# BUDGET 2012

## Social Justice Ireland

## *ANALYSIS AND CRITIQUE*

# Budget developed with microscope when telescope was required!

Budget 2012 was developed with a microscope when a telescope was required. While it paid great attention to a wide range of issues it has insufficient focus on the longer term or the wider issues that urgently require attention. These range from declining domestic demand to persistent long-term unemployment, from public debt sustainability to growing poverty and inequality.
As a result it will damage the economy and lead to greater inequality and social exclusion in Irish society. It will have negative impacts on the working poor, on families, on children, on people with disabilities. It is unjust, unfair and won't achieve its aims.
Even within its own parameters Government had choices that would have produced much fairer outcomes. It chose instead to protect the better off more than the vulnerable.
The 'hit' taken by the better off will be far less damaging to them than the negative impact Budget 2012 will have on social services generally and the incomes of Ireland's poorest people whether employed or unemployed.
At the same time Ireland will continue to have a total tax-take among the lowest in the EU. It is not possible for Ireland to deliver services and infrastructure at an EU-average level with a tax take far below the EU-average.

**Pluses**

- Removing the Universal Social Charge from people with incomes below €10,036 a year
- Move towards site value tax
- €35m for development of Community Mental Health Teams

**Minuses**

- VAT change hit poorest hardest
- No impact on long-term unemployment
- Families experience multiple 'hits'.
- Reducing ODA hits world's poorest

**Running down the economy**
Budget 2012 marks the seventh fiscal adjustment to the Irish economy since the beginning of the current economic crisis in 2008. (p.6)
While exports will grow domestic demand will fall even further in 2012 according to the Budget's own forecasts with household spending projected to fall by 1.3%, Government spending down by 2.2% and investment down by 1%.
*Social Justice Ireland* believes that Government needs to adopt policies to stimulate the economy rather than continually run it down. They should also focus on reducing the numbers long-term unemployed substantially as

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# Ireland needs a national debate on strategy

(Continued from page 1)

proposed in our Part-Time Job Opportunities Programme proposal.
Such policies are essential if there is to be any hope of addressing Ireland's record level of unemployment.

**Unemployment not addressed**
Unemployment is forecast to average 14% in 2012. More than 180,000 people have been unemployed for more than a year. Nothing in Budget 2012 will have any impact of scale on increasing employment or reducing unemployment. (p.3)

**Universal Social Charge**
Budget 2012 adjusted the Universal Social Charge as we had proposed in our Policy Briefing on Budget Choices. However inflation, projected to be 1.8% in 2012 will erode most of the gain this change brings.

**VAT increases hit poorest hardest**
The increase of 2% in the top rate of VAT will have a disproportionate effect on the living standards of households with low incomes. As we show on page 3 the poorest 10% of Ireland's population paid 14.9% of their income on VAT.
More than three quarters of that was paid through the 21% rate so in effect the increase in Budget 2012 will reduce their disposable income further.
By contrast the richest 10% of the population paid less than 7% of their total income on VAT. VAT is a regressive tax. It is also bad for the economy.

**Vulnerable people take too many hits**
Vulnerable people have taken a wide range of hits in Budget 2012. An example of these is the working poor as we outline on page 24.

**Concern on the healthcare structure?**
*Social Justice Ireland* welcomes capital expenditure commitment to development of primary care, mental health, older people and disability projects, but regrets there is no additional provision for continued development of primary care teams themselves. It is disappointing as this service, still in its infancy, needs government support to survive.
*Social Justice Ireland* is concerned that there appears to be a move towards the fragmentation of the health service either through the establishment of individual directorates around care groups and independent trusts for the hospital system without the necessary focus on how these will be integrated at regional level with community and service-user involvement.

**Context**
The dramatic increase in inequality reported in the latest SILC study (cf. p.10) highlights a key aspect of the context of Budget 2012. It shows that Ireland is a deeply divided two-tier society and the trend is moving towards greater division. This conclusion is confirmed with the rise in poverty even though the poverty line fell by more than 10%. Now there are more than 700,000 people (15.8%) at risk of poverty of which 220,000 are children (19.5%) – the number of children has risen by more than 37,000 in three years.

These figures reveal the extent of growing social exclusion. Without focused decisive action these trends will continue and will lead to serious destabilisation in Irish society. Budget 2012 has failed to address these key challenges in any meaningful manner.

**Need for a debate on national strategy**
*Social Justice Ireland* believes a substantial national debate is required on how Ireland and its people are to move forward in these very challenging times. We need to look again at our analysis of the present situation, our vision of the future and how we propose to move from one towards the other. A more strategic approach is required. Otherwise the economy will remain in the doldrums, mass unemployment will continue, the debt will not be repaid and Ireland will not recover. (p.7)

**Alternatives**
Alternatives do exist. Government does have choices. Within the parameters of the EU/IMF/ECB Agreement, for example, Government could have taken €2 in tax increases for every €1 it cut in public services as we set out in our Budget Choices Briefing. This would have produced a fairer Budget. An alternative is required to ensure economic recovery, a just society and a sustainable future (p.7).

**Conclusion**
As a result of Budget 2012:

- The deepening inequality and social exclusion Ireland is experiencing is set to continue.
- The economy will remain in the doldrums, mass unemployment will persist and social services will continue to be eroded.
- The better off will continue to dodge their responsibilities and thrive while the gap between them and Ireland's poorest will continue to widen dramatically.
- Many transnational corporations will continue to pay no tax whatsoever on their substantial profits while small and medium enterprises will see no real improvement in their very limited access to credit.

This is bad for the economy, bad for society, bad for the future.

**Even within its own parameters Government had choices that would have produced much fairer outcomes. It chose instead to protect the better off more than the vulnerable.**

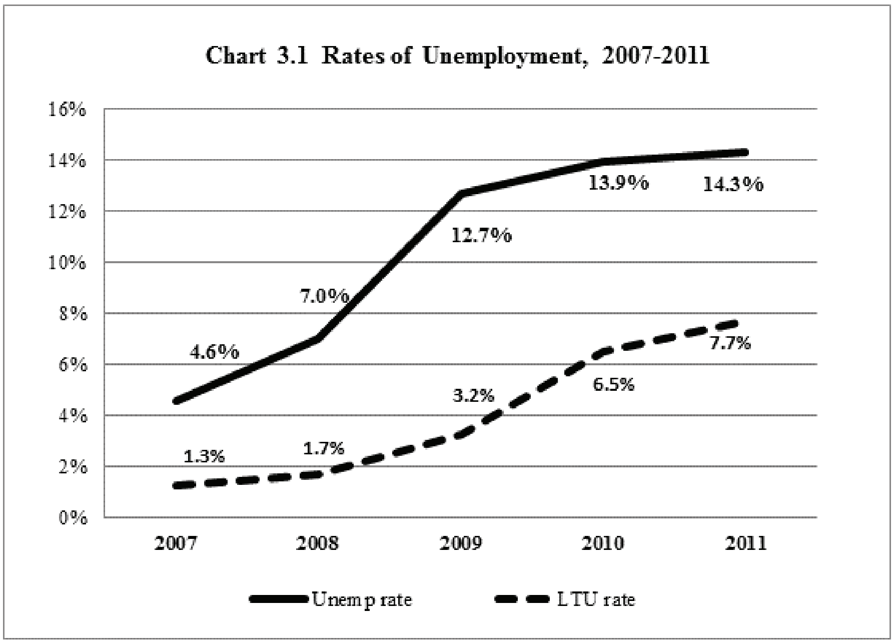
# Budget 2012 makes no impact on unemployment crisis

Ireland's unemployment crisis remains the striking feature of the current recession. Despite this, Budget 2012 has taken hardly any steps to address this crisis and begin the process of seriously tackling the socially unsustainable number of workers who are trapped in unemployment.

