher tax rate.

Unemployment and Disability

The changes to schemes that support people of working age will in effect reduce the entitlements of jobseekers, people who are ill or who have a disability. These changes raise questions concerning the future direction of Government policy concerning these groups.

It is crucial that Government policy move towards achieving the high-level goals set out in the *Towards 2016 National Agreement* e.g. that by 2016 every person of working age "would have an income level to sustain an acceptable standard of living" and "would have access to

health and social care, affordable accommodation appropriate to their needs and a well-functioning transport system".

Primary Care Teams

We welcome the commitment to develop 200 primary care teams in the next two years. It is crucial, however, that these are developed on the basis of local needs assessment and that first priority be given to areas of greatest need.

Social Housing

We welcome the allocation to social housing programmes. The reduction of 1.7% in the allocation will be a challenge for the organisations and authorities providing the new units. However the capacity for getting better value for money in the current market means that the target of 9,000 social housing starts in 2009 will be achieved.

Environment

We also welcome the environmental initiatives in Budget 2009 in areas such as motor taxation, water services and energy efficiency. We look forward to the development of a carbon tax and its accompanying initiatives to protect the vulnerable.

Conclusion

In its *Policy Briefing* on 'Budget Choices' CORI Justice asked Government to give priority to protecting the vulnerable in Budget 2009. Government distributed its resources in a manner that only those in receipt of social welfare gained. This was welcome.

However, Government took initiatives that worsened the situation of the vulnerable such as applying the new levy to all income. They also failed to take initiatives to protect the position of vulnerable groups such as children. Our overall conclusion is that Budget 2009 failed to protect the vulnerable in the manner or on the scale required.

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Primary Care Teams Essential for Effective Health System

Ireland's healthcare system has struggled to provide an effective and efficient response to the health needs of its population. Despite a huge increase in investment in recent years great problems persist. One key initiative that would make a substantial positive impact on reducing these problems would be the development of primary care teams across the country.

Primary care teams draw the health professionals in an area together into a team that provides a one-stop shop where people can go locally rather than heading directly to the accident and emergency unit in the nearest hospital.

Up to 80 per cent of those who go to

accident and emergency units should not be there.

The National Social Partnership Agreement *Towards 2016* contains a commitment to engage in ongoing investment to ensure integrated, accessible services for people within their own community with a target of 300 primary care teams by end-2008, 400 by 2009 and 500 by 2011. However, progress towards this target has been unacceptably slow. CORI Justice has constantly drawn attention to this particular commitment and its potential to have a very positive impact on Ireland's healthcare services.

We welcome the commitment in Budget 2009 to initiate a programme

for the development and construction by the private sector over the next two years of 200 primary care centres.

However, we strongly urge Government and the HSE to ensure that these centres are progressed on the basis of local needs assessment including fair coverage of both rural and urban areas.

We also urge Government and the HSE to take the necessary action to ensure that development of the 200 primary care teams for these centres is initiated as soon as possible.

Finally we urge all involved to ensure that the target of 500 teams is reached by the target date of end-2011.

Social Housing - Positive

The insufficient supply of social housing has been a major problem in Ireland for two decades. Despite the record levels of house building over the past decade there are still more than 40,000 households with about 120,000 people on waiting lists.

The *Towards 2016* agreement contains a commitment to start 9,000 social housing units in 2009. This is part of a wider commitment that would see the social housing waiting lists eliminated by 2013.

CORI Justice welcomes the allocation for social housing in Budget 2009. Even though it marks a reduction of 1.7% it should be possible to meet the target with these resources given the changing market situation and the better value that can be got for the available resources.

We also welcome the allocation of an additional €3m for homelessness and an additional €10m for the voluntary and cooperative housing sector.

Adult Literacy - Negative

Ireland has a serious literacy problem among both adults and children. The Government has a target of reducing the proportion of the adult population (aged 16-64) with restricted literacy (i.e. level 1 on the international literacy scale) to between 10-15% by 2016. CORI Justice has constantly pointed out that this target is achieved there will be between 317,000 and 476,000 adults with serious literacy difficulties in 2016.

Government's response in Budget 2009 is to reduce the allocation to special initiatives in adult education by 3%, to reduce the grants to adult education organisations by 2% and to reduce the grants to youth organisations by 10%.

These reductions will save Government a relatively small amount of money but the negative impact on the sector will be huge. Much adult literacy work in Ireland is done by volunteers who may now be discouraged. The cutbacks also fail to recognise the need to tackle causes of problems.

Disability - Negative

People with disability are, for the most part, among the excluded in our society. People who are ill or have a disability are among the two categories at highest risk of poverty (40.6%). Some commitments made in Budget 2008 were not honoured and there is no evidence this situation has been corrected in Budget 2009.

This Budget includes a 1% reduction in the allocation to voluntary disability providers. There is no commitment to introduce a cost of disability payment. However, there is a decision to establish a Group to review the scope for greater rationalisation of, and increased economy/efficiency within, the non-statutory disability service providers. [Confining this to the non-statutory sector makes no sense.] CORI Justice considers that disability has not been given the priority it requires in Budget 2009.

ODA - Positive

Ireland will spend €891m on Overseas Development Assistance in 2009. This is down from €914m committed in 2008. However, given the fact that Ireland's GNP has been falling and is scheduled to fall again in 2009 this allocation means that Ireland's ODA budget will reach 0.56% of GNP in 2009.

Ireland has a committed to reach the United Nations target of 0.7% of GNP for ODA by 2012. It has set an interim target of 0.6% for 2010. CORI Justice believes these targets should both met.

Table 1: ODA as % GNP

Year	% of GNP
1993	0.18%
2000	0.29%
2003	0.40%
2008	0.54%
2009	0.56%
2010 (target)	0.60%

Budget 2009 - Summary of the Key Numbers

To accompany the Budget speech the Department of Finance has published a series of documents detailing the changes announced in the Budget. Through this *Analysis and Critique* document we examine various aspects of these changes. The table below brings together the key figures

from the published Budget documents. It presents the Department of Finance's expectations of National Income (GDP and GNP) next year, and for the next three years. It outlines the projected exchequer budgetary position over that period. Expectations of future changes to employment, unemployment and

inflation are detailed. The table also includes details on the taxation system following the implementation of the Budgetary changes. 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 2: The Budget in Numbers - Key Data from Budget 2009

National Income		Inflation and the Labour Market	
GDP in 2009 (€m)	€188,125	Inflation in 2009	2.5%
GNP in 2009 (€m)	€158,400	Inflation 2009-2011 (average)	2.1% per annum
GDP growth in 2009	- 0.8%	Unemployment rate in 2009	7.3%
GNP growth in 2009	- 1.0%	Employment growth in 2009	- 0.9%
GDP growth 2009-2011 (average)	1.6% per annum	Unemployment rate 2009-2011 (average)	6.9%
GNP growth 2009-2011 (average)	1.9% per annum	Employment growth 2009-2011 (average)	0.26%
Exchequer Budgetary Position		Taxation	
Current Budget Surplus, 2009 (€m)	- €4,714	Income Taxation - lower rate	20%
Net Capital Investment, 2009 (€m)	€10,257	Income Taxation - higher rate	41%
Capital Investment paid from current resources, 2009 (€m)	Zero	%Tax on €25,000 income (single / 2 earners)	9.3% / 1.0%
Capital Investment paid from borrowing, 2009 (€m)	All	%Tax on €60,000 income (single / 2 earners)	28.2% / 13.2%
Exchequer Balance, 2009 (€m)	- €13,412	%Tax on €100,000 income (single / 2 earners)	34.6% / 24.4%
2009 General Government Balance (% GDP)	- 6.5%	Corporation Tax Rate	12.5%
Current Budget Surplus 2010 (€m)	- €2,531	Capital Gains Tax Rate	22%
Current Budget Surplus 2011 (€m)	+ €6	Cost of Budgetary Changes	
Net Capital Investment 2010 (€m)	€10,370	Cost of Budget Tax changes for 2009 (€m)	€1,948
Net Capital Investment 2011 (€m)	€10,319	Revenue from Income Levy 2009/full yr (€m)	€815 / €1,180
Exchequer Balance 2009-2011 (€m)	- €11,054 (average)	Full year cost of Income Tax changes (€m)	€980
National Debt as a % GDP, 2009	43%	Full year cost of Social Welfare changes (€m)	€533

Source: Minister's speech and various tables throughout Budgetary publications.

