BUDGET 2010

Social Justice Ireland

ANALYSIS AND CRITIQUE

Unfair, unjust Budget fails the vulnerable, damages the economy

The unfair and breathtakingly unjust decisions made in Budget 2010 will damage Ireland's economic development and social development.

This Budget is anti-family, anti-poor and anti-children. Government chose to reduce the income going to large numbers of Ireland's poorest people while wasting money on a useless scrappage scheme that will have no significant impact on emissions but will see most of the money going to overseas manufactures.

In what appears to be an ideologically fixated approach to Budget 2010 Government has placed its faith in the failed neo-liberal economic model which caused many if not most of the current economic problems not just in Ireland but across the world.

Unfair and unjust

- Poor people will take a bigger hit than those who are better off.
- Reducing the income of those who are *very* well off so that they now will just be well off is very different to reducing the income and services available to those already in poverty so that they will now be living in deeper poverty without the basics required to live life with dignity. Yet this is exactly what Government has done.
- People living in poverty (1 in seven of the total population, 18% of children) are being asked to endure greater deprivation. This is unjust and unfair.
- The Government's arguments based on falling inflation are profoundly ill-informed. They fail to recognise the fact that costs for poorer people have risen in key areas of their expenditure during the past year.
- The failure to increase the tax-take significantly will mean that Ireland will continue to have one of the lowest total tax-takes in the EU.
- The failure to raise the total tax-take substantially towards the EU

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Failure to supply full Budget data and documentation is unacceptable

The failure by the Department of Finance this year to supply the usual data and documentation elaborating on the Minister for Finance's speech raises serious questions.

For many years on Budget Day, once the Budget has been announced in the Dail, substantial explanatory data and documentation is made available by the Department. This year much of that data was withheld.

If Government has nothing to hide, full information should be available.

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Budget lacks vision, raises questions about leadership and competence

(Continued from page 1)

average is the main reason that Government does not have the income to protect the country's social services or promote its economy.

- The introduction of a carbon tax is welcome but Government has failed to ensure that vulnerable people on low incomes or living in rural areas without access to public transport will not be big losers.
- Cuts in the Budget for social housing and supports budget will make it more difficult for many people to keep a roof over their head.

Budget is bad for economic development

- The Budget totally fails to provide any credible employment package.
- The Budget contains no real economic stimulus package. While the retro-fitting programme is welcome, it is nowhere near the scale required to provide an effective stimulus.
- The car scrappage scheme will be of most benefit to foreign car manufacturers.
- A new unemployment trap has been created following changes on child benefit. Most low-income people will lose the welfare-related payment when they take up a job (as many do not access FIS).

Budget is bad for social development

- As a result of Budget 2010 services will be reduced at the very moment that demand is rising.
- Ireland's social services infrastructure is being allowed to disintegrate just when it is needed most.
- Provision on the scale required was not made to develop the primary school infrastructure needed in the coming years for the huge increase in the young population.

Budget is anti-poor

- Those struggling to exist on an income lower than what is required to have a minimally adequate standard of living will now be further below that minimum and unable to afford the basics to live life with dignity.
- The failure to meet the target set for the ODA budget will damage the world's poorest and most vulnerable people.

Budget is anti-family

- The Budget targeted households with children and reduced their income while leaving households with the same income but no children untouched by this income reduction.

Budget is anti-youth

- This Budget dramatically reduced the welfare rates for young people, failed to provide sufficient places in training and related programmes and then threatened them with even greater losses if they refused to take up an inappropriate programme.

Budget is anti-children

- Child benefit cuts reduce the already small allocation for children in Ireland.
- The Budget will increase the level of child poverty in Ireland - currently 18% - especially among the working poor.

Proposal to reform tax system welcome

- The Budget failed to eliminate many of the tax breaks available only to the better off as recommended by the Commission on Taxation. However, the commitment to reform the tax system in the coming year is very welcome.

Conclusion

Social Justice Ireland is deeply concerned that Government has introduced such an unfair and unjust budget which is bad for Ireland's economic and social development.

Budget 2010 lacks vision. It fails to provide the leadership that Ireland needs at this difficult time. It also raises serious questions concerning competence.

Adjustments of €4bn were required to stabilise Ireland's fiscal situation. *Social Justice Ireland* published detailed, costed proposals showing how such adjustments could be achieved without reducing welfare rates or harming the vulnerable.

Decisions taken in Budget 2010 mean that Ireland's poor and vulnerable people are being condemned to deeper poverty which may well persist for a lengthy period of time while those who created many of the county's current problems are either being rewarded or ignored.

This Budget provides no pathway towards a credible, desirable future that Irish people can strive to attain.

Government's rhetoric about protecting the vulnerable and promoting the economy is not matched by its decisions in Budget 2010.

All in all a depressing, unfair and unjust Budget. Far better options were available that would have protected the vulnerable and promoted the economy. Government chose instead to favour those who are better off over the most vulnerable.

A society is measured on how it treats its vulnerable people. Using that yardstick this Budget has failed all of Ireland's people.

Many people at risk of poverty will not have sufficient income to provide the basics required to live life with dignity.

€4bn adjustments biased in favour of the better off

The overall adjustments made by Government in Budget 2010 are very unfairly distributed. Government chose to reduce the inadequate income received by Ireland's poorest people while leaving in place a wide range of tax-breaks that benefit Ireland's wealthier people. These choices are deeply unfair and biased against the poor and the vulnerable.

Social Justice Ireland accepted that €4bn in adjustments were required to stabilize Ireland's fiscal crisis.

We went further and produced a fully-costed set of proposals that would have achieved the €4bn adjustment without reducing social welfare payments or damaging Ireland's most vulnerable groups. Our proposals followed the framework presented by Government in its second Budget for 2009. This required an increase of €1.75bn in the total tax-take and cuts of €2.25bn in current and capital expenditure. Our tax proposals drew on the analysis and proposals provided by the Commission on Taxation.

Instead of acting on their own proposals Government decided to increase the cuts and reduce the amount they had intended getting from taxes.

This will mean that services will be reduced and Ireland's social services infrastructure will be damaged. It also means that the allocation to address the unemployment crisis is far too low. At the same time the wealthiest people in Ireland will continue to use tax breaks to reduce their tax bills. This Budget supports the better off at the expense of the poor.

Poor people are being driven deeper into poverty even though they did not cause the current crisis. The little they have has been reduced to satisfy an ideology that repeats the mantra that "everyone must contribute" to Ireland's recovery. The end result is that poor people will not have the basics to live life with dignity while the wealthiest will still remain wealthy.

Government could have made different choices

Despite endlessly claiming otherwise, Government did have options when it made its decisions on Budget 2010. As mentioned above, *Social Justice Ireland* published a detailed set of fully-costed proposals which showed how the required adjustments could be achieved without reducing welfare rates or damaging the vulnerable.

Government could, for example, have implemented the recommendations concerning tax breaks contained in the Commission on Taxation's Report.

That report identified 111 tax breaks and made a series of recommendations. It proposed that some be eliminated, some be adjusted and the remainder be left as they were.

If the Commission's recommendations on tax-breaks were acted on in Budget 2010 then Exchequer revenue would have risen by about €850m

If the Commission's recommendations on how to increase revenue in this manner were acted on in Budget 2010 then Exchequer revenue would rise by about €850m.

Another option open to Government concerned the contribution the corporate sector (which caused so much of the current crisis) should make towards Ireland's recovery. The Minister for Finance strongly re-stated the Government's commitment to maintaining the corporation tax rate at 12.5%. We had proposed that the corporate sector should make a small contribution towards the fiscal adjustments required by paying a levy of 1% of their profits (not their turnover) for a small number of years. Government decided that levies were acceptable for those paying income tax but not for the wealthy among the corporate sector.

Welfare and Inflation - Government out of touch

Government's claims on inflation and social welfare rates fail to grasp a whole range of realities. The following are some of the facts that Government's decisions have failed to consider:

- The loss of the Christmas bonus payment meant social welfare recipients had already lost 2% of their income in 2009.
- Education costs have risen in the past year
- One third of all requests for help received by the St Vincent De Paul Society are to cover food and fuel costs. Obviously the social welfare payments are not sufficient to cover the basic essentials that people need to live life with dignity.
- Changes made to rent supplement in the two Budgets in 2009 have led to an increase in the cost of living for people living in Rent Supplement accommodation.
- A disproportionate number of people with disabilities are at risk of poverty. Research has shown that many people with disabilities have to pay additional costs of heating, clothes, special foods and transport over and above the outlays faced by people without a disability.
- Without social welfare payments 43% of Ireland's population would be in poverty. After social welfare payments are made that number is now down to 14.4%. Increases in social welfare rates in recent years made all the difference. Changes in social welfare rates mean these gains will be reversed.
- The gains made by Ireland's poorest people in the past decade will be reversed.
- Ireland's poorest people will be deeper in poverty as a result of Budget 2010.