The latest CSO labour force data indicate that there are 304,500 workers unemployed - 205,700 males and 98,800 females. Of these more than half are long-term unemployed (out of work for more than 1 year - see chart 3.1). Data from the Live Register captures a broader definition of those unemployed, underemployed or entitled to sign-on for PRSI credits and reached more than 430,000 people in recent months.

Based on Budget documentation projections provided by the Department of Finance, unemployment will marginally decrease in 2012 - driven by a growth in exporting industries and emigration. However, in 2012 the expectation is that 14% of workers will be unemployed meaning unemployment remains at the high levels it climbed to over the period from 2007 to 2010 (see chart 3.1).

*Social Justice Ireland* has continually called on Government to begin to take this crisis seriously and we regret that Budget 2012 failed to do so. As we detailed in our pre-budget *Policy Briefing* and in our discussions with Government leading up to the Budget, there is a key need for policies to rejuvenate the domestic economy alongside the introduction of a Part-Time Job Opportunities (PTJO) programme to provide real part-time jobs for 100,000 unemployed people. We regret the lack of progress on these issues.




# VAT increase hits poorest families hardest

Budget 2012's decision to increase the top rate of VAT from 21% to 23% will have a disproportionate effect on the living standards of the lowest income families in Ireland. Chart 3.2 and table 3.1 report the results of an ESRI study on the distribution of VAT across the income distribution. The study was published in 2006 and based on an examination of household consumption patterns. It found that VAT represented a higher burden to lower income households than richer ones - explained by the fact that lower income households tend to spend almost all of their income while higher income household both consume and save. The study also found that lower income households paid more at the 21% (now to be 23%) rate than did higher income households. As the evidence shows, the decision to increase VAT is regressive and unnecessarily undermines the living standards of low income households. Other fairer approaches to increasing taxation were available and we regret that the Budget did not take them.

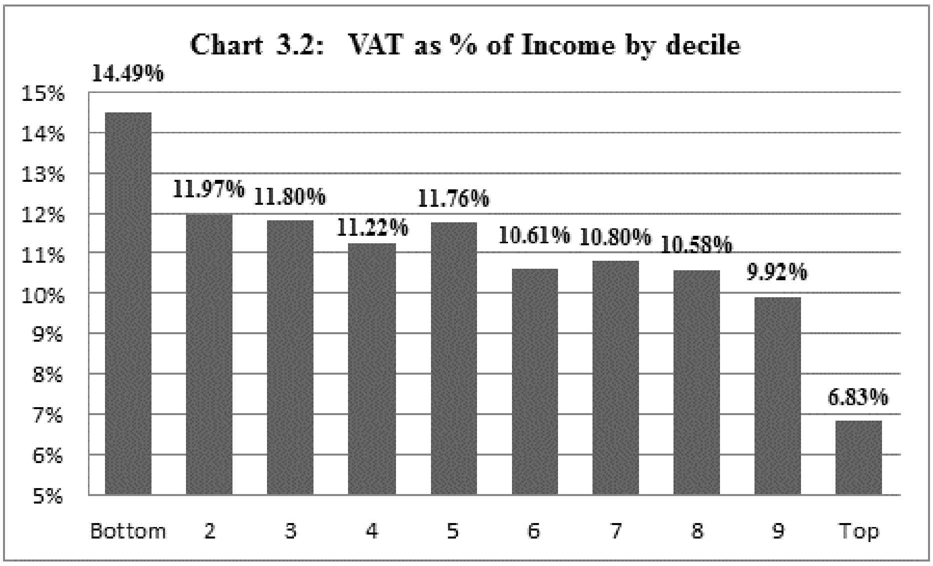



**Table 3.1: VAT Payments at 13.5% and 21% as a % of Income, by selected deciles**

| % income paid in VAT | Bottom | 2nd | 3rd | 8th | 9th | Top |
|---|---|---|---|---|---|---|
| @ 13.5% rate | 3.6 | 3.0 | 2.7 | 2.0 | 1.8 | 1.3 |
| @ 21% rate | 11.5 | 9.1 | 9.4 | 8.9 | 8.4 | 5.8 |

**Source for chart and table**: *The Distributional Impact of Irelands Taxation System* by Barrett and Wall (2006). A subsequent ESRI report (Leahy et al 2010) found similar results but provides less data on the decile impacts of VAT.

# The Social and Economic Context of Budget 2012

To provide a brief overview of the social and economic context of Budget 2012, table 4.1 brings together a range of data and indicators reflecting various aspects of Ireland today.

The Budget has been framed in the context of a severe recession that Ireland is slowly emerging from. The background to that recession derives from three major economic factors that have significantly undermined the exchequer's finances: (i) the collapse of the Irish construction sector and associated housing bubble; (ii) the collapse of the Irish banking system and the decision by government to effectively rescue all the major Irish financial institutions and engage in substantial borrowing to fund that rescue; and (iii) an international economic slowdown.

The consensus view remains that Ireland's crisis has been predominantly home grown (i.e. items i and ii above). The terms of Ireland's bailout from the IMF/EU and the sustained instability of the international economy have also play a central role in the context of this Budget - a point acknowledged by the Minister for Finance in his speech.

The net result of these simultaneous events has seen a rapid increase in the national debt, the collapse of taxation revenues despite 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; high unemployment and lengthening social housing 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 2011 Socio-Economic Review *'A New and Fairer Ireland'* available on our website: www.socialjustice.ie