Budget 2009 in Context (part 1)

The tables and charts on page 5 offer an insight into the rapid decline in the national finances that set the context for Budget 2009.

Table 3 compares the expected government taxation revenues outlined in Budget 2008 (December 2007) with those indicated by Minister Lenihan this year. It reveals declines in all the major

tax categories; resulting in an overall decline in taxation revenue of €6.4b. The biggest decreases were in VAT and Capital Taxes - items closely linked to the decline in the property market.

The recent excessive dependence of the exchequer on stamp duties and property transaction is highlighted by chart 2. As these revenues disappear the significant

current budget surpluses of recent years (where tax income is greater than day-to-day spending) turn into large deficit. These deficits are projected to continue to at least 2011.

Chart 1 highlights the rapid increase in unemployment already experienced in 2008 and projected to further increase in 2009; reaching 7.3%.

Budget 2009 in Context (part 2)

The diagrams and tables below have been compiled using data from the Budget documentation published by the Department of Finance this year and in previous years.

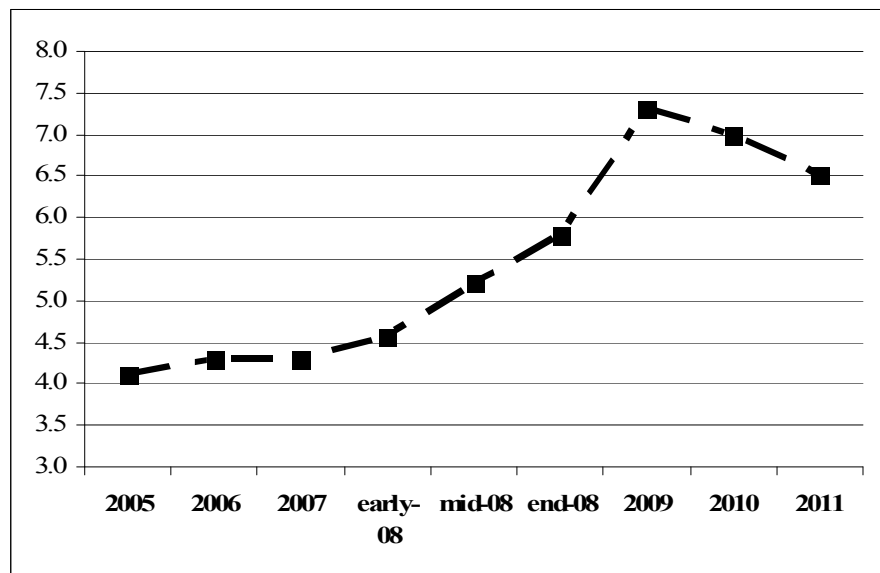
Table 3: Comparison of Budget 2008 projections (Dec 2007) with Actual Outturn (Budget 2009)			
Tax Category	2008 projected	2008 Outturn	Difference
VAT	15,550	13,525	-2,025
Income Taxes	13,900	13,200	-700
Capital Taxes	6,470	3,810	-2,660
Corporation Taxes	6,700	6,000	-700
Excise Duties	5,989	5,581	-408
Others	985	1,064	79
Total	49,594	43,180	-6,414

Source: Budget Documents Budget 2008 and Budget 2009

Going **↑** in 2008
and 2009

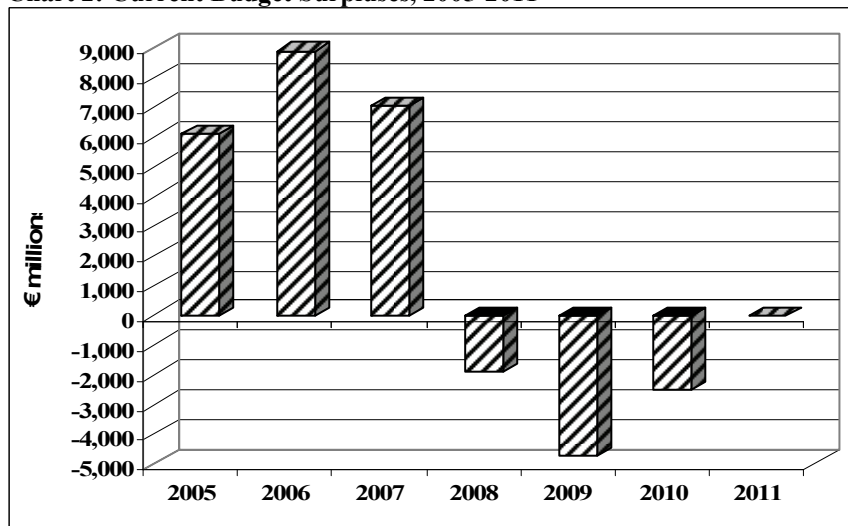
- Unemployment
- Taxation
- Borrowing
- VAT
- National Debt
- Betting Tax

Chart 1: Unemployment Rates, 2005-2011



Source: CSO QNHS and Budget 2009 Documents

Chart 2: Current Budget Surpluses, 2005-2011

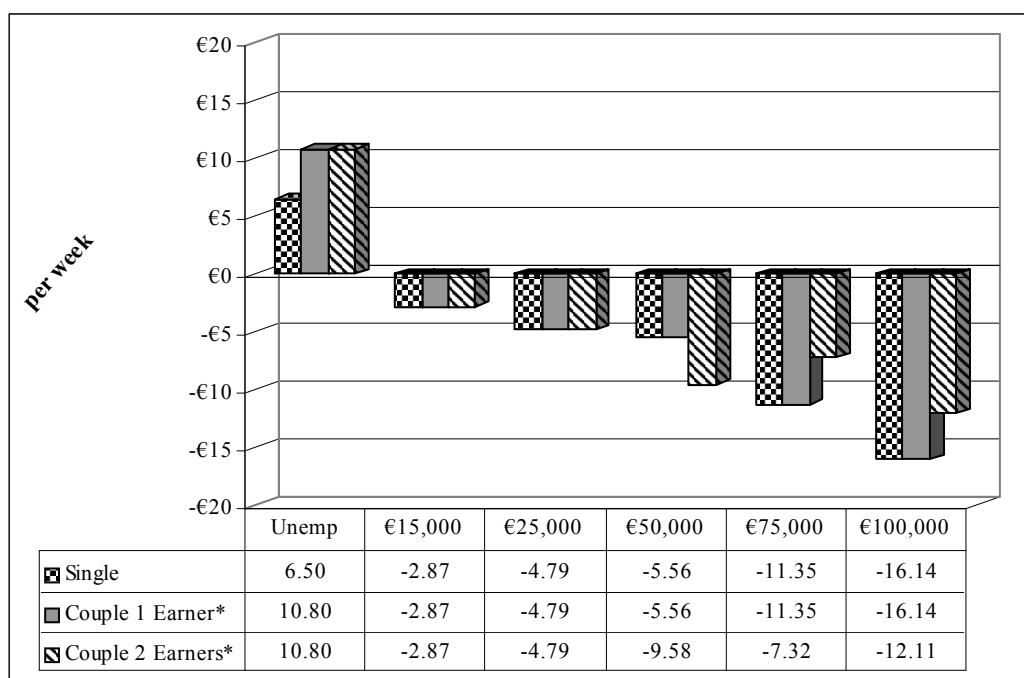


Source: Budget Documents various yrs, including projections from Budget 2009

Going **↓** in 2008
and 2009

- Employment
- National Income
- Government Investment
- Inflation
- House Building