The Social and Economic Context of Budget 2010

To provide a brief overview of the social and economic context of Budget 2010, table 4.1 brings together a range of data and indicators reflecting various aspects of Ireland today.

The Budget is framed in the context of a sustained deterioration in the exchequer's finances. This has been driven by two major economic factors:

(i) the collapse of the Irish construction sector and associated housing bubble; and

(ii) an international economic slowdown associated with the 'credit crunch' in the United States and its international repercussions.

These difficulties have been added to by the severity of the banking crisis and the requirement for the state to effectively rescue all the major Irish financial institutions and engage in substantial borrowing to fund that rescue.

As we detailed in our pre-Budget *Policy Briefing*, taxation revenues have also collapsed and remained at historically low levels as a proportion of national income.

The net result of these simultaneous events has seen a rapid increase in the national debt, large increases in personal taxation and pressure to make cuts in government spending.

The Budget is also framed in the context of high, though declining, poverty levels; a sustained problem with child poverty; ongoing literacy challenges; rapidly increasing unemployment and lengthening social housing waiting lists. Current and future challenges arising from environmental pollution levels and projected population growth are also of relevance.

More detail on all of these indicators is provided in our 2009 Socio-Economic Review available on our website: www.socialjustice.ie

Table 4.1: Ireland's Social and Economic Context—Budget 2010

Population		**Taxation: Historical Data**	
Population 2006 Census	4,239,848	Tax as % GDP in 2000	31.7%
Population 2011* / 2016 *	4.685m / 5.093m	Tax as % GDP in 2006	32.6%
Population 2021* / 2041*	5.449m / 6.247m	Tax as % GDP in 2008	< 28%
Income Levels		Value of all Tax Reliefs (per annum)	€8.4 billion
Average Gross Household Income (2008)**	€1,161.00 per week	**Labour Market and Emigration**	
Average Disposable H-hold Income (2008)**	€939.89 per week	Minimum Wage (per hour / 39hr week)	€8.65 / €337.35
Poverty		Labour Force	2,203,100
Poverty line 1 Adult (week / year)	€229.47 / €11,965	Employment	1,938,500
Poverty line 2 Adults (week / year)	€380.92 / €19,862	Unemployment 2009 /rate (ILO Basis)	264,600 / 12%
Poverty line 1 Adult + 1 Child (week / year)	€305.20 / €15,914	Live Register (increase since last yr)	413,505 (+146,316)
Poverty line 2 A + 2 Children (week / year)	€532.37 / €27,759	Projected Emigration 2010 (year to April)	40,000
% of population living in poverty **	14.4%	**Inflation****	
% of children living in poverty **	18%	CSO annual CPI inflation rate (Oct 2008-09)	-6.6%
Social Welfare Rates		CPI excluding mortgages (Oct 2008-09)	-2.4%
Minimum Social Welfare Payment (1 adult)	€196.00	**Literacy & Environment**	
2 Adults on Min Social Welfare Payment	€326.10	Illiteracy rate of adult population (1996 data)^	25%
Under 80 Old Age Pension: cont./non-cont.	€230.30 / €240.30	% Waste Landfilled (2006 data)	63.9%
Child Benefit: 1st and 2nd / 3rd child	€150.00 / €187.00	Greenhouse Gas Emissions v. Kyoto target	+10%
Housing		**Overseas Aid**	
LA Housing Waiting list - households	56,249	ODA as % GDP: 1999/ 2005 /2008	0.30 / 0.40 / 0.54
LA Housing Waiting list - persons	approx 150,000	ODA as % GDP: 2009#1/ 2009#2/ 2010	0.56 / 0.48 / 0.52

Sources: Department of Finance Budget Documentation and various publications from Eurostat, Central Bank, ESRI, CSO and various Government Departments and Agencies.

Note: * = projection; ** = latest CSO data; ^ = no data collected since

Budget 2010 - Key Numbers, Data & Trends

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 5.1: The Budget in Numbers - Key Data from Budget 2010

National Income		**Inflation and the Labour Market**	
GDP in 2010 (€m)	€160,925	Inflation in 2010	-0.8%
GNP in 2010 (€m)	€129,100	Inflation 2010-2012 (average)	1.0% per annum
Real GDP growth in 2010	-1.3%	Unemployment rate in 2010	13.2%
Real GNP growth in 2010	-1.7%	Employment growth in 2010	-3.4%
Real GDP growth 2010-2012 (average)	2.2% per annum	Unemployment rate 2010-2012 (average)	12.5%
Real GNP growth 2010-2012 (average)	1.8% per annum	Employment growth 2010-2012 (average)	-0.03%
Exchequer Budgetary Position		**Taxation**	
Current Budget Balance, 2010 (€m)	- €13,718	Income Taxation - lower rate	20%
Net Capital Investment, 2010 (€m)	€6,734	Income Taxation - higher rate	41%
Capital Investment paid from current resources, 2010 (€m)	Zero	%Tax on €25,000 income (single / 2 earners)	10.3% / 1.3%
Capital Investment paid from borrowing, 2010 (€m)	All	%Tax on €60,000 income (single / 2 earners)	31.7% / 15.5%
Exchequer Borrowing, 2010 (€m)	€18,780	%Tax on €100,000 income (single / 2 earners)	39.2% / 15.5%
General Government Balance (%GDP)	- 11.6%	Corporation Tax Rate	12.5%
Current Budget Balance 2011 (€m)	- €13,797	Capital Gains Tax Rate	25%
Current Budget Balance 2012 (€m)	- €9,883	**Cost of Budgetary Changes**	
Net Capital Investment 2010-2012 (€m)	€6,386 (average)	Cost in 2010 of Income Tax changes (€m)	-€2.8
Exchequer Borrowing 2010-2012 (€m)	€17,215 (average)	Cost in 2010 of Social Welfare changes (€m)	-€760
National Debt 2010 % GDP	77.9%	Full year cost of Income Tax changes (€m)	€53
National Debt 2010 % GDP including NAMA	111.5%	Full year cost of Social Welfare changes (€m)	-€809

Sources: Minister's speech and various tables throughout Budgetary publications; National Debt plus NAMA is separate calculation