**Table 4.1: Ireland's Social and Economic Context - Budget 2012**

| | | | |
|---|---|---|---|
| **Population** | | **Taxation: Historical Data** | |
| Population 2011 Census | 4,581,269 | Tax as % GDP in 2000 | 31.7% |
| Population 2016 * | 5.093m | Tax as % GDP in 2006 | 32.6% |
| Population 2021* / 2041* | 5.449m / 6.247m | Tax as % GDP in 2012 | 30.8% |
| **Income Levels** | | Value of all Tax Reliefs (per annum) | €11.5 billion |
| Average Gross Household Income (2010)** | €1,016 per week | **Labour Market** | |
| Average Disposable H-hold Income (2010)** | €830 per week | Minimum Wage (per hour / 39hr week) | €8.65 / €337.35 |
| **Poverty** | | Labour Force | 2,125,900 |
| Poverty line 1 Adult (week / year) | €222.18 / €11,585 | Employment /rate (ILO Basis) | 1,821,300 / 59.6% |
| Poverty line 2 Adults (week / year) | €368.82 / €19,231 | Unemployment 2011 /rate (ILO Basis) | 304,500 / 14.3% |
| Poverty line 1 Adult + 1 Child (week / year) | €295.50 / €15,408 | Long-term Unemployment 2011 / rate | 164,200 / 7.7% |
| Poverty line 2 A + 2 Children (week / year) | €515.46 / €26,877 | Live Register (increase since 2007) | 429,567 (+267,258) |
| % of population living in poverty (number) ** | 15.8% (723,840) | **Inflation**** | |
| % of children living in poverty (number)** | 19.5% (222,000) | CSO annual CPI inflation rate (yr. to Oct '11) | +2.8% |
| **Social Welfare Rates** | | CPI excluding mortgages (yr. to Oct '11) | +1.8% |
| Minimum Social Welfare Payment (1 adult) | €188.00 | **Literacy & Environment** | |
| 2 Adults on Min Social Welfare Payment | €312.80 | Illiteracy rate of adult population (1996 data)^ | 25% |
| Old Age Pension: contributory/non-contrib | €230.30 / €219.00 | % Waste Landfilled (2007 data) | 63.5% |
| Child Benefit: 1st & 2nd / 3rd / 4th+ child | €140 / €148 / €160 | Greenhouse Gas Emissions v. Kyoto target | +7.3 |
| **Housing** | | **Overseas Aid** | |
| LA Housing Waiting list - households | 98,318 | ODA as % GNP: 1999/ 2005 / 2008 | 0.30 / 0.40 / 0.54 |
| LA Housing Waiting list - persons | approx. 220,000 | ODA as % GNP: 2009#1/ 2011 / 2012 | 0.56 / 0.52 / 0.50 |

**Sources:** Department of Finance and Department of Public Expenditure and Reform Budget Documentation and various publications from Eurostat, Central Bank, ESRI, CSO, Collins and Walsh (2010, 2011) and various other Government Departments and Agencies.

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

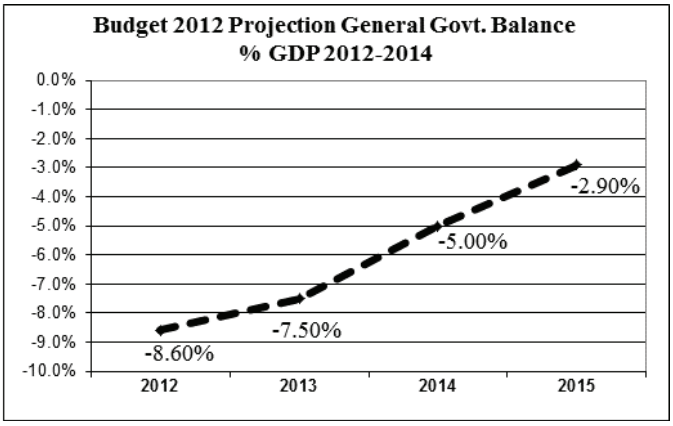
# Budget 2012 - Key Numbers, Data & Trends

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 2012**

| | | | |
|---|---|---|---|
| **National Income** | | **Inflation and the Labour Market** | |
| GDP in 2012 (€m) | €159,125 | Inflation in 2012 (CPI) | 1.8% |
| GNP in 2012 (€m) | €128,800 | Inflation 2012-2015 (HICP average) | 1.7% per annum |
| GDP growth in 2012 | 1.3% | Unemployment rate in 2012 | 14.1% |
| GNP growth in 2012 | 0.7% | Employment growth in 2012 | -0.2% |
| GDP growth 2012-2015 (average) | 2.4% per annum | Unemployment rate 2012-2015 (average) | 13% |
| GNP growth 2012-2015 (average) | 1.8% per annum | Employment growth 2012-2015 (average) | 0.85% |
| **Exchequer Budgetary Position** | | **Taxation** | |
| Current Budget Balance, 2012 (€m) | - €11,180 | Income Taxation - lower rate | 20% |
| Net Capital Investment, 2012 (€m) | €9,495 | Income Taxation - higher rate | 41% |
| Capital Investment paid from current resources, 2012 (€m) | Zero | %Tax on €25,000 income (single / 2 earners) | 14.0% / 2.5% |
| Capital Investment paid from borrowing, 2012 (€m) | All | %Tax on €60,000 income (single / 2 earners) | 33.4% / 16.8% |
| Exchequer Borrowing, 2012 (€m) | €18,860 | %Tax on €100,000 income (single / 2 earners) | 40.9% / 33.4% |
| General Government Balance (€m) (%GDP) | €13,650 (8.6%) | Corporation Tax Rate | 12.5% |
| Current Budget Balance 2013 (€m) | - €8,660 | Capital Gains Tax Rate | 30% |
| Current Budget Balance 2014 (€m) | - €5,000 | **Cost of Budgetary Changes** | |
| Net Capital Investment 2012-2015 (€m) | €7,700 (average) | Size of Budgetary adjustment (€b) | €3.8 |
| Exchequer deficit 2012-2015 (€m) | €12,500 (average) | Yield in 2012 of Tax changes (€m) | €1,071.60 |
| National Debt 2012 % GDP | 115% | Full year yield of Tax changes (€m) | €1,321.85 |
| National Debt 2015 % GDP | 115% | Full year cost of Social Welfare changes (€m) | €811 |

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

# Budgetary Policy Keeps Running Down the Economy

Budget 2012 marks the seventh fiscal adjustment to the Irish economy since the beginning of the current economic crisis in 2008. Following the Budget's increases to taxes and decreases in public expenditure, the total adjustment to date has risen to almost €24.5 billion - equivalent to 15% of GDP which has been directly removed by government from the economy. Of course, the knock-on implications of these adjustments has removed additional economic activity from the economy explaining the large overall drop in GDP since 2007.

Based on the plans outlined in November's *Medium Term Fiscal Statement*, the Government intends to remove a further €8.6 billion from the economy over three Budgets from 2013-2015. If these plans are implemented, the overall sum of the adjustments from 2008-2015 will total €33 billion - equivalent to 18% of the GDP forecasted for 2015.

The implications of these large and harsh adjustments is visible in the continued extension of the adjustment plan, the sustained increases in unemployment and the lack of confidence domestically and internationally in the Irish economy's recovery.

Reflecting this, chart 6.1 presents the Governments data on the expected composition of economic activity in Ireland in 2012. It shows that all sectors of the economy continue to contract with the exception of exports. As spending cuts and tax increases take effect, households are spending less, investment is falling and it is only export growth (entirely driven by non-domestic demand factors) that is pulling the economy out of recession.

An obvious question arises regarding the sustainability of this policy approach. *Social Justice Ireland* believes that Government needs to adopt policies to stimulate the economy rather than continually run it down. Domestic demand should be given a chance to recover through policies which promote government or European Investment Bank led investment while further building domestic economic confidence through addressing the unemployment crisis via our Part Time Job Opportunities proposal to take 100,000 people of the dole queues.

Where further adjustments have to be made there is a clear need to alter the balance of adjustments towards additional taxation measures and away from reductions in public sector expenditure which is now impacting heavily on basic public service provision.