Chart 3: Income Distribution and Budget 2009

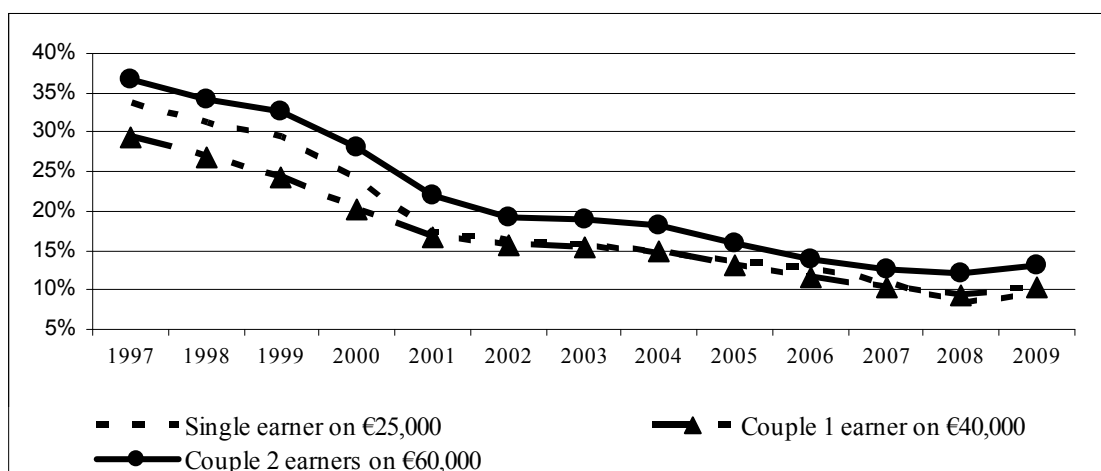


Notes: * Except in case of the unemployed where there is no earner. # Unemp: Unemployed
Couple with 2 earners are assumed to have equal shares of income.

Table 4: Effective Tax Rates following Budget's 2008 & 2009

Income Level	Single Person	Couple 1 Earner	Couple 2 Earners
	2008 / 2009	2008 / 2009	2008 / 2009
€15,000	0.0% / 1.0%	0.0% / 1.0%	0.0% / 1.0%
€25,000	8.3% / 9.3%	2.9% / 3.9%	0.0% / 1.0%
€30,000	12.9% / 13.9%	5.1% / 6.1%	1.7% / 2.7%
€40,000	18.6% / 19.1%	9.4% / 10.4%	3.6% / 4.6%
€60,000	27.5% / 28.2%	19.8% / 20.5%	12.2% / 13.2%
€100,000	33.8% / 34.6%	29.2% / 30.0%	23.8% / 24.4%
€120,000	35.4% / 36.5%	31.6% / 32.6%	27.2% / 27.9%

Chart 4: Effective Tax Rates in Ireland, 1997-2009



Distribution and the Budget

Each year CORI Justice examines the Budget from a number of perspectives, including its effect on the income distribution. In Chart 3 (on page 6) we have examined how the resources available to the Minister for Finance were used. The chart reports the combined effect of changes in welfare payments (to the unemployed) and changes in taxes and bands (to those earners who are employed and whose incomes are high enough to be liable for taxation).

We strongly welcome the fact that in this Budget the unemployed have gained more per week than have those

in any other income group. A single person who is long-term unemployed gains €6.50 per week following the Budget while a single earner on

week.

An unemployed couple are €10.80 per week better off which contrasts with a couple with one earner on an income of €100,000 per year losing €16.14 per week, a difference of almost €27 per week

CORI Justice welcomes this distributive approach.

However, it is of concern that working families on low incomes lose out in

Budget 2009

In this Budget the unemployed have gained more per week than those in any other income group

€15,000 per year loses €2.87 per week, an earner on €25,000 per year loses €4.79 per week and an earner on €100,000 per year loses €16.14 per

Effective Tax Rates after Budget 2009

Central to the ongoing debate on taxation in Ireland are effective tax rates. These rates as 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 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 2009 we have calculated effective tax rates for a single person, a single income couple and a

couple both earners. Table 4 (page 6) presents the results of this analysis and compares them to the 2008 rates.

For a single person with an income of

Effective tax rates provide a more accurate reflection of the burden of income taxation faced by earners.

€15,000 the effective tax rate will be 1.0%, rising to 9.3% of an income of €25,000 and 36.5% of an income of €120,000. A single income couple will have an effective tax rate of 1.0% at an income of €15,000, rising to 3.9% at an income of €25,000, 20.5% at an

income of €60,000 and 32.6% at an income of €120,000.

In the case of a couple where both are earning where their combined income is €40,000 their effective tax rate is 4.6%, rising to 27.9% for combined earnings of €120,000.

Chart 4 (page 6) shows that while these effective tax rates will increase in 2009 they have decreased considerably over the 12 years for all earners. For example, in 1997 a couple with two earners on an income of €60,000 had an effective tax rate of 36.6%. This fell to 19.3% in 2002 and will be 13.2% after this budget.

How Much Better Off Will People Be In 2009?

When assessing how much better off people are going to be in 2009 it is important that wage increases and tax changes be included as well as social welfare increases. Unemployed people, for example, gain nothing from wage increases or tax reductions while those with jobs may gain from both. In our calculations we have included the general wage increase in various national agreements as well as the impact of Budget changes on social welfare and taxation.

We have not included the impact of any future benchmarking increases for public servants, as they do not apply to

everyone.

Single people who are long-term unemployed will be €6.50 a week (€339 a year) better off in 2009. Those on €25,000 a year will be €1.67 a week (€87 a year) better off while those on €50,000 will be €17.63 a week (€920 a year) better off in the coming year.

Couples who are long-term unemployed will be €10.80 a week (€564 a year) better off. Couples with one income on €25,000 a year will be €5.79 a week (€302 a year) better off while those on €50,000 will be €17.20 a week (€897 a year) better off in the coming year.

Couples with two incomes on €25,000 a year will be €5.79 a week (€302 a year) better off while those on €50,000 will be €22.28 a week (€1,163 a year) better off in the coming year.

The impact of Budget 2009 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 person on long-term unemployment and a single person on €50,000 per annum. Budget 2009 has widened the rich-poor gap by €11.13 per week

Budget Delivers a Number of Overdue Reforms

Budget 2009 contained a number of overdue reforms which CORI Justice welcomes. These include:

Standard Rating of Discretionary Tax Benefits

As the dental treatment example in the table below shows, this overdue reform, which we have been calling for over many years, has addressed a significant unfairness in the taxation system. Following the Budget all taxpayers will receive tax reliefs on dental and medical expenses at the same (standard) rate.

However, we regret that the Minister did not take the opportunity to address the sizeable inequity that remains relating to pension contributions. These are particularly expensive reliefs and are structured just as unfairly as the medical and dental reliefs prior to Budget 2009. CORI Justice regrets that they were not reformed in this Budget.

Reform of Medical Cards for the over Seventies

The scheme to make medical cards available to all those over 70, irrespective of their means, proved to be an expensive policy initiative and a questionable use of government resources. CORI Justice welcomes the decision to abolish it. However, we note the continued low value of the medical card entitlement means test. At its current level the threshold excludes many low income people and families who cannot afford medical treatment or medical insurance. Future Budgets should in-

crease this threshold.

Increase in Capital Gains Tax

We welcome the decision in Budget 2009s to increase Capital Gains Tax (CGT) from 20% to 22%. This is another long overdue reform. We note that the Minister in his Budget speech signaled a further review of this tax. CORI Justice welcomes this commitment and we believe that a further increase is merited.

Charge on Non-principal Private Residences

The Budget decision to levy a €200 per annum charge on all non-principal private residences (rented units, holiday homes etc) is also welcome. The structure of the scheme, to commence in 2009, will be administered by Local

Authorities and will provide them with additional revenues. While the scheme is likely to be difficult to implement it is a welcome step in the direction of a broader tax base and towards a property tax. CORI Justice has called for a site value tax to be implemented and we hope this reform signals a step in its direction.