Chart 5.1

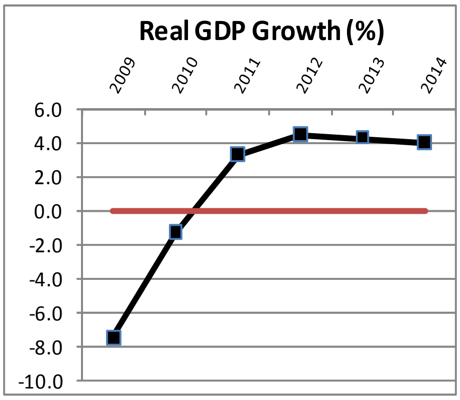


Chart 5.2

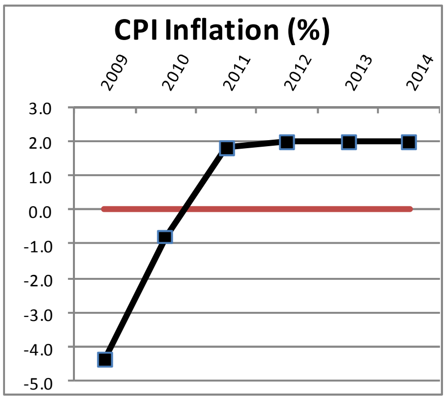


Chart 5.3

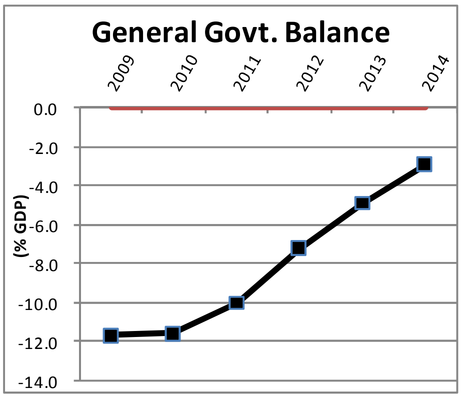
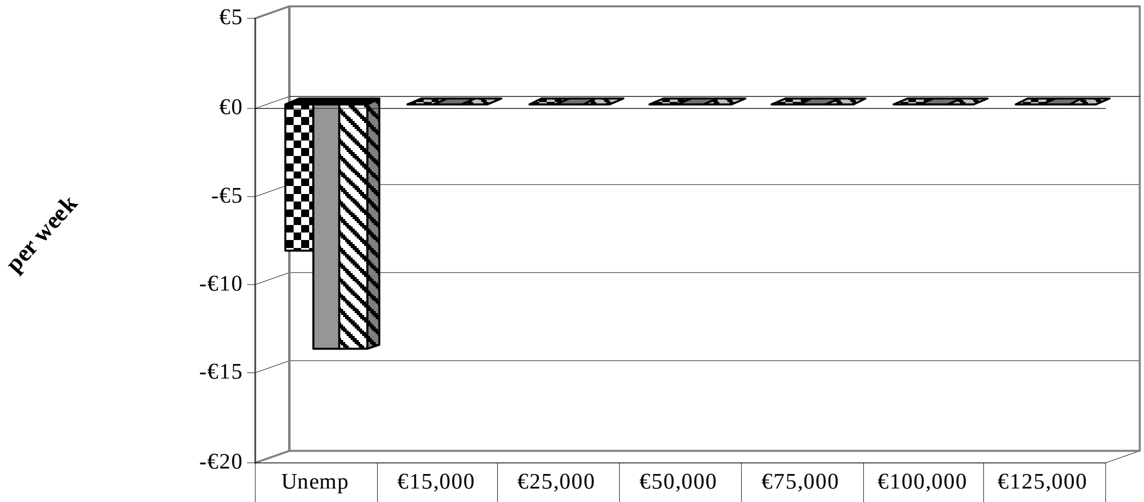


Chart 6.1: Income Distribution and Budget 2010



	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	-8.30	0.00	0.00	0.00	0.00	0.00	0.00
Couple 1 Earner*	-13.80	0.00	0.00	0.00	0.00	0.00	0.00
Couple 2 Earners*	-13.80	0.00	0.00	0.00	0.00	0.00	0.00

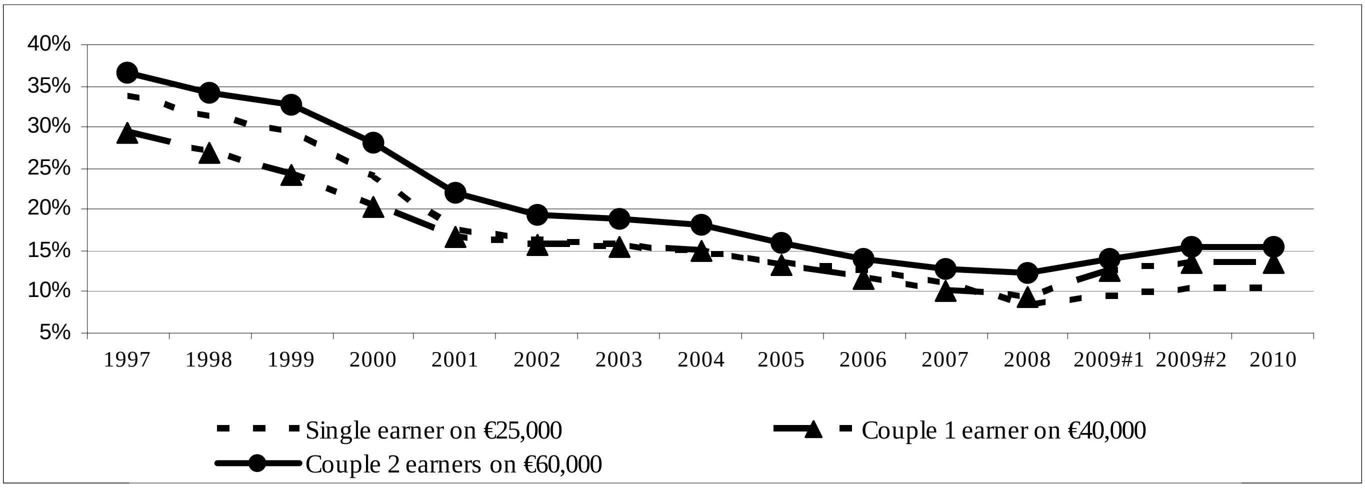
Notes: * Except in case of the unemployed where there is no earner
Couple with 2 earners are assumed to have equal shares of income.

Table 6.1: Effective Tax Rates following Budgets 2000/ 2008/ 2010

Income Level	Single Person	Couple 1 Earner	Couple 2 Earners
€15,000	13.9% / 0.0% / 0.0%	2.5% / 0.0% / 0.0%	0.8% / 0.0% / 0.0%
€20,000	19.1% / 5.4% / 6.4 %	8.3% / 2.7% / 4.7%	6.1% / 0.0% / 0.0%
€25,000	24.0% / 8.3% / 10.3 %	12.3% / 2.9% / 4.9%	11.0% / 0.0% / 1.3%
€30,000	28.4% / 12.9% / 16.9%	15.0% / 5.1% / 9.1%	14.6% / 1.7% / 3.0%
€40,000	33.3% / 18.6% / 22.1%	20.2% / 9.4% / 13.4%	17.5% / 3.6% / 4.9%
€60,000	37.7% / 27.5% / 31.7%	29.0% / 19.8%/ 24.0%	28.0% / 12.2%/ 15.5%
€100,000	41.1% / 33.8% / 39.2%	35.9% / 29.2%/ 34.6%	35.9% / 23.8%/ 27.9%
€120,000	41.9% / 35.4% / 41.1%	37.6% / 31.6%/ 37.2%	37.7% / 27.2%/ 31.7%

Notes: Total of income tax, levies and PRSI as a % total income. Couples assume: 2 children, 65%/35% income division.

Chart 6.2: Effective Tax Rates in Ireland, 1997-2010



An Analysis of Income Tax and SW Changes in 2010

When assessing the change in people's incomes following any Budget, it is important that wage and tax changes be included as well as changes to basic social welfare payments. Unemployed people, for example, do not experience any wage or income taxation changes while those with jobs may experience both. In our calculations on this occasion we have not included any income changes to private sector pay levels during 2010 as detailed projections for such changes are unavailable.

Chart 6.1 (page 6) sets out the implications of the Budget announcements on various household groupings in 2010. The additional impact of changes to child benefit are explored on page 8 of this document.

Single people who are long-term unemployed will be €8.30 per week (€433 per year) worse off in 2010 while **Couples** who are long term unemployed will be €13.80 per week (€720 per year) worse off in 2010.

Elsewhere in the income distribution, there are no taxation and basic social welfare impacts from the Budget. However, the impact of Budget 2010 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 2010 has widened the rich-poor gap by €8.30 per week.

It is of some concern that Budget 2010 has impacted very heavily on low income families with members employed in the public sector.

To extend this analysis, Table 7.1, below, examines the impact of the Budget's reduction in public sector pay on households with members who work in that sector. The latest figures from the CSO indicate that almost 260,000 people work in the public sector.

It also examines the cumulative impact on these households from the Budget 2010 pay cut, the early-2009 pension levy and the tax increases from Budget 2009 #1 and #2. While these changes have been progressive, they have had a notable impact on households with members in the public sector at the lower end of the income distribution. It is of some concern that Budget 2010 has impacted very heavily on low income families with members employed in the public sector.

Table 7.1: Impact on Public Sector Take Home Income from Recent Budgets

	Single		**Married one income, 2 children over 6yrs**	
Gross Income per annum	**Change in 2010**	**Change since 2008**	**Change in 2010**	**Change since 2008**
	€	€	€	€
€20,000	-228	-818	-158	-190
€50,000	-1,218	-4,617	-2,128	-5,750
€75,000	-2,017	-8,431	-2,401	-8,815
€100,000	-3,041	-12,860	-3,425	-13,244
€150,000	-4,888	-20,765	-5,272	-21,149

Effective Tax Rates after Budget 2010

Central to the ongoing debate on taxation in Ireland are effective tax rates. These rates are calculated by comparing the total amount of income tax a person pays with their pre-tax income. For example, a person earning €50,000 who pays €10,000 in taxation 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 2010 we have calculated effective tax rates for a single person, a single income couple and a couple where both are earners. Table 6.1 (page 6) presents the results of this analysis. For comparative purposes, it also presents the effective tax rates which existed for people with the same income levels in 2000 and 2008.