**Chart 6.1 GDP and the Composition of Economic Growth in Ireland in 2012**

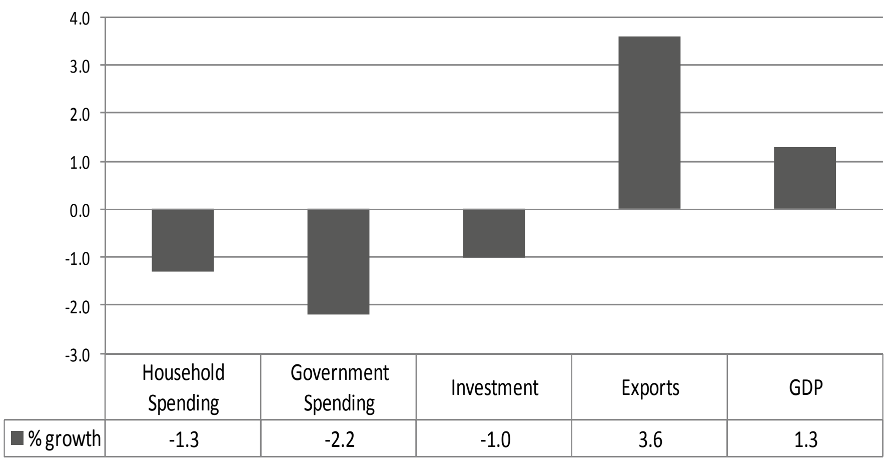



**Table 6.1 Budgetary Adjustments 2008-2015 (€m)**

| Adjustment Description | Taxation ↑ | Expenditure ↓ | Total | Running Total |
|---|---|---|---|---|
| Adjustment July 2008 | | €1,000 | €1,000 | **€1,000** |
| Budget 2009 | €1,215 | €747 | €1,962 | **€2,962** |
| Adjustments Feb/March 2009 | | €2,090 | €2,090 | **€5,052** |
| Supplementary Budget 2009 | €3,621 | €1,941 | €5,562 | **€10,614** |
| Budget 2010 | €23 | €4,051 | €4,074 | **€14,688** |
| Budget 2011 | €1,409 | €4,590 | €5,999 | **€20,687** |
| Budget 2012 | €1,600 | €2,200 | €3,800 | **€24,487** |
| Budget 2013* | €1,250 | €2,250 | €3,500 | **€27,987** |
| Budget 2014* | €1,100 | €2,000 | €3,100 | **€31,087** |
| Budget 2015* | €700 | €1,300 | €2,000 | **€33,087** |
| | | | | |
| **Total of Adjustments** | **€10,918** | **€22,169** | | |
| **% Division of Adjustments** | **33.0%** | **67.0%** | | |

**Note:** * indicates projected adjustment from Medium Term Fiscal Review Nov. 2011

# Ireland Needs a National Debate on its Future

*Social Justice Ireland* believes a substantial national debate is required on how Ireland and its people are to move forward from its present very difficult situation. We make the following contribution in this context.

An effective strategy requires three core components:

- An accurate analysis of the present situation,
- A vision that will inspire and guide policy towards building a society that is just and fair for all, and
- Realistic proposals to move Ireland towards such a future.

**Analysis of the present situation**

Major issues in the current situation that need to be addressed include the following:

- Ireland's poverty and inequality rates are rising. There are record levels of unemployment especially long-term unemployment. Forecasts that see unemployment falling are based on increasing emigration, not on growing employment. There are almost 100,000 households on waiting lists for social housing.
- At the same time Ireland is a very low-tax country with only four countries in the EU taking a lower percentage of Gross Domestic Product in tax (i.e. all taxes, social insurance and local charges). These are Latvia, Lithuania, Slovakia and Romania.
- The reality is that deep cuts in public services combined with low levels of tax increases on the better off have not produced the outcomes promised. While Ireland has kept its side of the Bailout Agreement, the promised positive consequences have not materialised. Not for the first time the real world has refused to respond as fashionable economic theory said it should.
- Domestic demand continues to fall. The growing numbers of unemployed people draw state benefits, they no longer earn an income on which to pay tax and they do not spend as much as they did when they had a job. The fall in domestic demand that follows impacts negatively on the economy.
- Ireland's current very difficult situation was caused in part by forces in Ireland. For this, Irish people, especially those on low incomes, are paying a heavy price. But Ireland's current problems were also caused in part by forces outside of Ireland, particularly in the EU, who are not paying any price.
- The present policy response, as seen in Budget 2012, sees resources (income and services) being taken away from poor and vulnerable people to pay the gambling debts of financial institutions in Germany, France and beyond. Groups such as the working poor continue to take multiple hits in each year's Budget. This is unjust, immoral and unfair.

**Vision of the Future**

Government needs a viable vision of Ireland's future to guide its decision-making. *Social Justice Ireland* believes that a guiding vision should see Ireland as being a just society where human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected. The common good should underpin all decision-making.

This would mean that policy would focus on putting in place what is required to ensure that individuals, families and groups could achieve their own fulfilment in a relatively thorough and ready way.

In practice this would mean every man, woman and child would have what is required to live life with dignity i.e. sufficient income, access to the necessary services and be actively included in a genuinely participatory society. It would also ensure that economic development and social development were sustainable and that the environment was given the priority it requires in the context of growing pressures.

**Pathways between the present situation and this vision of the future**

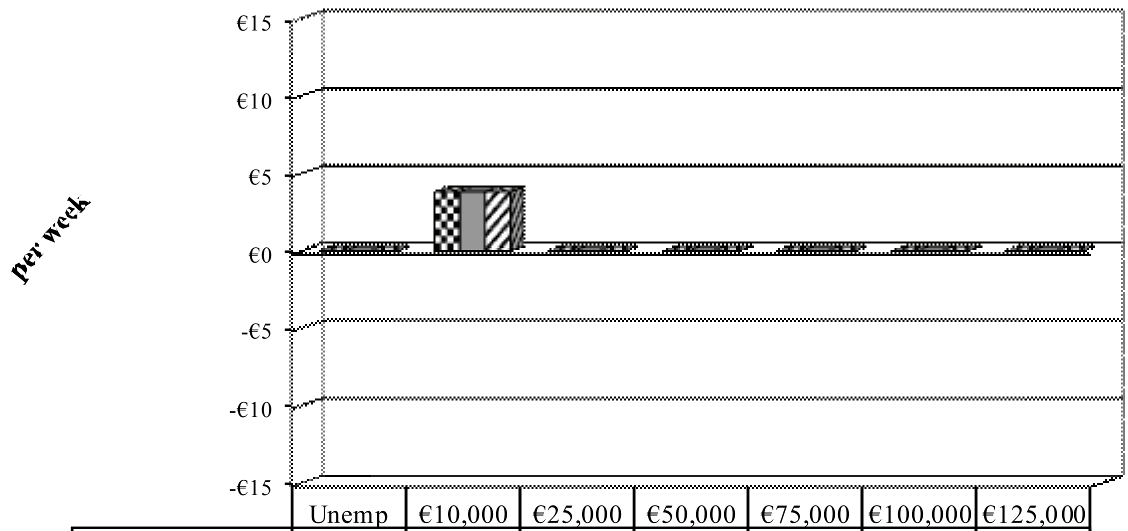
To move from the current situation towards such a future requires effective, viable pathways.