Parking Space Charge

CORI Justice welcomes this initiative as a small move towards a broader set of environmental taxes which will reward and encourage sustainable behavior. However, increases in urban and rural transport schemes are needed to further complement this scheme and these should be delivered in the coming years.

HOW MUCH TO GET YOUR TEETH FIXED?

Situation: A person requires €1,000 worth of dental work (e.g. a dental crown)

Before Budget 2009

Person earning the average industrial wage, €34,000 in 2008

Dental Bill	€1,000
- Tax relief @ 20%	- €200
Net Cost	€800

Person earning twice the average industrial wage, €68,000 in 2008

Dental Bill	€1,000
- Tax relief @ 41%	- €410
Net Cost	€590

After Budget 2009

Person earning the average industrial wage, €34,000 in 2008

Dental Bill	€1,000
- Tax relief @ 20%	- €200
Net Cost	€800

Person earning twice the average industrial wage, €68,000 in 2008

Dental Bill	€1,000
- Tax relief @ 20%	- €200
Net Cost	€800

Increasing Tax Credits would have been Better Option

The Budget's decision to increase the standard rate tax band by €1,000 for a single person and €2,000 for a married two earner couple was not the most progressive way to use the available resources as they go only to those above the thresholds.

When choices are being made at Budget time it is important that fairness is prioritised. Such a choice is obvious in the area of changes to tax credits and bands. We illustrate using the Budget change as an example:

The €200 million full year cost of the tax band change could have been used to

either

(i) increase the 20 per cent tax band by €1,000 (full year cost €200m) or

(ii) increase personal tax credits by €92 a year (full-year cost €201.1m). While the exchequer cost of these two alternatives is roughly the same, their impact is notably different:

(i) Increasing the tax band by €1,000 will be of no benefit to anyone with incomes at or below the top of the current band (i.e. €35,400 for a single person) but would provide a benefit of €210 a year to a single person earning

more than €36,400. Single people with incomes in the €35,400-36,400 range would benefit by a proportion of the €210.

(ii) Increasing the tax credit by €92 a year would mean that every earner with a tax bill in excess of €92 a year would benefit by that amount.

In terms of fairness, increasing tax credits is a fairer option than widening the standard rate tax band. This would have been a fairer choice in Budget 2009 and we regret that the Minister did not take it.

Unemployment Increase Poses Major Challenge

One of the major achievements of recent years has been the increase in employment and the reduction in unemployment, especially long-term unemployment.

In 1991 there were 1,155,900 people employed in Ireland. That figure has increased by almost one million to reach 2,140,900 in 2007; during early 2006 the employment figure exceeded two million for the first time in the history of the state. Overall, the size of the Irish labour force has expanded significantly and today equals over 2.25 million people, almost nine hundred thousand more than in 1991.

However, as table 5 shows unemployment increased significantly in 2008 to an annualised rate of 5.8%. The Budget indicates that the rate will climb further during 2009 reaching 7.3%.

Based on a projection that the Irish Economy will exit recession in 2010, the Budget suggests that the rate will begin to decline to 7% in 2010 and to 6.5% in 2011. Projections for long-term unemployment are not currently available.

In responding to this situation the Government should:

- Resource the upskilling of those who are unemployed and at risk of becoming unemployed.
- Maintain a sufficient number of active labour market programme places available to those who are long-term unemployed.
- Actively manage the increasing number of unemployed to avoid large increases in long-term unemployment.
- Adopt policies to address the worrying trend of youth unemployment. In particular, these should include education initiatives and retraining schemes.
- Monitor groups at very high risk of unemployment.

The changes to schemes that support people of working age in Budget 2009 will in effect reduce the entitlements of job seekers, people who are ill or have a disability.

These changes raise questions concerning the future direction of government policy for these groups.

Table 5:

Unemployment and Long-Term Unemployment (%), 1999-2011

Year	Unemp	LT Unemp
1999	5.7%	2.5%
2000	4.3%	1.6%
2001	3.6%	1.2%
2002	4.2%	1.2%
2003	4.4%	1.5%
2004	4.4%	1.4%
2005	4.3%	1.4%
2006	4.4%	1.4%
2007	4.6%	1.3%
2008	5.8%	Not avail
2009	7.3%	Not avail
2010	7.0%	Not avail
2011	6.5%	Not avail

Source: CSO QNHS and Budget 2009

Welfare Increase

Fifty percent of all those at risk of poverty in Ireland live in households headed by a person outside the labour force. These are people who are elderly, ill, have a disability or are in caring roles. They depend completely on social welfare payments for their income.

Budget 2009 increased the basic social welfare payment for a single person by €6.50 per week; bringing it to €204.30 per week. For a couple the increase was €10.80; bringing the weekly payment to €339.90. The state pension was increased by €7 per week for a single person and €11.60 for a couple.

These increases are welcome as they continue to honour the benchmark for the minimum social welfare payment; set at 30% of Gross Average Industrial Earnings (GAIE). However, the Budget failed to address the impact of recent increases in food prices which have been substantially in excess of the standard CPI inflation rate. As the Vincentian Partnership Budgets Standards research studies show these products comprise a large percentage of the expenditure of low income households. In the context of these price increases CORI Justice, in our pre-Budget Submission, called on Government to recognise these pressures and deliver a further increase of €3.95; on top of the amount needed to maintain the benchmark (i.e. + €9.90). We regret that Budget 2009 failed to deliver this increase.

Fuel Poverty

A 2007 policy paper from the Institute for Public Health (IPH) entitled “*Fuel Poverty and Health*” highlighted the sizeable direct and indirect effects on health of fuel poverty. Overall the IPH found that the levels of fuel poverty on the island of Ireland remain “unacceptably high” and that they are responsible for “among the highest levels of excess winter mortality in Europe, with an estimated 2,800 excess deaths on the island over the winter months”.

They also highlighted the strong links between low income, unemployment and fuel poverty with single person households and households headed by lone parents and pensioners found to be at highest risk. Similarly, the policy paper shows that older people are more likely to experience fuel poverty due to lower standards of housing coupled with lower incomes.

Budget 2009 increased the fuel allowance by €2 per week bringing it up to €20 per week and extended the allowance for two weeks; from 30 to 32 weeks. This is in effect an increase of 18.5% or €100 per annum.

CORI Justice welcomes this increase as it will assist many recipients who are currently experiencing fuel poverty.

However, we urge Government to continue this trend and implement the IPH’s call for the creation of a national fuel poverty strategy similar to the model currently in place in Northern Ireland.

Government's Current Budget for 2009

Below we outline the government's current budget for the forthcoming year. 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 during the next year - **total current receipts** (labelled **b** below). 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 (labelled **a** below). The **current budget balance** (**b** minus **a**) indicates how much day-to-day income exceeds (if positive), or falls short (if negative), day-to-day spending.

	2009, Post-Budget €m
CURRENT EXPENDITURE	
Service of National Debt	
Interest	3,295
Sinking Funds	573
Other debt management expenses	88
EU Budget Contribution	1,750
Economic Services	
Industry and Labour	1,507
Agriculture	1,410
Fisheries, Forestry	167
Tourism	216
Social Services	
Health	15,323
Education	8,738
Social Welfare	20,052
Housing, Subsidies, etc.	634
Security	3,464
Other	4,564
Gross Current Expenditure	61,782
<i>less Appropriations in-aid and SIF expenditure</i>	13,533
<i>less Departmental Balances</i>	30
Net Current Expenditure (a)	48,220
CURRENT RECEIPTS	
Tax Revenue	
Customs	255
Excise Duties	5,739
Capital Gains Tax	1,700
Capital Acquisitions Tax	310
Stamp Duties	1,380
Income Tax	13,220
Income Levy	815
Corporation Tax	5,950
Value Added Tax	13,410
Agricultural Levies	1
Non-Tax Revenue	
Central Bank Surplus	110
National Lottery Surplus	265
Interest on Loans and Dividends	188
Issue of Coin	30
Other Receipts	133
Total Current Receipts (b)	43,506
CURRENT BUDGET BALANCE [(b) - (a)]	- 4,714

Taxation

The Context

Ireland's tax-take has fallen dramatically in part at least because we have relied too much on stamp duties flowing from the over-production of housing - a strategy that CORI Justice has consistently challenged as being unsustainable.