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

In 2010, for a single person with an income of €15,000 the effective tax rate will be 0.0%, rising to 10.3% of an income of €25,000 and 41.1% of an income of €120,000. A single income couple will have an effective tax rate of 0.0% at an income of €15,000, rising to 4.9% at an income of €25,000, 24.0% at an income of €60,000 and 37.2% at an annual income of €120,000.

In the case of a couple where both are earning and their combined income is €40,000 their effective tax rate is 4.9%, rising to 31.7% for combined earnings of €120,000.

As chart 6.2 (page 6) shows, despite recent increases, these effective tax rates have decreased considerably over the past 13 years for all earners.

Unemployment, LT Unemployment and Re-training

The transformation of the Irish labour market from full-employment to high unemployment has been the real characteristic of this recession. As we have indicated elsewhere in this analysis, *Social Justice Ireland* is dismayed that Budget 2010 inflicted further pain on the unemployed by reducing social welfare payments.

While the live register is not a measure of unemployment (a point we highlight and explain in detail annually in our *Socio-Economic Review*) it does offer a valuable insight into the underlying trends in unemployment.

Over the past two years the numbers on the register have increased from:

- 161,400—November 2007
- 267,200—November 2008
- 413,500—November 2009

A further analysis of these figures highlights the large number of young people who are included in these increases.

Budget 2010 offered government a chance to provide a thought-through and targeted plan to address the real possibility that many of these people will become long-term unemployed. The Budget offered a very limited response in this regard; one that is far from adequate given the scale of the problem. *Social Justice Ireland* believes that unless the government adequately revisits this issue, the prospect of a serious long-term unemployment problem remains a major threat to the social and economic recovery of the country.

Furthermore, the cuts to youth unemployment payments, and the prospect of forcing skilled young people with high education qualifications to undertake training courses they are unlikely to require, is a concern. There is a real prospect that such inadequate policies will simply fuel a skilled and young brain-drain during 2010.

Child Benefit Reductions reflect an anti-family approach

Child Benefit payments will be €16 per month lower for most families following Budget 2010. As this payment represents the only payment to support children going to all families in Ireland, *Social Justice Ireland* believes that the decision to reduce it reflects an anti-family approach.

Government's justification for penalising better-off families who receive child benefit is based on the fact that these are high-income households and they can survive with a lower level of income. This is true, but this initiative means that two households with the same level of income from employment- one with children and one without children - are being treated very differently and it is the family with children that lose out.

Take two households, each with two adults, with an income of €70,000 a year each (about twice the average industrial wage). This level of income is more than adequate to support them. Both households will be affected in an identical manner by any tax changes introduced in Budgets.

However, if one of these household has two children it means they have been in receipt of an additional €3,984 a year in child benefit (€166 a month for each child). It is obvious that this amount of money is not sufficient to support the two children.

As a result of the Budget however, this amount will be reduced by €384 in 2010.

This is a profoundly anti-family move. If the Government needed to increase the revenue going to the Exchequer and wanted to target those with higher incomes, the additional amount required should have been taken from the core income of those households and not from the small and inadequate amount available for providing for children. There was a fairer way to address this issue and government should have taken it.

Carbon Tax—welcome, but limited details provided

The Budget announcement of a carbon tax initially set at €15 per tonne of CO_2 is to be welcomed. It represents an overdue move to broaden the tax base, moving it away from labour. Table 8.1 provides an insight into the actual effect of this policy on the price level of the main goods it will impact on - the price impact differs depending on the level of pollution associated with the consumption of each product.

While we welcome the policy, we regret the lack of detail in the Budget on the accompanying measures to protect low income households and rural dwellers. The Government should be more specific in defining how it will assist these households other than indicating possible future fuel vouchers and increase rural transport funding.

Table 8.1: Impact of Carbon Tax on Prices @ €15 tonne

	Price Increase	% Increase
Petrol	+ 4c per litre	+ 3.6%
Diesel	+ 4c per litre	+ 4.1%
Natural Gas	+ 0.3c per kWh	+4.8%
Home Heating Oil	+ 4c per litre	+6.6%
Briquettes	+36c per bale	+9.4%
Coal (40kg bag)	+ €1.71 per bag	+10.4%

Note: Estimates based on data from the Commission on Taxation Report

Budget Choices Built on Dubious Claims

Many of the choices made by Government in Budget 2010 were based on dubious claims. For example, two key initiatives in the supposed 'stimulus' package were the reduction of the VAT rate and the reduction of excise duty on alcohol. The VAT reduction of 0.5% is expected to cost the government €140m in revenue forgone throughout 2010 while the excise change will cost €90m—an overall total of €230m.

These initiatives are supposed to stem the flow of people going to Northern Ireland to do some of their shopping. The claim that an increase of half a percentage point in the VAT rate triggered a huge increase in cross-border shopping was not based on fact. Likewise the claim that the two initiatives introduced in Budget 2010 will reverse the traffic is also unfounded. People are attracted to shop in Northern Ireland because of the huge fall in the value of sterling and its impact on the costs of retail products. Tax and excise differences had minimal impact on these decisions. Similarly, the forthcoming increase in UK VAT rates is also unlikely to alter the structure of cross-border trade.

The full year cost of the excise reform is also questionable. The Budget 2010 figure of €90m contrasts with previous figures provided by the Department of Finance which suggested that such a reform would likely result in a revenue forgone figure of over €200m.

The scale of these combined tax reductions contrasts with the government's decision to 'save' €221m via a reduction in child benefit of €16 per month.

Social Justice Ireland believes that the basis for these Budget choices is dubious. It reflects a narrow vision and a lack of joined-up thinking. Government could have done better in Budget 2010.

Copies of this response and other Budget documents are available on our website: *www.socialjustice.ie*

Prescription Charges

Social Justice Ireland regrets the Budget 2010 decision to introduce a new prescription charge on all medical card holders and on those in the long-term illness schemes. The charge is to be levied at 50c per item per prescription to a maximum of €10 per family per prescription. The government propose to introduce this charge from April 1st 2010.

While the per-item scale of this charge is small, the cumulative effect on some individuals will be notable. Furthermore, we are concerned that this policy may mark the start of a series of increases which will see the charge rise rapidly from the 50c level to a much higher amount.

Indeed the increase in the drug refund scheme threshold, from €100 to €120 per month in Budget 2010, reflects the worrying likelihood of such an increase. Since its introduction, this threshold has been increased in each Budget at rates much greater than inflation or income increases.

Social Housing

Ireland has a social housing crisis. Figures from the most recent Department of Environment, Heritage and Local Government survey indicate that there were 56,249 households (approx 150,000 people) on these lists. Since then, the numbers have increased as the recession has occurred. Data from other sources suggest that there are also increases in the numbers of homeless.

Budget 2010 has delivered another cut...it will make the challenge of addressing this growing problem all the greater

Budget 2010 has delivered another cut to the social housing budget. Social Justice Ireland regrets this cut; it will make the challenge of addressing this growing problem all the greater. We also regret the lack of any clarity from the Government on how they plan to address this problem.

Disability

People with a disability continue to be one of the groups at highest risk of poverty in Ireland. The latest CSO poverty figures, published in November 2009, indicate that one in four of this group (25.5%) live below the poverty line.

Furthermore, research from the National Disability Council and the Disability Federation of Ireland has shown that people with a disability experience higher everyday costs of living because of their disability when compared to others in society. Policy had begun to address these challenges, but recent Budgets have reversed or stalled much of this progress.

Budget 2010 cut the disability payment; something we regret. It will make the lives of many people with disabilities even more challenging in 2010.

Another Cut to World Poor

The decision not to move towards meeting Ireland's commitment on Third World Aid will mean that the world's poorest will lose out as Ireland's Government insists on giving priority to protecting those who are best-off.

Ireland has committed to providing 0.7% of GNP in foreign aid by 2012 - reaching the UN target. This expenditure is targeted at the most vulnerable people on the planet. After making good progress towards achieving this target Government made cuts to the overseas aid budget totalling €224 million, or the equivalent of 24%, in Budget adjustments in February and April 2009. This was the biggest percentage cut imposed on any government department. Budget 2010 further deepened this cut. In 2010 the ODA budget will be €671m, €25m less than the April figure and representing 0.52% of GNP.