- Fairness is essential. As Ireland has one of the lowest tax-takes in the EU the ratio between tax increases and cuts to services in the coming years should be 2:1 until we pay our way. This should be done by broadening the tax base and reducing the tax breaks that principally benefit the better off.
- Investment is essential if Ireland is to generate the income to pay its way in the years ahead. To that end far greater priority should be given to putting the new Strategic Investment Bank in place and to ensuring sufficient resources are available for small and medium enterprises.
- A programme of investment of sufficient scale to generate employment and dramatically reduce unemployment is required urgently. While this is being ramped up a programme providing real part-time jobs for the long-term unemployed should be put in place.
- The social infrastructure should be protected and developed, not run down. Initiatives are required to strengthen Ireland's traditions in arts, culture, sport and hospitality. In particular the role of the Community and Voluntary sector should be promoted and resourced across the spectrum.
- The demands that flow from the bank rescue programme must be renegotiated to produce a just and fair outcome. Ireland will not emerge from its current crisis without this happening. Those who caused the problems currently being experience should be the ones who pay for the consequences of their actions. Those who did not cause these problems should not be asked to pay any more towards rectifying these problems.

**Conclusion**

The deepening inequality and social exclusion Ireland is experiencing is set to continue unless a more strategic approach is adopted. Likewise the economy will remain in the doldrums, mass unemployment will continue, the debt will not be repaid, Ireland will not recover without a major change of direction. Budget 2012 did not provide a strategy equal to the challenge Ireland faces. We commend the strategic approach outlined here to Government.

**Chart 8.1: Impact of Tax and Headline Welfare Payment Changes from Budget 2012**




| | Unemp | €10,000 | €25,000 | €50,000 | €75,000 | €100,000 | €125,000 |
|---|---|---|---|---|---|---|---|
| Single | 0.00 | 3.83 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Couple 1 Earner* | 0.00 | 3.83 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Couple 2 Earners* | 0.00 | 3.83 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

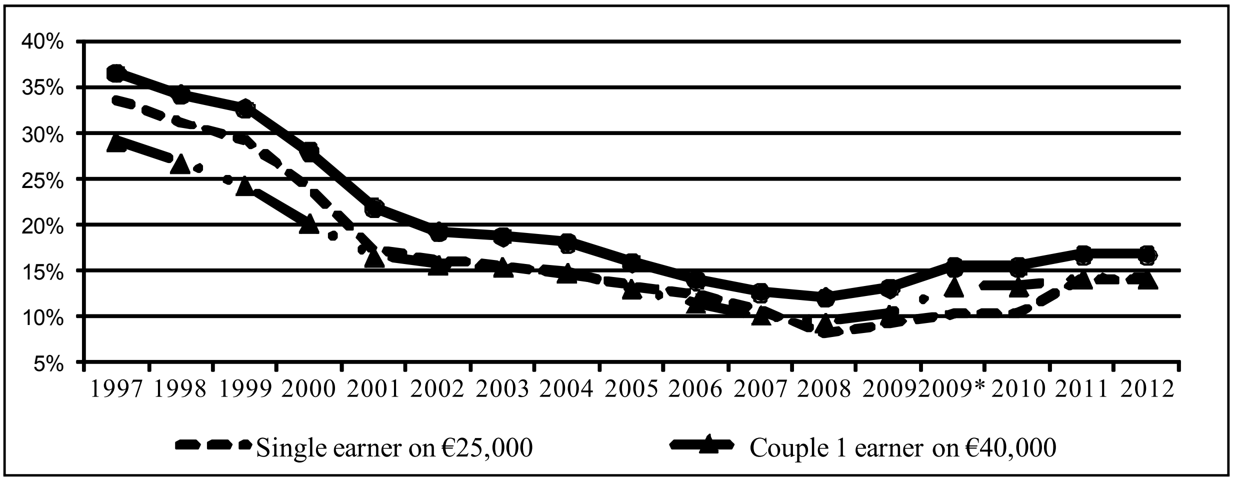
**Notes:** * Except in case of the unemployed where there is no earner
Couple with 2 earners are assumed to have equal shares of income.

**Table 8.1: Effective Tax Rates following Budget's 2000/ 2008/ 2012**

| Income Level | Single Person | Couple 1 Earner | Couple 2 Earners |
|---|---|---|---|
| €15,000 | 13.9% / 0.0% / 2.7% | 2.5% / 0.0% / 2.7% | 0.8% / 0.0% / 2.0% |
| €20,000 | 13.9% / 0.0% / 9.8% | 8.3% / 2.7% / 6.3% | 6.1% / 0.0% / 2.3% |
| €25,000 | 24.0% / 8.3% / 14.0% | 12.3% / 2.9% / 7.2% | 11.0% / 0.0% / 2.5% |
| €30,000 | 28.4% / 12.9% / 16.8% | 15.0% / 5.1% / 8.6% | 14.6% / 1.7% / 4.7% |
| €40,000 | 33.3% / 18.6% / 24.2% | 20.2% / 9.4% / 14.2% | 17.5% / 3.6% / 9.2% |
| €60,000 | 37.7% / 27.5% / 33.4% | 29.0% /19.8% / 26.2% | 28.0% /12.2% / 16.8 % |
| €100,000 | 41.1% / 33.8% / 40.9% | 35.9% /29.2% / 36.5% | 35.9% /23.8% / 29.7 % |
| €120,000 | 41.9% / 35.4% / 42.7% | 37.6% /31.6% / 39.1% | 37.7% /27.2% / 33.4 % |

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

**Chart 8.2: Effective Tax Rates in Ireland, 1997-2012**



# USC Change Welcome but Gains Eroded by Other 'Hits'

Social Justice Ireland is encouraged by the government's changes to the Universal Social Charge thresholds. Those earning between €4,004 and €10,036 will see a 2% increase in their net income while headline welfare payments remain unchanged (see chart 8.1).

However, there are a multitude of changes in Budget 2012 that will affect households with children, people with a disability, single-parent households, and low-income households. Child benefit cuts will see families with a third child losing €228 in 2012 and €96 in 2013 while those with more than three children will lose €204 for each additional child in 2012 and €140 in 2013. Households with younger children see increases in the primary school transport charge from €50 to €100, with the doubling of the maximum to €220 (see p. 24).

People with a disability will see funding cuts in the Disability Awareness Initiatives and the Fund for Students with Disabilities, while the Disability Allowance has been cut for those aged 16-24 (see p. 20).

Low-income households, who are more reliant on public services than others, will be disproportionately affected by cuts in health spending. Cuts such as that in the fuel allowance and changes to the Back to School Clothing and Footwear Scheme will also impact on these households (see p. 24 and p. 11).

Restrictions to entitlement to qualified adult increases and reduction of the earnings disregard will reduce the income of single-parent households (p. 16).

Government has cut the Capital Assistance Scheme to provide social housing and increased the minimum contribution to rent supplement (see p. 15). Government's decision to cut current and capital spending on housing will lead to longer waiting lists and homelessness.

Government's lack of a clear strategy has led to a great many vulnerable people taking a multitude of hits with no discernible rationale behind many of these budget cuts.

# Effective Tax Rates after Budget 2012

Central to a thorough understanding of income 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 (after all their credits and allowances) will have an effective tax rate of 20 per cent. Calculating the scale of income taxation in this way provides a more accurate reflection of the burden of income taxation faced by earners.