At the same time it is important to bear in mind that despite the present economic pressure Ireland has low debt and low taxation. Because of this it is possible for Ireland to absorb higher borrowing and have a somewhat higher overall tax-take without

becoming uncompetitive or creating major disincentive side-effects.

Ireland's take from income tax is low and effective income tax rates are very low. This is a consequence of the way in which Ireland's tax-take was distributed. A far larger proportion of Ireland's tax-take came from stamp duties and VAT in recent years compared to previous years.

Ireland's total tax-take will have to rise if Ireland is to have services and infrastructure at EU-average levels.

This should be done through broadening the tax base.

Ireland's tax system must be made fairer. Among other things this should ensure the working poor benefit from the full value of their tax credits.

For more information see:

CORI Justice Socio-Economic Review
2008 *Planning for Progress and Fairness*
Section 3.2
Pages: 65-97

The Budget

INCOME TAX

- Standard Rate Tax band increased by €1,000 single, married (one income) and lone parent and €2,000 married (two incomes)
- New Income Levy 1% gross income to €100,100 and 2% income in excess of that
- Employee PRSI ceiling increased to €52,000
- Health expenses relief, with the exception of nursing homes, at standard rate only
- Mortgage interest relief for first-time buyers increased to 25% in years 1 and 2 and to 22.5% years 3, 4 and 5
- Mortgage interest relief for non-first time buyers reduced to 15%
- Earnings limit for tax relieved pension contribution reduced to €150,000
- Levy of €200 on employees whose employer provides car parking facilities
- Provision of bicycles to employees who agree to cycle to work will be tax-exempt benefit-in-kind
- Increase in Rate for Preferential Loans (other than home loans) from 13% to 15%
- Tax relief in respect of donations of heritage items and property

limited to 80%

CAPITAL ALLOWANCES & TAX INCENTIVES

- Additional four categories available for capital allowances of 100% expenditure
- Time for disposal of newly constructed commercial buildings extended to 2 years
- Ring-fenced tax incentive to facilitate removal or relocation of Seveso-listed industrial facilities which hinder residential or commercial development

CORPORATION TAX

- Tax credit for research and development increased to 25%
- Payment of large companies' preliminary corporation tax split into two instalments
- New start-up companies with tax liability not exceeding €40,000 will be exempt from tax including capital gains tax in each of the first three years

VAT & EXCISES

- Standard rate of VAT increased to 21.5%
- Excise Duty on petrol increased by 8 cent per litre
- Excise Duty on 20 cigarettes increased by 50 cent
- Excise Duty on a standard bottle of wine increased by 50 cent

- Excise Duty on low alcohol beer and cider reduced by 50%
- Alcohol-related licensing fees including off-licences increased to €500
- Betting duty rate increased to 2%
- Air travel tax introduced at €2 per passenger for journeys under 300kms and €10 per passenger for all others

STAMP DUTY

- Top rate of stamp duty on non-residential property reduced to 6%
- Stamp duty on ATM and debit cards reduced by 50%
- Stamp duty on cheques increased to 50 cent

OTHERS

- Rate of capital gains tax increased to 22%
- Rates of DIRT increased to 23% on life assurance policies and 26% on investment funds
- Motor tax increased by 4% for cars below 2.5 litres and CO₂ bands A to D and 5% for cars above 2.5 litres and CO₂ bands E to G
- Charge of €200 on all non-principal private residences to be paid to Local Authorities

Social Welfare

Context

- 720,774 people (17% of the total population) have incomes below the standard poverty line recognised by the European Commission and the United Nations. In 2008 this line is equivalent to €11,400 for a single person and to €26,400 for a household of 4. The number of people with incomes below that level is 120,000 fewer than was the case in 2001 when 21.9% of the population was at risk of poverty.
- Almost 30% of all households at risk of poverty are headed by a person **with a job**. These are the 'working poor'.
- 50% of all households at risk of poverty are headed by a person outside the labour force (i.e. they are elderly, have a disability, are ill or in caring roles that prevent them from taking up a job).
- More than 20% of all **children** in Ireland are at risk of poverty.
- Government has committed to maintain the lowest social welfare rate for a single person at 30% of Gross Average Industrial Earnings. This level was reached in Budget 2007. Maintaining it in 2009 would require an increase of €5.95a week.
- Poor people spend a higher proportion of their income on food and fuel both of which have seen their prices rise faster than inflation in the past year. Compensating for food inflation would require an additional €3.95 on social welfare making a total increase of €9.90 a week.

For more information see:

CORI Justice Socio-Economic Review
2008 *Planning for Progress and Fairness*
Section 3.1
Pages: 22-56

The Budget

Provided Total Social Welfare improvements costing €515 million in 2009.

PERSONAL RATES (weekly increase)

State Pensions: €7 (contributory) €7 (non-contributory).

Maximum - €6.50 - all other schemes.

QUALIFIED ADULT ALLOWANCES

€6.30 State Pension, 66 + (contributory)

€4.70 Pension (contributory) and

Transition, < 66

€4.60 Non contributory Pension < 66

€4.60 Invalidity Pension, < 66

€4.30 for other QAA payments

OTHER WEEKLY INCREASES

No increase in Child Benefit rates- No Child Benefit Payments for over 18s from 2010. Half rate - for those 18 in 2009.

€2 in the Qualified Child Payment- new rate € 26.00.

To compensate relevant social welfare and low income families affected by the change in the Child Benefit Scheme, - special increase

in the Qualified Child Payment to €41 for children aged 18.

€10 per child in FIS income threshold.

€50 in the additional income disregard for Back to School Clothing and Footwear Allowance.

€2 in Free Fuel Allowance Scheme and 2 weeks in duration.

€8.50 in Maternity and Adoptive Benefit Payment.

CARERS

€7 - 66+ and €6.50 < 66.

€6.50 - Carer's Benefit and Constant Attendance Allowance.

Our Response

- We acknowledge that the increase in the Social Welfare personal rates of €6.50 exceeds by 55 cents the government benchmark for the lowest social welfare payments at 30% of Gross Average Industrial Earnings.
- However, an additional weekly payment of 55 cent falls far short of that required to meet the recent increases in the cost of basic food above the level of inflation.
- The weekly increase of €2 in the Fuel Allowance and the increase of two weeks in the duration of the scheme will not make a sufficient contribution to the elimination of fuel poverty.
- The failure to increase Child Benefit in the climate of sharp increases in the cost of food and services will lead to an increase in child poverty.
- The lack of increase in the Living Alone allowance will mean that many elderly people living alone, the majority of whom are women will continue to struggle on a grossly inadequate income.
- The limited increase in the Carer's Allowance and the failure to address the Respite Care Grant will increase the burden of many carers.
- The continued reluctance to address the meagre weekly allowance of Asylum Seekers in direct provision is lamentable.
- We regret the failure to introduce the cost of disability allowance.

Public Services

The Context

Ireland is identified as a country where public services are underdeveloped. Given the wealth of the economy over recent years this situation is far from acceptable. Poor people rely on public services more than those who are better off and are therefore more acutely affected by this shortage.

Public transport is a problematic area. Bottlenecks throughout the country are adding to the difficulty and cost experienced by everybody in conducting their lives. In particu-

lar support is required for public transport schemes in rural Ireland as these significantly enhance the quality of life of those living in remote rural areas.