Public Finances, 2009-2012

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

Rounding may impact on totals	**2009**	**2010**	**2011**	**2012**
CURRENT BUDGET	€m	€m	€m	€m
Expenditure				
Gross Voted Current Expenditure	55,957	54,940	55,183	54,854
Non-Voted (Central Fund) Expenditure Gross Current Expenditure	5,152	6,932	8,335	9,430
	61,108	**61,872**	**63,518**	**64,284**
less Expenditure Receipts and Balances Net Current Expenditure	15,589	14,748	13,829	14,366
	45,520	**47,123**	**49,689**	**49,918**
Receipts				
Tax Revenue	32,570	31,050	32,800	34,950
Non-Tax Revenue	834	2,355	1,093	1,085
Net Current Revenue	**33,404**	**33,405**	**33,893**	**36,035**
Current Adjustment in future years				
Annual			2,000	2,000
Adjustment from previous years				*2,000*
CURRENT BUDGET BALANCE	**-12,116**	**-13,718**	**-13,797**	**-9,883**
CAPITAL BUDGET				
Expenditure				
Gross Voted Capital	7,216	6,445	5,500	5,500
Non-Voted Expenditure	4,836	825	824	824
Payment to the NPRF	3,000	-	-	726
	15,052	7,270	6,324	7,050
less Capital Receipts Net Capital Expenditure	443	536	476	474
	14,609	**6,734**	**5,848**	**6,576**
Capital Resources	**1,464**	**1,672**	**1,629**	**1,610**
CAPITAL BUDGET BALANCE	**-13,145**	**-5,062**	**-4,218**	**-4,966**
EXCHEQUER BALANCE	**-25,260**	**-18,780**	**-18,015**	**-14,850**
GENERAL GOVERNMENT BALANCE	**-19,260**	**-18,720**	**-17,030**	**-12,970**
% of GDP	*-11.7%*	*-11.6%*	*-10.0%*	*-7.2%*

Taxation

The Context

Ireland's total tax-take was one of the lowest in the EU in 2007 but has been falling dramatically as a percentage of GDP since 2007. It has fallen from 31.4% of GDP to 27.4% between 2007 and 2009.

- The figures for 2009 represent the lowest total tax take for Ireland since Eurostat commenced compiling this data. It is now one of the lowest in the developed world.
- Eurostat defines a country as being low-tax if its total tax-take is below 35% of GDP. Ireland is a very long way from there.
- Ireland can remain a low-tax country and could have a fairer tax system.
- Ireland should raise its total tax-take towards 34.9% of GDP over a number of years.
- Budget 2010 should begin this process in a fair, viable and equitable manner.
- If this approach were used then it would provide the resources required by Government to finance the services and infrastructure Ireland requires.

For more information see:

See analysis and policy recommendations in the Taxation section of our website: http://www.socialjustice.ie/content/taxation

The Budget

INCOME TAX

- Relief to high earners availing of tax incentive schemes being restricted by increasing the effective income tax rate from 20% to 30%. Entry level threshold for the restriction will now occur at adjusted income levels of €125,000 and the full restriction will apply at €400,000.

- Mortgage interest relief on qualifying mortgages before 1 July 2011 will continue for 7 years, and those due to expire in 2010 or after will continue to end 2017. Mortgage interest relief will be abolished entirely by end 2017

- New system of just two charges on income to be introduced in 2011. These will be:

- A new universal low rate, wide base social contribution paid by everyone will replace employee PRSI, the Health Levy and Income Levy.

- Income Tax, reflecting capacity to pay, will apply on a progressive basis to those with higher incomes.

CARBON TAX

- A carbon tax of €15 per tonne is being introduced on fossil fuels. Petrol will increase by 4.2cent per litre and auto-diesel by 4.9cent per litre with effect from midnight, 9 December 2009. The increase on Kerosene, Marked Gas Oil, Liquid Petroleum Gas (LPG), Fuel Oil and Natural Gas will take effect from 1 May 2010. Electricity will be exempt.

FARMER TAXATION

- Income levy relief allowed in respect of certain expenditure incurred by farmers to comply with the requirements of the EU Nitrates Directive 91/676/EEC.

CAPITAL ALLOWANCES & TAX INCENTIVES

- Existing capital allowances scheme for energy efficient equipment purchased by companies extended to ten categories of eligible equipment.
- Three year corporate and capital tax exemption for start up companies in 2009 extended to new start-ups in 2010.

CORPORATION TAX

- The 12.50% Corporation Tax rate will not change. It is here to stay.

VAT & EXCISES

- Standard rate of VAT reduced by 0.5% to 21% from 1 January 2010
- Excise Duty is being reduced from midnight 9 December 2009 on Beer and Cider by 12cent (inc VAT) per pint, on Spirits by 14cent (inc VAT) per half glass, and on Wine by 60 cent (inc VAT) per 75cl bottle.
- VRT exemption being extended for electric vehicles and the VRT relief of up to €2,500 plug-in hybrid electric vehicles (both of which are due to expire on 31 December 2010) until 31 December 2012.

OTHER

- A domicile levy of €200,000 per annum being introduced for all Irish nationals and domiciled individuals, whose worldwide income exceeds €1 million and whose Irish-located capital is greater than €5 million, regardless of where they are tax resident.

- A Site Valuation Tax on all property is to be introduced. Work is due to commence on the registration of ownership and the valuation of land.

- Preparations are underway for the introduction of water charges, based on consumption above a free allocation.

Taxation (continued)

Our Response

- As a result of tax changes in this Budget Ireland's total tax-take will remain very low as a percentage of GDP in 2010.
- In 2009 Ireland's total tax-take was one of the lowest in the EU. Ireland was in a group of countries that included Romania, Slovakia, Lithuania, Latvia and Estonia. These countries also had the lowest levels of public expenditure and the lowest level of spending on social protection.
- It is not possible to develop a country with EU-average levels of social services (e.g. health, education, social welfare) and infrastructure (e.g. social housing, public transport) while having a total tax-take that is far below the EU-average.
- If Ireland is going to have these low levels of taxation then Irish people must be prepared to accept the levels of social services and infrastructure as well as the levels of salaries in countries such as Romania, Slovakia, Lithuania, Latvia and Estonia.
- *Social Justice Ireland* believes that Irish people do not want to settle for these low levels of services and infrastructure.
- The tax changes introduced in Budget 2010 do not go nearly far enough towards making Ireland's tax system fairer.
- We welcome the introduction of a carbon tax. This move was required if Ireland is to play its part in combating the rise in CO_2 emissions and the consequent environmental damage that accompanies such a rise.
- We do not believe sufficient has been done to protect groups such as those on low-income and rural dwellers without access to public transport.
- We welcome the domicile levy on all Irish nationals whose income exceeds €1m

Social Justice Ireland strongly urges Government to:

- Commit to raising Ireland's total tax-take towards 34.9% of GDP in the years immediately ahead
- Take the actions necessary to reach that goal.
- Make the tax system fairer by broadening the tax base and by eliminating and/or amending the tax breaks identified by the Commission on Taxation.

Social Justice Ireland welcomes the Government's commitment to reform the tax system in the coming year.

- We look forward to contributing to the process Government puts in place to produce a fair and just tax system.

Capital Budget

The Context

- Ireland's infrastructure in areas such as public transport, social housing, schools and healthcare is far below the EU average and is not sufficient to meet the demands of a larger population.
- It is facing additional demands, for example, in having to provide primary school places for the huge increase in the numbers of children born in recent years.
- Consequently we recommended that Budget 2010 should prioritise the common good and provide the required infrastructure investment.

For more information see:

See analysis and policy recommendations in the Budget section of our website: http://www.socialjustice.ie/node/414

The Budget

- Budget 2010 allocated €6,445m for capital expenditure - equivalent to 5% of GNP.
- This will be supplemented by €126m in allocations carried over from 2009.
- Indicated an investment programme of over €39bn in the period 2010 to 2016.
- Much of this investment is to be targeted at developing the "Government's strategy for building a Smart/Green competitive economy".
- In 2010 €430m will be available for agriculture, fisheries and food; €€2.1bn for transport; €715m for education and science; €474m for enterprise and employment; €1,506m for environment (of which €880m will be for housing).