Following Budget 2012 we have calculated effective tax rates for a single person, a single income couple and a couple both earners. Table 8.1 (p8) presents the results of this analysis.

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

For comparative purposes, it also presents the effective tax rates which existed for people with the same income levels in 2000 and 2008.

In 2012, for a single person with an income of €15,000 the effective tax rate will be 2.7%, rising to 14% of an income of €25,000 and 42.7% of an income of €120,000. A single income couple will have an effective tax rate of 2.7% at an income of €15,000, rising to 7.2% at an income of €25,000, 26.2% at an income of €60,000 and 39.1% 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 9.2%, rising to 33.4% for combined earnings of €120,000.

As chart 8.2 (p8) shows, despite recent increases, these effective tax rates have decreased considerably over the past 15 years for all earners.

# First Steps Towards a Site Value Tax

One element of Budget 2012's taxation measures has been to introduce a flat household charge of €100 payable from January 1st next. The charge is to be used to fund local government and the government have indicated that it is an 'interim' measure in advance of a more comprehensive taxation regime for property.

While we welcome Government's signal of its intention to broaden the taxation base to include a source of recurring stable income from property, we have some concerns regarding the flat rate proposal. As currently structured the charge takes no account of the location, size or provision of public services enjoyed by a property and its residents/owners. While the initial charge is low (although it will be a challenge for many low income families who have received reductions in services and income from other Budgetary measures) Social Justice Ireland is concerned that Government might consider taking an easy route to a property tax by simply increasing the flat charge over time. To do so would be unacceptable and be grossly unfair and unrepresentative of the contributions that residents/owners should make to the funding and provision of local sevices in their local area.

Over the coming year *Social Justice Ireland* encourages Government to take steps towards the introduction of a site value tax and put in place whatever funds are required to bring this tax about. The feasibility of its introduction has recently been shown by research from Collins and Larragy (2011) and Feasta (2011) and both point towards the need for Government to commence a planning process so that a transparent and fair site value tax can be implemented. We also stress the need to develop such a proposal in a manner which appropriately acknowledges householder's ability to pay.

# Ireland's Skewed Income Distribution

Measures of income are far from perfect gauges of a society. They ignore many relevant non-market features such as volunteerism, caring and environmental protection to name but a few. However, assessments of the nature and trends in income distribution do offer some useful insights into the nature of any society and how it is changing over time. Furthermore, considerations of the impact (or not) of Budgetary policy on the income distribution offers an insight into the priorities of Government and the socio-economic objectives of its policies.

***Budget 2012 has taken limited steps to address the large divisions between Ireland's rich and poor - a divide that continues to widen according to recent CSO figures***

The most recent data on Ireland's income distribution, from the 2010 SILC survey, was published in preliminary form by the CSO on November 30th. While the publication provided less detailed data than usual (a further report is to be published in early 2012), it did show that over recent years Ireland's income distribution has widened further. Over time the share of the top 20% of households has climbed to 5.5 times the share of the bottom 20% and Ireland's overall level of income inequality has grown to its highest level since the SILC survey began in 2003.

Chart 10.1. shows the most comprehensive data on the income distribution available - as published by the CSO in late 2010. It examines the income distribution by household deciles starting with the 10% of households with the lowest income (the bottom decile) up to the 10% of households with the highest income (the top decile). The data presented is for disposable income which captures the amount of money households have in their pocket to spend after they have received any employment/pension income, paid all their income taxes and received any welfare entitlements. In 2009, the top 10 per cent of Irish households received 25.83% of the total income while the bottom decile received 2.39%. Collectively, the poorest 50 per cent of households received a very similar share (25.02%) to the top 10%. Overall the share of the top 10% is nearly 11 times the share of the bottom 10%.

**Chart 10.1: Ireland's Income Distribution by 10% (decile) group, 2009**

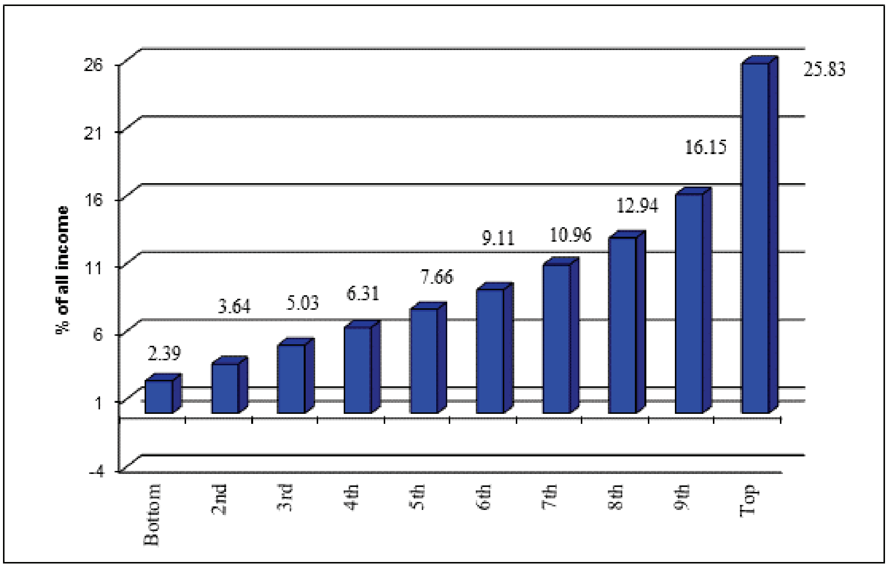



**Table 10.1: Amounts of Disposable Income by decile in 2009**

| Decile | Weekly income | Annual Income |
|---|---|---|
| Bottom | €210.45 | €10,973 |
| 2nd | €320.37 | €16,705 |
| 3rd | €443.07 | €23,103 |
| 4th | €555.88 | €28,985 |
| 5th | €675.19 | €35,206 |
| 6th | €802.53 | €41,846 |
| 7th | €965.83 | €50,361 |
| 8th | €1,140.49 | €59,468 |
| 9th | €1,422.84 | €74,191 |
| Top | €2,276.00 | €118,677 |
| **Average** | **€880.78** | **€45,924** |

**Source:** Calculated from CSO SILC 2009.

Table 10.1 outlines the cash values of these income shares in 2009 in both weekly and annual terms. While these are likely to have declined since 2009, the spread of income reflected in the table has only become more unequal according to the CSOs preliminary report for 2010.

Reflecting on the policy choices made in Budget 2012, *Social Justice Ireland* considers that Government has taken no serious steps to address the large divisions between Ireland's rich and poor. The Budget's failure to adequately broaden the tax base, reform tax breaks and address child and adult poverty imply a persistence of these income divides. However, we welcome the alterations to the USC, which we called for in our pre-Budget *Policy Briefing*, as these will have a small but positive impact on the income distribution.

# Fuel Poverty and Carbon Tax Increases

As signalled in the EU/IMF Memorandum of Understanding, Budget 2012 has taken steps to increase carbon taxes from €15 per tonne to €20 per tonne. While *Social Justice Ireland* welcomes Government's decision to delay the increase in the carbon tax on heating fuel till May1, 2012 this measure will not protect vulnerable people in winter 2012. The government has also reduced the length of the fuel season in the Fuel Allowance from 32 weeks to 26 weeks.