Libraries play an important role in society. There are over 14 million visits to public libraries annually and 778,421 registered members. In the commitment to lifelong learning libraries are a unique resource and opportunity to provide information and easy access to modern means of communication.

Sport. Given that investment in sport is primarily to produce health benefits that accompany physical activity, a far greater part of the sports budget should be focused on grassroots sport e.g. the funding of local sports partnerships.

For more information see:

CORI Justice Socio-Economic Review
2008 *Planning for Progress and Fairness*
Section 3.4
Pages: 112-118

The Budget

JUSTICE, EQUALITY & LAW REFORM

Decreased allocation to equality by 30% to €23.9 million

Decreased allocation to disability by 5% to €12.9 million

Decreased allocation to immigration and asylum by 4% to €133 million

LOCAL GOVERNMENT

Decreased allocation to Library service by 38% to €11.7 million

Decreased allocation to Community and Social Inclusion by 14% to €6.5 million

Decreased allocation to disability

services by 7% to €14m.

TRANSPORT

Increased allocation for operation of public transport services by 2% to €338 million

Decreased allocation for public transport investment by 7% to €916 million

Decreased allocation for road improvement/maintenance by 8% to €2,120 million

Provided €10 million capital for carbon reduction initiatives

Provided €17.6m. for cross-border transport initiatives

COMMUNICATIONS, ENERGY

& NATURAL RESOURCES

Increased allocation to fund sustainable energy programmes by 10% to €53.6m.

Decreased allocation to information and communications technology by 25% to €40m.

ARTS, SPORT & TOURISM

Decreased Sports Council allocation by 8% to €53m

Decreased allocation to grants to support sport in disadvantaged areas by 10% to €1.3 million

Horse and Greyhound Racing Fund reduced by €6.6million

Our Response

- We regret the decreased allocation to the library service and see this as a direct attack on the life-long learning facilities of many in disadvantaged areas
- We regret the decreased allocation to the information and communications technology programme. It is difficult to see how broadband will be made available to currently unserved rural areas within the stated timeframe.
- While we welcome the reduction in allocation to horse and grey-

hound racing we believe that this subsidy of €70 million could have been much better spent in the context of the overall budget to the benefit of more people.

- We regret the decreased allocation in the grants to support sport in disadvantaged areas.
- We regret the decreased allocations to equality, disability, immigration and asylum. Together with the decrease in the allocation for community and social inclusion the overall effect will be an increase in exclusion of already marginalised people

- We welcome the allocations for carbon reduction initiatives and for sustainable energy programmes.
- We welcome the increased allocation, small as it is, to operate the public transport services but regret that the allocation in the public transport programme has been decreased.
- We welcome the overall commitment to improving efficiency across the government departments.

Education/Education Disadvantage

The Context

- Despite the economic boom the education system continues to mediate the vicious cycle of disadvantage and social exclusion between generations.
- Early school leaving is a particularly serious manifestation of the wider inequality in education.
- The low level of literacy among a significant proportion of the adult population is of concern. Likewise a 2004 study which shows up to 30% of pupils in disadvantaged

primary schools have literacy difficulties. The target set by Government is to reduce illiteracy among those aged 16-64, to between 10-15% by 2016. This suggests it is acceptable that between 317,000–476,000 people will have basic literacy problems in 2016. This will mean poor outcomes for the people themselves and is also bad for the economy.

- Ireland's expenditure on education equalled 4.6% of GDP in 2005 according to the OECD.

This compares to an EU average of 5.5% in that year. As the national income has increased the share allocated to education has fallen. In 1995 expenditure on education equalled 5.2% of GDP.

For more information see:

CORI Justice Socio-Economic Review
2008 *Planning for Progress and Fairness*
Section 3.7
Pages: 151-161

The Budget

- Increased the Gross budget by €308 to €9,628m (€229m Current and €79m Capital)
- Allocated €369m to national schools and €212m to the second level schools building programme.
- Increased the capital investment in higher education to €265m.
- Increased the allocation for non-teaching staff in national schools including special needs assistants, caretakers and clerical officers by 13% to €311m.
- Increased the allocation for

non-teaching staff in second level schools by 17% to €52m.

- Increased the allocation to the National Educational Psychological service by 33% to €23.75m
- Increased the capitation funding for primary and post-primary schools by €20m
- Allocated an additional €10m for Special Education.
- Reduced the allocation to Special Initiatives in Adult Education by 3% to €43.7m.
- Reduced the grants to adult education organisations by 2%

to €941,000.

- Reduced the grants to youth organisations by 10% to €39.4m
- Reduced the allocation to Schools Information and Communication Technologies Activities by 29% to €26m.
- Increase in the post-primary school transport charges to €300 annual fee.
- Third level funding allocations will allow for increases in the student services charge in 2009/10 of up to €1,500 in individual institutions.

Our Response

- We welcome the modest increase in the budget for education. The increase in the primary school building programme is particularly welcome.
- While recognising the additional allocation for Special Education we note that a 'number of grants, mainly school related, are being abolished or scaled back to the value of €26.6m.' Where these cuts will hit is a cause for concern.
- We are very concerned about the cuts to adult education. While the amount of money saved is very small the negative impact on this sector will be huge. Government has

set a target to reduce the proportion of the population with literacy difficulties among those aged 16-64, to between 10-15% by 2016. This suggests that it is acceptable that there will be between 317,000 – 476,000 people with basic literacy problems in 2016. This will mean poor outcomes for the people themselves and it is also bad for the economy.

- Given the increase in unemployment and that many young people were enticed away from education in the 'boom years' we regret that no special initiative was targeted at this group of vulnerable people to help them further their education.

- It is a cause for serious concern that there is no provision for the educational needs of new immigrants to Ireland, particularly in the area of language acquisition and cultural immersion. The failure to address the extension of the two year framework for completion of the Leaving Cert Applied is also regrettable.
- We regret that no enhanced initiatives or additional provision was made for "early start" programmes and that no additional allocation for training and evaluation relating to pre school initiatives was provided.

Healthcare

The Context

- People should be assured that healthcare in their times of vulnerability is guaranteed.
- In 1977, 39% of the population were eligible for medical cards. By 2007 this figure had decreased to 29.5% and included people over 70 irrespective of their income.
- Because of costs people on low incomes defer seeking healthcare with long term negative outcomes for themselves, their families and the economy.
- Primary Care should be a cornerstone of the healthcare system.
- There is a commitment in the *Towards 2016* Social Partnership Agreement that 300 primary care teams would be in place across the country by the end of 2008. This was set to rise to 400 in 2009 and to 500 by 2011. This commitment has not been honoured with fewer than 100 teams currently in place.
- There is a clear need for an increase in the percentage of the healthcare budget being allocated for primary care.
- Ireland spends 7.2% of GDP on health compared to an EU25 average of 8.6%.

For more information see:

CORI Justice Socio-Economic Review
2008 *Planning for Progress and Fairness*
Section 3.6
Pages: 137-150

The Budget

- Increased allocation to HSE to €14.791bn an increase of €580m
- Gross capital allocation for the DoHC & HSE is €540m a reduction of 25% on 2008
- HSE is to initiate a programme for the development and construction by the private sector over the next two years of 200 primary care centres.
- Allocation of €55m to implement the Fair Deal scheme
- An allocation of €15m for the Cancer control programme
- An allocation of €10m therapy services for children of school going age
- 1% reduction in the allocations to voluntary disability providers
- Increase of 20% in private/semi private bed charges in public hospitals
- Increase from €66 to €100 in A&E charges
- Medical card for over 70's will be means tested from the 1st January 2009
- An annual cash grant of €400 will be paid to those aged 70 who do not qualify for a medical card /GP visit card, whose gross weekly income is below €650 for single person/ €1300 for couple.
- An allocation of €1.75m for suicide prevention and to support greater service user involvement in mental health
- Increase in drug payment scheme from €90 to €100 a month

Our Response

- We acknowledge the increase in the HSE budget.
- A reduction in the capital allocation will impact negatively on the developmental side of services particularly in the community area.
- The development of 200 primary care centres over the next two years is welcomed but these must be progressed in relation to the local needs assessment including rural and urban areas. First priority must be given to communities of greatest need.
- Even with this development the commitment in *Towards 2016* has not been met as the agreed targets are 400 - 2009 and 500 - 2011.
- The eligibility levels of medical cards has not been raised. This will have a negative impact on those who are on low income levels of all ages particularly as the HSE will be introducing limits on the total expenditure under the discretionary medical card and hardship schemes.
- The reduction of allocation to the voluntary disability providers will have a negative impact on the extent of services that are provided to date.
- The allocation for the development of the child & adolescent mental health services is welcome but it falls below what is needed to develop this service as committed to in *Towards 2016*.
- While welcoming the launch of the Fair Deal scheme we note that the allocation of €55 million is not adequate to cover the costs of this service.