Our Response

- *Social Justice Ireland* recognises the need for capital investment to be maintained at a level that will ensure the appropriate development of infrastructure in areas such as public transport, education, healthcare, social housing and related policy areas.
- Recent studies by the ESRI have shown that costs in this area have fallen dramatically in recent times. Consequently, it should be possible to deliver far greater levels of capital development for lower levels of expenditure.
- We do not believe that the capital expenditure contained in Budget 2010 is adequate to meet the urgent needs facing Irish society.
- This failure means a major opportunity was missed where employment could have been supported and the required infrastructure provided.

Social Welfare

The Context

The recent CSO study on poverty in Ireland shows that:

- One in seven or 14.4% of people are at risk of poverty, a decrease of 2.1 percentage points from 2007 and a decrease of 4.1 percentage points from 2005. In 2004 there were 19.4% in poverty.
- By age group, children (0-17) continued to have the highest risk of poverty with just under one in five children (18.0%) in this category. although this had fallen by 1.9 percentage points since 2007.
- Persons aged 75 and over had the lowest at risk of poverty rate of any age group at 9.9%.
- Without social welfare payments 43% of Ireland's population would be in poverty. After social welfare payments are made that number is now down to 14.4%. The increases in welfare rates in the intervening years made all the difference.
- Almost half of all those at risk of poverty (47.8%) live in households headed by a person who is outside the labour force (i.e. people who are older or ill, or have a serious disability or are in caring roles).

For more information see:
Analysis and policy recommendations in the Income and Poverty sections of our http://www.socialjustice.ie/content/income-and-poverty

The Budget

- **Reduced Social Welfare spending by €760m in 2010. Total spending in 2010 will be €21.1bn. The increase from €20.4bn in 2009 is due to the sharp rise in unemployment.**
- **Reduced Social Welfare payments for those under 66 by 4.1% or €8.30 a week. Among the households who will have an annual reduction of €431.60 a year or €33.20 a month are those in receipt of the Carer's Benefit, Disability Allowance, Blind Person's Pension and the One Parent Family Payment.**
- **Reduced the income of households for those under 66 with a qualified adult by €717.60 a year and €55.20 a month. This represents a total weekly reduction of €13.80 consisting of €8.30 for the social welfare payment and €5.50 for the qualified adult payment.**
- **Made no change to the State Pension of €230.30 for the Contributory Pension and €219.00 for the Non Contributory Pension for those 66 and over.**
- **Reduced Child Benefit for the lower and higher payments by €16.00 from €166.00 to €150.00 and €203.00 to €187.00 respectively.**
- **Increased the Qualified Child Allowance by €3.80 from €26.00 to €29.80 to offset the decrease in Child Benefit.**
- **Reduced Jobseekers Allowance from €204.30 a week to €100.00 for those aged 20 and 21 and from €204.30 a week to €150.00 for those aged 22 - 24.**
- **Reduced Jobseekers Allowance from €204.30 a week to €196.00 for those 25 and over.**
- **Increased Family Income Supplement earnings thresholds by €6.00 per week per child.**

Our Response

- *Social Justice Ireland* believes that the adjustments Government required to achieve its fiscal target could have been achieved without reducing welfare rates.
- Full details of how this could have been done were published by Social Justice Ireland on November 5th 2009. Details can be found on our website at http://www.socialjustice.ie
- On the issue of justification: one in seven of Ireland's population are still living in poverty. Reducing social welfare rates will lead to an increase in poverty. The rhetoric from Government that argues that these rates had to be reduced because everyone has to contribute to the process of recovery simply insults those who are most vulnerable in Irish society. A reduction ranging from €8.30 to €13.80, makes a minimum acceptable standard of living impossible. The cumulative effect of reductions across the board in Social Welfare will have a seriously harmful effect on households with children and will undoubtedly lead to an increase in the number of children living in poverty.
- The two groups most negatively affected by this budget are the long-term social welfare recipients and the highly skilled adults who through no fault of their own are now unemployed and are dependent on Jobseekers Allowance. They are faced with an enormous drop in income and in their living standards.
- The lack of appropriate courses for people who are highly skilled and newly unemployed allied to the reduction in the Jobseekers Allowance to €196.00 cannot but lead to emigration and a new 'brain drain'.

Details of Budget Welfare Changes
Full details of all changes in social welfare rates, child benefit etc. are contained on pages 18 and 19 of this publication.

Healthcare

The Context

- Ireland has a two-tier healthcare system.
- Despite huge increases in the budget for health the system is far from efficient or effective.
- Poverty impacts on health in Ireland. Death rates for all cancers among the poorest are over twice as high as for the best off; they are three times higher for strokes, four times higher for lung cancer and six times higher for accidents.
- In 2007 more than one in four (27%) had neither a medical card nor private health insurance. 15% of those at risk of poverty did not have a medical card.
- Because of costs, people on low incomes defer seeking healthcare with long term negative outcomes for themselves, their families and the economy.
- Primary Care has been recognised as one of the cornerstones of the healthcare system. There is a clear need for an increase in the percentage of the healthcare budget being allocated for primary care.

For more information see:

Analysis and policy recommendations in the Healthcare section of our website: http://www.socialjustice.ie/content/health

The Budget

- Reduced the allocation to Health Service Executive to €10.467 billion a decrease of over one billion euro.
- Introduced a 50 cent charge per item for the GMS and Long Term Illness Scheme.
- Increased the Drugs Payment Scheme from €100 to €120.
- Reduced adult medical-card holders Dental Treatment Services Scheme, to €63m.
- Reduced the National Childcare Investment Programme (NCIP) by €2.5m in 2010 and €7.5m in a full year.
- Seeks economies of €106m from the HSE in non-pay expenditure.
- Reduced by €37m the capital expenditure.
- Entitlements under the Treatment Benefit Scheme will be limited to the Medical and Surgical appliances scheme and the free examination elements of the Dental and Optical Benefit schemes.
- Allocated an additional €97m for Fair Deal Scheme.
- Allocated an additional €10m for Home Care Packages.
- Allocated an extra €230m for demand-led schemes including medical cards, national cancer control programmes.
- Allocated €17m to support innovation in service delivery.
- Identified the proceeds of assets and investments to the sum of €43m to develop the mental health capital programme.
- Allocated €3m to an innovation fund for disability and mental health.
- Recognises the cost implications of the recommendations of the Ryan Report but details of this allocation will be set out in the 2010 Revised Estimates Volume.

Our Response

- The necessary major reform of Ireland's healthcare system remains to be done. Budget 2010 fails to address major problems and fails to honour major commitments.
- The failure to provide the small funding required towards development of primary care teams across the country is an example of small savings producing large costs in the long term. Failure to honour the commitment contained in the *Towards 2016* national agreement to provide funding for 400 primary care teams by the end of 2009 is a sad reflection on a short-sighted HSE and Government.
- The increased allocation to the Fair Deal and Home Care Packages is welcomed and in keeping with the government policy of care for older people.
- *Social Justice Ireland* believes people should be assured that healthcare is guaranteed in their times of vulnerability. In 1977, 39% of the population were eligible for medical cards. By 2007 this had decreased to about 29.5 per cent and included people over 70 irrespective of their income. The failure to address the issue of medical cards being available to all those who are vulnerable, is extremely disappointing. The introduction of 50 cent per item on prescription is a further indication of the failure to protect the vulnerable now and in future years. This is compounded by the reduction in the Dental Treatment Scheme for adult medical-card holders.
- The commitment to give the proceeds of assets and investments to develop the mental health capital programme as identified in *Vision for Change* is welcomed.
- The Budget need for further economies of 106 million from the HSE in non-pay expenditure is a cause for concern as this may have a further impact on availability of services.

Education/Education Disadvantage

The Context

- Ireland's education system continues to mediate the cycle of disadvantage and social exclusion between generations. Early school leaving is a particularly serious manifestation of wider inequality caused by the structures in the system itself.
- The number of children born in Ireland in 2008 is the highest since before the Famine. The school spaces they will require must be provided.
- A significant proportion of the adult population and of those in disadvantaged primary schools have problems with literacy.