*Social Justice Ireland* supported the introduction of a carbon tax in Budget 2010. However, we regretted then, as we do now, that Government did not use some of the money raised by the carbon tax to target low income families and rural dwellers who were impacted most by this tax. We regret that Government did not set aside a portion of the additional revenue to assist these households. Failure to do so is likely to exacerbate the experience of fuel poverty among the most vulnerable of households in the year to come.

The scale and seriousness of Ireland's fuel poverty problem has been highlighted by both the Institute for Public Health (IPH) and the Society of St Vincent de Pauls (SVP). In an all-island study, the IPH found that 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.

The reduction in the Fuel Allowance has placed those households in a more vulnerable position  The combination of the decrease in Fuel Allowance and the increase in the carbon tax will increase fuel poverty in 2012.

# ODA

Budget 2012 reduced the allocation to the Official Development Assistance programme by €20 million (to €638m). *Social Justice Ireland* is disappointed that the Budget cut overseas aid again and has not moved to meet Ireland's commitment of spending 0.7% of our national income on overseas aid. In fact over recent years we are moving backwards - from spending 0.53% of gross national product on overseas aid in 2010 to 0.52% of gross national income in 2011 to 0.5% in 2012. *Social Justice Ireland* maintains that continued and reliable support for the world's poorest people should remain a government target despite the current crisis.

***Continued and reliable support for the world's poorest people should remain a government target despite the current crisis***

# Equality

The recent survey by the CSO on Income and Living Conditions in Ireland (November 2011) shows that income inequality had risen by 25% in one year (2009 to 2010). This trend should be a major concern to Government as unequal societies are inherently unstable. Good governance would require strategic policies focused on stalling and reversing this development. However the opposite has happened in this budget. *Social Justice Ireland* is very concerned to note that the budget cut the allocation for Equality, Integration and Disability by 15%. Within this budget the allocation to equality proofing has been eliminated, the contribution to women's organisations has been reduced by 35%, and the allocation for the promotion of migrant integration reduced by 31%. Disability awareness initiatives have been cut by 72%. This is happening at the same time as poverty is rising (increased by 1.7% in one year) and welfare is being reduced. It is logical to predict that inequality will grow even more in the year ahead.

# Regret on Corporate Levy

The contribution being made by the corporate sector to addressing Ireland's current series of crises is problematic. The corporate sector played a major role in undermining Ireland's economy through the irresponsible activity of many in the banking and financial services sector. Yet very little has been asked of this sector in terms of making a contribution to Ireland's recovery. There is no justification for insisting that the lowest-paid workers (who had no responsibility for the country's financial collapse) must make a large contribution through paying more tax and having fewer services and at the same time arguing that the profitable corporate sector can escape without making any contribution to Ireland's rescue. In our pre-Budget document *Budget Choices*, we proposed that a temporary levy of 2.5% for corporate profits. This would have generated €892m per annum and we regret that Budget 2012 did not adopt this policy.

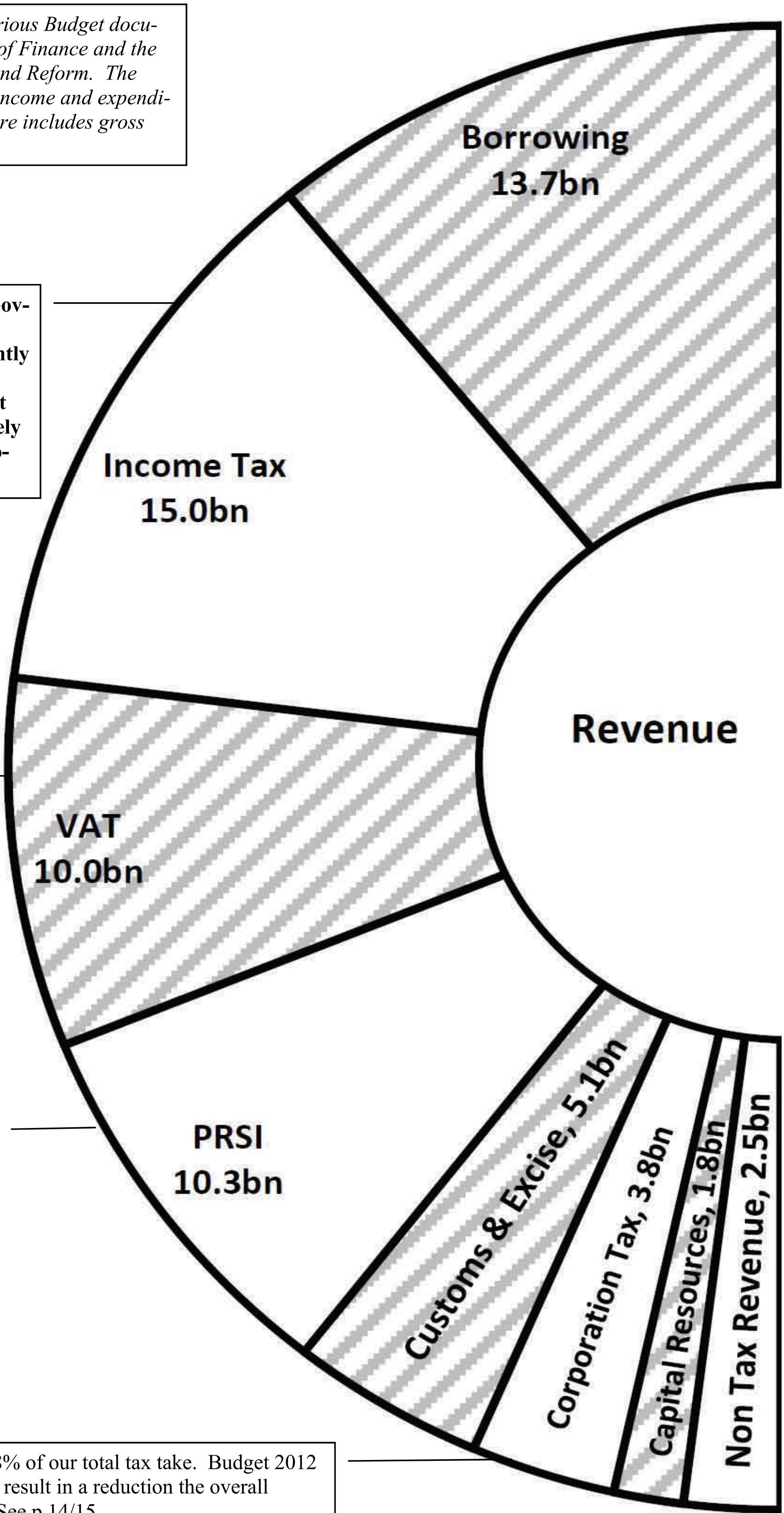
# Refundable Tax Credits

*Social Justice Ireland* commissioned and published a detailed study on the subject of refundable tax credits in 2010. Entitled '*Building a Fairer Tax System: The Working Poor and the Cost of Refundable Tax Credits*' the study identified that the proposed system would benefit 113,000 low-income individuals in an efficient and cost-effective manner. When children and other adults in the household are taken into account the total number of beneficiaries would be 240,000. The cost of making this change would be €140m.