Community & Rural Development

The Context

- Rural Ireland has high dependency levels, out-migration and many people living on low incomes. The number of farms is expected to decline by 23%, from 136,000 in 2002 to 105,000 in 2015.
- Only a minority of farmers generate an adequate income from farming. Off farm income is essential if rural poverty and social exclusion are to be addressed.
- Long-term strategies are needed urgently on infrastructure, the national spatial imbalance, public services, public transport and local involvement in core decision-making.

For more information see:

CORI Justice Socio-Economic Review
2008 *Planning for Progress and Fairness*
Section 3.11
Pages: 194-204

The Budget

- Allocated €523.6m (- €22.7m on 2008) to Dept. of Community Rural & Gaeltacht Affairs
- Initiatives tackling Economic & Social Disadvantage (+ €8m)
- Increased funding of €50.4m (+ 48%) to Rural Social Scheme
- Allocated €159m for agricultural research and training
- REPS increased to €355m
- LEADER Programme increased from €16m to €27m
- Reduced Drugs Initiative/Young People's Facilities & Services Fund (-5%)
- Reduced Community Services Programme by 8% to €50.85m
- Reduced Supports for Community and Voluntary Sector -14%
- Reduced Support Local & Community Development Programmes (-7%)

Our Response

- We welcome the increased allocations to Economic and Social Disadvantage Schemes, Rural Social Scheme, LEADER Programme while noting an overall decrease in the gross budget to the Department.
- The challenge to bring fundamental economic and social change to rural communities has not been adequately resourced and still remains a challenge, particularly in relation to the Drugs Initiative and Community Services Programme.
- The reduction in Supports to Community and Voluntary Sector and to Local & Community Development may have a long term negative impact for those in rural areas.
- We regret the failure to address the national spatial imbalances and local involvement in core decision-making.

Work/Unemployment/Job Creation

The Context

- Unemployment has risen by over 58,000 since the beginning of the year. It is now 6.3% of the labour force. The rise in long term unemployment and youth unemployment are of particular concern. Low employment among people with a disability is also of concern (only 37% of people with a disability are employed and a quarter of these were part-time).
- 30% of all households at risk of poverty are headed by a person with a job. Many are outside the tax net. They neither benefit from budget changes nor get the full value of their tax credits.

For more information see:

CORI Justice Socio-Economic Review
2008 *Planning for Progress and Fairness*
Section 3.3
Pages: 98-111

The Budget

- Decreased Dept. of Enterprise, Trade & Employment gross budget (-€11m)
- Increased FÁS Employment Programme 2%
- Increased FÁS Training for employment 5%
- Decreased FÁS Training & Integration Supports (-5%)
- Reduced Skillnets Training Network Programme (-6%)
- Changes for new claimant people of working age making it more difficult to access Jobseekers, Benefit.
- Maximum duration of Jobseekers Benefit 9 months,
- Duration of entitlement to Illness Benefit limit two years,
- Minimum age Disability Allowance entitlement 18 years,
- Maximum age Domiciliary Care Allowance 18 years

Our Response

- We acknowledge the small increase in the FÁS training for employment but the overall budget decrease in the current climate is regrettable.
- Reductions in the many programmes which support the unemployed will have a negative impact on vulnerable people.
- The changes occurring for new claimants of working age in areas such as Jobseekers Benefit, Illness Benefit and Health & Safety Benefit will impact directly on those who are not long established in the workplace.
- We regard these changes as failures to support the long-term unemployed and youth unemployed.
- The changes in entitlement to Illness Benefit and Disability Allowance will affect the most vulnerable in society.

Housing and Accommodation

The Context

- There are over 43,000 households with over 108,000 people on waiting lists for social housing.
- The national partnership agreement, *Towards 2016* committed to 27,000 units of social housing in the period 2007 to 2009. To meet this target there should be an additional 9,000 unit of social housing started in 2009.
- The private rented sector accounts for about 10% of households. Between 8 and 10% of rented properties are not registered with the Private Residences Tenancy Board.
- Affordable housing is also needed.

For more information see:

CORI Justice Socio-Economic Review
2008 *Planning for Progress and Fairness*
Section 3.5
Pages: 119-136

The Budget

- Allocated €1.66 billion to Housing Programmes
- Voluntary and Co-operative Housing Sector – + €10 million
- Homeless accommodation – additional €3 million
- Affordable Housing provision – decrease of 30%
- Rental Accommodation Scheme – additional €39.5 million
- Funding for supports for older people and people with disabilities increased by 8%
- Traveller accommodation is unchanged from 2008 levels
- Social Housing provision and renewal - capital and current expenditure – down 1.7%
- New **Home Choice Loan** – a mortgage provided by a number of local authorities – available to 1st time buyers of new properties – maximum loan € 285,000

Our Response

- We acknowledge the provision of the extra €10 million under the Capital Loans and Subsidies Scheme to the Voluntary and Co-operative Housing.
- The increased funding for the Rental Accommodation Scheme is welcome as are the funding supports for older people and people with disabilities and the increased funding for homeless services
- The reduction of funding for Social Housing by 1.7% will be challenging in the light of the number of people on waiting lists.
- We regret the failure to address ongoing issues concerning accommodation for refugees and asylum seekers

Environment

The Context

- Our environment is a priceless asset. Its protection is of major importance not just to current times but also to the generations that will follow us. In 2005 trees removed 811 kilotonnes of CO₂ from the Irish atmosphere while road vehicles created 12,454 tonnes. 98.3% of all inland freight was transported by road, 21.8% higher than the EU-27 average. Imported gas accounts for 73% of Ireland's energy supply. In 2005, 40.6% of energy demands derived from transport, 23% from residential households, 20% from industry, 2.6% from agriculture and 13.9% from the service sector.

For more information see:

CORI Justice Socio-Economic Review
2008 *Planning for Progress and Fairness*
Section 3.10
Pages: 176-193

The Budget

- Provided €71 million to sustainable energy and research;
- Home Energy Saving Scheme - €15 million increase;
- Warmer Homes Scheme - €5 million.
- Capital Allowance Scheme extended for energy efficient equipment.
- €200 per annum employer car parking levy on employees.
- Motor tax rates increases: cf page 11 - Taxation
- Tax on petrol - 8 cent per litre
- Long haul flights air travel tax - €10 per passenger
- Water Services Investment Programme – 19% increase (€89m)
- Landfill Remediation programme - 63% reduced funding
- Natural Heritage funding reduced by 16%
- Irish Heritage Trust down 55%

Our Response

- We welcome the increased funding for sustainable energy and energy research, Home Energy Saving Scheme, Water Services Investment Programme and taxation focused on encouraging the use of vehicles with lower CO₂ emissions and the €10 million capital expenditure for additional carbon reduction measures to target climate change initiatives in the transport sector
- We regret the 11% decrease in funding for EPA, the failure to introduce or consider 'satellite' national accounts which would acknowledge environmental damage and resource consumption as well as a range of uncounted items such as unpaid work.
- The reduction of €70 million in public transport capital expenditure is a regressive step.