For more information see:
Analysis and policy recommendations in the Education and Education Disadvantage section of our website:
http://www.socialjustice.ie/content/education

The Budget

- Reduced the Budget to Education by €636m (net) in 2010.
- Reduced the rates of Student support Grants and Youthreach, VTOS, and certain allowances by €13m.
- Committed to 'Administrative efficiencies' in School Transport of €9m.
- Removed the eligibility for student support grants from Recipients of the Back to Education Allowance and certain VTOS Allowances.
- Reduced the grant to Educational Disadvantage by 62% (€30m)
- Increased the grant to Information & Communication technologies by 115% (€8m)
- Reduced Building and equipment grant to National schools by €16m.
- Increased the Building and Equipment grant to second Level Schools by 5% (€9m)

Our Response

- We welcome the increase in the Schools' Information and Communication Technologies
- We regard the reduction in the overall budget and reduced grant to Educational Disadvantage as cause for concern.
- In light of increased growth in Ireland's child population we deplore the reduction in the Building and Equipment Grant.
- We are very concerned at the failure to address the literacy issue, which will impact negatively on our economy.
- Given the huge increase in unemployment, we regret Government's failure to provide worthwhile opportunities for development in education, training or jobs for those who wish to improve their situation. In particular we note the reduced rates to Student Supports.

Public Services

The Context

- Ireland is not a poor country. Yet its infrastructure and public services are not at an EU-average level which would be the minimum expected in a country with Ireland's level of resources.
- This is especially important for poorer people and for the economy. Poorer people rely more on public services than those who are better off. On the other hand the economy needs good public services if it is to thrive.
- Development of the economy and of public services are two sides of the one coin.

For more information see:
Analysis and policy recommendations in the Public Services section of our website:
http://www.socialjustice.ie/content/public-services

The Budget

- In Justice, Equality and Law Reform: reduced allocation to immigration and asylum by 15% to €136m; increased allocation to disability by 18% to €10m.
- Local Government: reduced allocation to library services by 12% to €8.9m; to Community and Social Inclusion by €13% to €5.6m; to disability services by 32% to €8.2m
- Transport: reduced allocation for public transport by 5% to €302m; for road improvement/maintenance by 15% to €1,637m; increased capital allocation for carbon reduction initiatives by 150% to €25m
- Arts, Sport and Tourism: reduced grants to support sport in disadvantaged areas by 70% to €0.4m; capital grants for sporting bodies and the provision of sports and recreational facilities by 14% to €48m

Our Response

- This Budget illustrates the government's failure to appreciate the major role played by public services in the process of economic recovery and in preparing people to take full advantage of this recovery when it comes.
- People who are older, or poor or unemployed depend to a far greater degree on these services to help them participate fully in society, and more so at times such as this when the economy is under pressure.
- Failure to support these services shows a failure by Government to appreciate the importance of the common good especially for those who are vulnerable.
- The decreased allocation to immigration, asylum and disability services impacts negatively on social inclusion.

Work/Unemployment/Job Creation

The Context

- The unemployment rate in November 2009 (ILO Basis) was 12.5%.
- The numbers on the live register (which includes part-time employees) on that date were 413,505.
- The recent CSO study on poverty in Ireland shows that 40% of all households at risk of poverty are headed by a person with a job (31.3% in 2007; 29.5% in 2006). These are the working poor.
- This situation puts Government finances under pressure.
- Government has paid only lip-service to other forms of work.

For more information see:
See analysis and policy recommendations in the Work and Employment section of our website:
http://www.socialjustice.ie/content/work

The Budget

- Allocated €1,494m. in 2010
- Allocated nearly €136m for training places/supports for additional 26,000 individuals:-
  +20% to FAS - Training People for Employment (to €298,332)
  + €9.5m. support for food industry
  €36m. to Employers Job Incentive Scheme,
- Decreased the following funding:-
  -FAS Training and Integration Supports (-25%)
  -FAS and Skillnets for training those in employment (-25%)
  -FAS Employment Programme (-5%)
  -CE/Jobs Initiative allowances

Our Response

- We welcome the initiatives introduced to increase the number of places available to people who are unemployed.
- However these are nowhere near the scale required if Ireland is to reverse the rapid rise in unemployment or to benefit from the international recovery when it emerges.
- The reduction in CE/Jobs Initiative allowances is regressive and will adversely impact on low earners.
- Government has failed to address the working poor issue effectively. Current policies are not working.
- Budget 2010 also fails to appreciate the damage done to the social services infrastructure by reduction in resourcing at a time when these are under pressure due to rising unemployment. This will have very negative long-term consequences.

Community & Rural Development

The Context

- The recent CSO study on poverty in Ireland shows that there are huge regional disparities. While 10% of the population in Dublin and the Mid-East regions are at risk of poverty, the midlands has 23.5% of its population in poverty closely followed by the mid-west (22%) and the Western Region (17.2%). This highlights the need for Government to tackle the issue of balanced regional development.
- The reduction in services (e.g. post offices, health) in these areas in recent years is adding to the problems they face.

For more information:
See analysis and policy recommendations in the Rural Development section of our website:
http://www.socialjustice.ie/content/rural-development

The Budget

- Allocated €368,051,000 to the Department of Community Rural and Gaeltacht Affairs, a reduction of 17% in the budget allocation for 2009. Of this, current funding was decreased by 9% (€32.1m) and capital funding by 21% (€28.17m)
- Announced the introduction of a revised Scheme for Community Support of Older People
- Reduced supports to the Community and Voluntary sector by 10% (€1.6m) and to local and community development programmes by 10% (€7.14m)
- Reduced funding for tackling drug abuse by 11% (€4.41m) which may result in the scaling back of some projects and may limit scope for new initiatives
- Reduced funding for Gaeltacht and islands development by 30% (€23,417,000).

Our Response

- Budget 2010 does little to promote rural development at a time of increasing stress and pressure.
- Little was done to reduce the regional disparities in Ireland
- In particular very little in Budget 2010 will help reduce poverty in the regions where poverty is at its worst
- We welcome the fact that there has been no reduction in funding for the LEADER programme
- Cutbacks in the funding to tackle drug abuse are regretted at a time when a new strategy has been recently launched which highlights the need for greater commitment to this issue.

Housing and Accommodation

The Context

- There are over 60,000 households with over 150,000 people on waiting lists for social housing.
- Many people are homeless. These cannot afford to provide appropriate accommodation for themselves.
- The pressure on social housing and homeless service providers have escalated as the recession has taken its toll on some of Ireland's most vulnerable people.
- Government is moving towards an alternative approach to social housing provision which will focus more on renting than on building units.

For more information see:
Analysis and policy recommendations in the Housing and Accommodation section of our website:
http://www.socialjustice.ie/content/housing-and-accommodation

The Budget

- Allocated €829.9m for Social Housing Provision and Support.
- Allocated Capital expenditure of €550.5m to social housing. This represents a reduction in expenditure of 27%.
- Expects that there will be savings of €20m arising from a review of maximum rent levels in 2010.
- Allocated €241.3m to Local Authority Estate Regeneration and Remedial Works. This was an increase of 25%.
- Has sought the extension of the six month moratorium on legal proceedings already in the Code of Conduct on mortgage arrears to twelve months for all lenders.
- Announced energy efficiency measures and the retro-fitting of social housing stock.

Our Response

- The 27% reduction in the allocation to Social Provision and Support will have a serious effect on the 60,000 households on Local Authority Housing Lists.
- We welcome the increased allocation to Local Authority Estate Regeneration and Remedial Works.
- While the increase in the current six-month moratorium is welcomed, this will not alleviate the difficulties experienced by many households to date.
- There has been no allocation identified for homelessness even though there has been an increase in the numbers of homeless people.
- We welcome measures to increase energy efficiencies and we would hope that retro-fitting of social housing would take priority.

Environment

The Context

- Recent weather patterns and their consequences in terms of flooding have emphasised the importance of environmental issues in Ireland and beyond.
- The world currently faces huge challenges concerning the unsustainability of its CO_2 emissions levels. Ireland is currently failing to meet its targets in this regard.
- The Programme for Government contains a commitment to introduce a carbon tax to address these issues while ensuring this does not impact negatively on vulnerable people.

For more information see:
Analysis and policy recommendations in the Environment and Sustainability section of our website:
http://www.socialjustice.ie/content/sustainability

The Budget

- Introduces a carbon tax applicable immediately to petrol and diesel, with increases to home heating oils and gas from next May, and coals and peat later, with a vouched Fuel Allowance scheme to offset effects on low income families. Some of the yield from the Carbon Tax will be used to boost energy efficiency, rural transport and alleviate fuel poverty.
- Provides over €70 m. to help those affected by recent flooding and minimise risks of future incidents.
- Introduces a car scrappage scheme
- Extends VRT exemptions and reliefs for electric and hybrid vehicles
- Announces plans for a new five year agri-environmental scheme.
- Announces funding for Forestry and Bio-energy, energy efficiency measures and the retro-fitting of social housing stock.

Our Response

- We welcome the introduction of a carbon tax as a means of reducing CO_2 emissions and making a contribution to addressing the climate change issue. We regret the reduction in our financial contributions towards meeting our international commitments.
- We also welcome the mechanisms to protect vulnerable people from losing out as a result of this new initiative. we remain to be convinced that the scale of these measures is sufficient.
- We welcome measures to increase energy efficiencies and particularly the retro-fitting of social housing to save energy. We urge Government to prioritise the roll out of this programme to all low income families
- We regret that the commitment in *Towards 2016* to examine the application of satellite accounts in the area of environmental sustainability has still to be met.

SOCIAL WELFARE: **Social Insurance** increases January 2010

PERSONAL AND QUALIFIED ADULT RATES	**Present Rate**	**New Rate**	**Change**
State Pension (Contributory)			
(i) Under 80:			
Personal rate	230.30	230.30	0.00
Person with qualified adult under 66	383.80	383.80	0.00
Person with qualified adult 66 or over	436.60	436.60	0.00
(ii) 80 or over:			
Personal rate	240.30	240.30	0.00
Person with qualified adult under 66	393.80	393.80	0.00
Person with qualified adult 66 or over	446.60	446.60	0.00
State Pension (Transition)			
Personal rate	230.30	230.30	0.00
Person with qualified adult under 66	383.80	383.80	0.00
Person with qualified adult 66 or over	436.60	436.60	0.00
Widow's/Widower's Contributory Pension			
(i) Under 66:	209.80	201.50	-8.30
(ii) 66 and under 80:	230.30	230.30	0.00
(iii) 80 or over:	240.30	240.30	0.00
Invalidity Pension:			
(i) Under 65:			
Personal rate	209.80	201.50	-8.30
Person with qualified adult under 66	359.50	345.30	-14.20
Person with qualified adult 66 or over	416.10	407.80	-8.30
(i) Age 65:			
Personal rate	230.30	230.30	0.00
Person with qualified adult under 66	380.00	374.10	-5.90
Person with qualified adult 66 or over	436.60	436.60	0.00
Carer's Benefit			
Personal rate	221.20	213.00	-8.20
Occupational Injuries Benefit - Death Benefit Pension			
(i) Personal rate under 66	234.70	226.50	-8.20
(ii) Personal rate 66 and under 80	234.70	234.70	0.00
(iii) Personal rate 80 or over	244.70	244.70	0.00
Occupational Injuries Benefit - Disablement Pension			
Personal rate	235.40	227.00	-8.40
Illness/Jobseeker's Benefit			
Personal rate	204.30	196.00	-8.30
Person with qualified adult	339.90	326.10	-13.80
Injury Benefit/Health and Safety Benefit			
Personal rate	204.30	196.00	-8.30
Person with qualified adult	339.90	326.10	-13.80
Guardian's Payment (Contributory)			
Personal rate	176.50	169.00	-7.50
Increases for a qualified child			
All schemes in respect of all children	26.00	29.80	3.80

Increases in Monthly Rates of **Child Benefit** from January 2010

	€	**€**	**€**
Child Benefit			
(i) First and Second Children	166.00	150.00	-16.00
(ii) Third and Subsequent Children	203.00	187.00	-16.00

SOCIAL WELFARE: **Social Assistance** increases January 2010

	Present Rate	New Rate	Change
State Pension (Non-Contributory)	€	€	€
(i) Under 80:			
Personal rate	219.00	219.00	0.00
Person with qualified adult under 66	363.70	363.70	0.00
(ii) 80 or over:			
Personal rate	229.00	229.00	0.00
Person with qualified adult under 66	373.70	373.70	0.00
Blind Person's Pension			
Personal rate	204.30	196.00	-8.30
Person with qualified adult under 66	339.90	326.10	-13.80
Widow's/Widower's Non-Contributory Pension			
Personal rate	204.30	196.00	-8.30
One-Parent Family Payment			
Personal rate with one qualified child (not age 18)	234.10	225.80	-8.30
Carer's Allowance			
(i) Under 66	220.50	212.00	-8.50
(ii) 66 or over	239.00	239.00	0.00
Disability Allowance			
Personal rate	204.30	196.00	-8.30
Person with qualified adult	339.90	326.10	-13.80
Supplementary Welfare Allowance			
Personal rate	204.30	196.00	-8.30
Person with qualified adult	339.90	326.10	-13.80
Pre-Retirement Allowance/Farm Assist			
Personal rate	204.30	196.00	-8.30
Person with qualified adult	339.90	326.10	-13.80
Guardian's Payment (Non-Contributory)			
Personal rate	176.50	169.00	-7.50
Increases for a qualified child			
All schemes in respect of all children	26.00	29.80	3.80

Changes in Maximum Weekly Rates of **Jobseeker's Allowance** January 2010

All 18 and 19 years of age			
Personal rate	100.00	100.00	0.00
Person with qualified adult	200.00	200.00	0.00
New claimants 20 and 21 years of age*			
Personal rate	204.30	100.00	-104.30
Person with qualified adult	339.30	200.00	-139.30
New claimants 22 to 24 years of age*			
Personal rate	204.30	150.00	-54.30
Person with qualified adult	339.30	280.10	-59.20
All current recipients over 20 years of age and new claimants 25 years and over			
Basic Personal rate	204.30	196.00	-8.30
Person with qualified adult	339.90	326.10	-13.80

*Reduced rates apply to new claimants from 30 December 2009. Where a person has a dependent child and in certain other circumstances the basic rate (€196.00) applies to 18-24 year olds.

Increases in Maximum Weekly Rates of **Health Allowances** from January 2010

Supplementary Allowance payable to Blind Persons in receipt of a Blind Pension			
(i) Blind Pensioner	63.60	61.00	-2.60
(ii) Blind Married Couple	127.20	122.00	-5.20
Infectious Diseases Maintenance Allowance			
(i) Personal Rate	204.30	196.00	-8.30
(ii) Person with qualified adult	339.90	326.10	-13.80
(iii) Person with qualified adult and qualified child	365.90	355.90	-10.00

Tax Reform Agenda is Welcome

The Minister for Finance announced a number of welcome changes to the tax system as part of his Budget. His decision to:

- introduce restrictions and demand contributions from tax exiles;
- reduce the high earners threshold to €400,000 and indicate that it will fall to €125,000;
- raise the high earners effective tax rate to 30%;
- commence the initial work for a site value tax;
- and introduce a carbon tax

are all welcome reforms.

In particular, the Minister's decision to address the serious problem of those on high incomes using various measures in the taxation system to avoid paying their fair share of taxation is a necessary move. The Commission on Taxation has provided an extensive list of tax expenditures and recommended a series of reforms which should also be pursued.

Social Justice Ireland also welcomes the Minister's commitment to significantly reform the income tax and the social insurance system next year. These are long overdue reforms and we look forward to feeding into the Department of Finance planning process in advance of the reform to be announced in Budget 2011 (December 2010). During 2010, *Social Justice Ireland* will publish a Policy Briefing and make a submission to the Department of Finance on this issue.

At the core of this tax reform process should be a commitment to build a simple and fair taxation system; one which collects more from those who have more.

A number of documents addressing issues of tax reform and a fairer taxation system are available on our website: www.socialjustice.ie

Major Limits to Budget Info

To accompany the Budget the Government normally publish a detailed set of documents and tables explaining the Budget measures. Budget 2010 marked a significant departure from this tradition.

The published (paper) Budget book is the shortest in many years and has been produced without much of the normal detail. Bizarrely, the printed Budget book did not even provide readers with the detailed changes to effective income tax levels, examples of the public service salary reductions (even though the Minister cited this in his speech), the capital programme features and the changes to social welfare rates. Some of these figures have been made available on-line, but in limited format.

Despite promises for a more transparent and clear Budget process, Budget 2010 represents a major step backwards. It should not be repeated.

Social Justice Ireland is a research and advocacy organisation of individuals and groups, lay and religious, 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. It has taken over the programmes and projects previously run by *CORI Justice* including its social partnership role.

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