SOCIAL WELFARE: Social Insurance increases January 2009

PERSONAL AND QUALIFIED ADULT RATES	Present	New Rate	Increase
<u>State Pension (Contributory)</u>			
(i) Under 80:			
Personal rate	223.30	230.30	7.00
Person with qualified adult under 66	372.10	383.80	11.70
Person with qualified adult 66 or over	423.30	436.60	13.30
(ii) 80 or over:			
Personal rate	233.30	240.30	7.00
Person with qualified adult under 66	382.10	393.80	11.70
Person with qualified adult 66 or over	433.30	446.60	13.30
<u>State Pension (Transition)</u>			
Personal rate	223.30	230.30	7.00
Person with qualified adult under 66	372.10	383.80	11.70
Person with qualified adult 66 or over	423.30	436.60	13.30
<u>Widow's/Widower's Contributory Pension</u>			
(i) Under 66:	203.30	209.80	6.50
(ii) 66 and under 80:	223.30	230.30	7.00
(iii) 80 or over:	233.30	240.30	7.00
<u>Invalidity Pension:</u>			
(i) Under 65:			
Personal rate	203.30	209.80	6.50
Person with qualified adult under 66	348.40	359.50	11.10
Person with qualified adult 66 or over	403.30	416.10	12.80
(i) Age 65:			
Personal rate	223.30	230.30	7.00
Person with qualified adult under 66	368.40	380.00	11.60
Person with qualified adult 66 or over	423.30	436.60	13.30
<u>Carer's Benefit</u>			
Personal rate	214.70	221.20	6.50
<u>Occupational Injuries Benefit - Death Benefit Pension</u>			
(i) Personal rate under 66	227.70	234.70	7.00
(ii) Personal rate 66 and under 80	227.70	234.70	7.00
(iii) Personal rate 80 or over	237.70	244.70	7.00
<u>Occupational Injuries Benefit - Disablement Pension</u>			
Personal rate	228.90	235.40	6.50
<u>Illness/Jobseeker's Benefit</u>			
Personal rate	197.80	204.30	6.50
Person with qualified adult	329.10	339.90	10.80
<u>Injury Benefit/Health and Safety Benefit</u>			
Personal rate	197.80	204.30	6.50
Person with qualified adult	329.10	339.90	10.80
<u>Guardian's Payment (Contributory)</u>			
Personal rate	170.00	176.50	6.50
<u>Increases for a qualified child</u>			
All schemes in respect of all children, except children aged 18	24.00	26.00	2.00
All schemes in respect of children aged 18	24.00	41.00	17.00

Change in Monthly Rates of Child Benefit from January 2009

	€	€	€
<u>Child Benefit</u>			
(i) First and Second Children	166.00	166.00	0.00
(ii) Third and Subsequent Children	203.00	203.00	0.00

SOCIAL WELFARE: Social Assistance increases January 2009

	Present Rate	New Rate	Increase
	€	€	€
<u>State Pension (Non-Contributory)</u>			
(i) Under 80:			
Personal rate	212.00	219.00	7.00
Person with qualified adult under 66	352.10	363.70	11.60
(ii) 80 or over:			
Personal rate	222.00	229.00	7.00
Person with qualified adult under 66	362.10	373.70	11.60
<u>Blind Person's Pension</u>			
Personal rate	197.80	204.30	6.50
Person with qualified adult under 66	329.10	339.90	10.80
<u>Widow's/Widower's Non-Contributory Pension</u>			
Personal rate	197.80	204.30	6.50
<u>One-Parent Family Payment</u>			
Personal rate with one qualified child (child not aged 18)	221.80	230.30	8.50
<u>Carer's Allowance</u>			
(i) Under 66	214.00	220.50	6.50
(ii) 66 or over	232.00	239.00	7.00
<u>Disability Allowance</u>			
Personal rate	197.80	204.30	6.50
Person with qualified adult	329.10	339.90	10.80
<u>Supplementary Welfare Allowance</u>			
Personal rate	197.80	204.30	6.50
Person with qualified adult	329.10	339.90	10.80
<u>Jobseeker's Allowance</u>			
Personal rate	197.80	204.30	6.50
Person with qualified adult	329.10	339.90	10.80
<u>Pre-Retirement Allowance/Farm Assist</u>			
Personal rate	197.80	204.30	6.50
Person with qualified adult	329.10	339.90	10.80
<u>Guardian's Payment (Non-Contributory)</u>			
Personal rate	170.00	176.50	6.50
<u>Increases for a qualified child</u>			
All schemes in respect of all children, except children aged 18	24.00	26.00	2.00
All schemes in respect of children aged 18	24.00	41.00	17.00

Increases in Maximum Weekly Rates of **Health Allowances** from January 2009

	€	€	€
<u>Supplementary Allowance payable to Blind Persons in receipt of a Blind Pension</u>			
(i) Blind Pensioner	61.60	63.60	2.00
(ii) Blind Married Couple	123.10	127.20	4.10
<u>Infectious Diseases Maintenance Allowance</u>			
(i) Personal Rate	197.80	204.30	6.50
(ii) Person with qualified adult	329.10	339.90	10.80
(iii) Person with qualified adult and qualified child	353.10	365.90	12.80

Budget Highlights Need for Tax Reform

A review of the Budget documentation published by the Minister to accompany Budget 2009 reveals details of the rapid and significant decline in the exchequer's finances over the past year (see details on pages 4 & 5).

Despite the international economic slowdown, it is clear that the primary driver of this decline has been the collapse of house building and house sale transactions since early in the year. Their decline highlights the recent excessive dependency of the Irish exchequer on one (unstable) area for a large proportion of its taxation revenues. It is directly as a result of this decline that the Minister for Finance was forced to deliver the extensive set of tax increases and changes announced in the Budget. However, even in the context of these taxation increases, the Irish government

will be forced to borrow €4.7b in 2009 and €2.5b in 2010 just to cover day-to-day (current account) expenses.

CORI Justice has for some time called on successive Governments to broaden the tax base and ensure that national taxation policy is built around a sufficient, sustainable and balanced tax base.

There is a need for national taxation policy to be built around a sufficient, sustainable and balanced tax base

Our recent submission to the *Commission on Taxation* addressed this issue in detail (the document is available from our website www.cori.ie/justice). It is clear that such a sustainable tax base should include taxes such as a site value tax, environmental taxes e.g. carbon tax, fairer income taxes and reduced number of tax expenditures. As the Budget's figures prove, the current structure of the taxation system is unsustainable and requires significant change.

Children & Budget 2009

Child poverty remains a major problem for Irish society. In its most recent *EU-SILC* survey the CSO found that just over one-fifth of children (20.3%) live in households whose income is below the poverty line; approximately 190,000 children. The policies adopted in Budget 2009 did not address this issue.

CORI Justice welcomes the announcements by the Minister to review universal payments such as child benefit and early childhood supplement over the next year. We believe that any changes identified should be made on a revenue neutral basis; with any available resources identified by the review targeted on families with the lowest incomes. Properly completed, such a reform could offer the potential to significantly reduce, if not eliminate, child poverty. We look forward to contributing to the review process during 2009.

Other CORI Justice Publications

The following publications (and many more) may be downloaded for free from our website and are available for purchase from the CORI Justice Office:

- **Planning For Progress and Fairness** (2008)
- **Making Choices - Choosing Future: Ireland at a Crossroads** (2008)
- **Values, Catholic Social Thought and Public Policy** (2007)
- **Policy Briefing on Monitoring Social Partnership** (2007)

Social Policy in Ireland - Principles, Practice and Problems published by Liffey Press in conjunction with CORI Justice, is also available at €27.95.

We're on the web
www.cori.ie/justice

CORI Justice publishes books and regular briefings on a wide range of public policy issues. Our core areas of work are: public policy; spirituality; enabling and empowering; advocacy and communication. CORI Justice has been a recognised social partner within the Community and Voluntary Pillar of social partnership since 1996.

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