The *Social Justice Ireland* proposal to make tax credits refundable would make Ireland's tax system fairer, address part of the working poor problem and improve the living standards of a substantial number of people in Ireland. We regret that Budget 2012 did not introduce this reform.

# Main Areas of Government Revenue - Budget 2012

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




**Income tax accounts for 32% of Government's total taxation revenue. *Social Justice Ireland* has consistently argued that there is a need to broaden the tax base. Our current tax base is not capable of adequately supporting necessary economic, social and infrastructural require-**

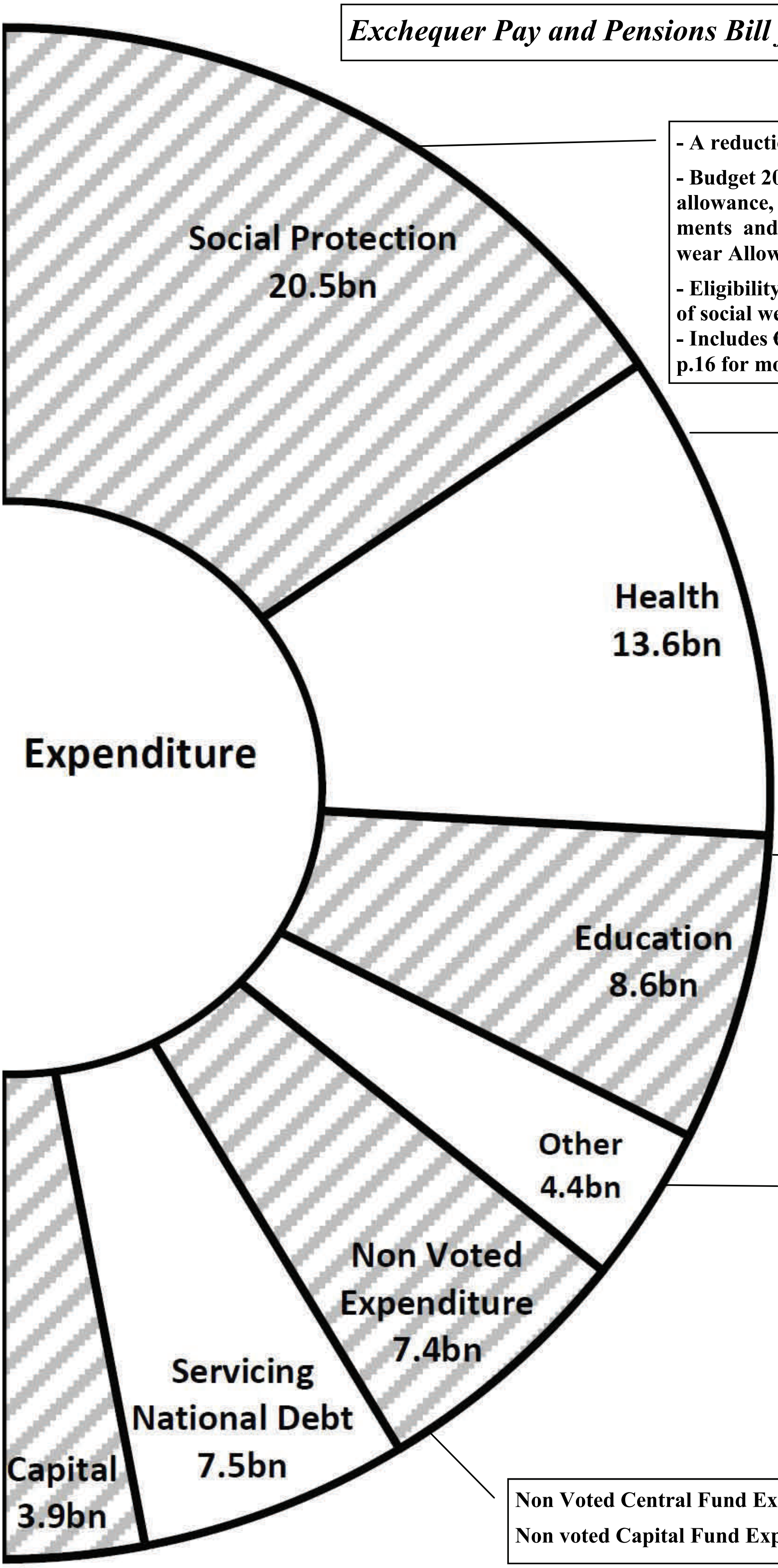
The VAT increase of 2% will impact most on low income households. It will also be bad for business. See p.3 for more details

**Budget 2012 broadened the base for PRSI through the removal of the remaining 50 per cent employer PRSI relief on employee pensions.**

Corporation tax amounts to just 8% of our total tax take. Budget 2012 introduced 3 measures that could result in a reduction the overall amount of corporation tax take. See p.14/15

# Main Areas of Government Expenditure - Budget 2012

***Exchequer Pay and Pensions Bill for 2012 will be €18.4bn***




**- A reduction of €475 million from Budget 2011.**

**- Budget 2012 reduced disability payments, fuel allowance, third and fourth child benefit payments and Back to School Clothing and Footwear Allowances.**

**- Eligibility criteria and means test for a variety of social welfare payments have changed.**

**- Includes €7.1bn Social Insurance Fund. See p.16 for more details**

- The health budget has been reduced by €493M in budget 2012

- €35M for community mental health teams

- Increased monthly threshold under Drug Payment Scheme by €12 per month

- 2% 'efficiencies' sought in disability, mental health and children's services.

- Increased charges on private patients in public hospitals.

**- Capitation grants reduced by 2%**

**- This includes the National Training Fund €337M.**

**- 200 teaching posts will be lost in 2012.**

**- Primary school transport charge has doubled.**

**- €250 increase in student contribution charge at third level.**

Environment: €466M

Transport, Tourism & Sport: €786M

Justice & Equality: €391M

Defence: €678M

Agriculture: €1.1bn

Jobs, Enterprise, Innovation: €366M

Communications, Energy: €333M

Arts, Heritage & Gaeltacht: €223M

**Non Voted Central Fund Expenditure: €1.5bn**

**Non voted Capital Fund Expenditure: €5.9bn**

# Taxation

## The Context

- Ireland's total tax-take is one of the lowest in the EU and has been falling dramatically as a percentage of GDP since 2007.
- The figure for 2009 represented the lowest total tax take for Ireland since Eurostat commenced compiling this data and it has risen only slightly since then. 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 taxtake towards 34.9% of GDP over a number of years.
- National tax receipts have fallen by €12b since 2007. Our low overall tax take is not sustainable and not adequate to support necessary economic, social and infrastructural requirements.
- Ireland should raise its total taxtake towards 34.9% of GDP over a number of years.
- Ireland should reform the tax break system to make the system fairer and provide substantial additional resources for Government.
- The narrowness of the national tax base must be reformed in order for the overall tax burden to be met.

## The Budget

**Universal Social Charge**

- There has been an increase in the lower exemption threshold from €4,004 to €10,036. It is anticipated that this will cost the exchequer €47 million in a full year.
- Moving the Universal Social Charge to a cumulative system is expected to yield €50 million in a full year.

**VAT**

- There will be an increase in the standard VAT rate from 21% to 23%. This increase will apply to all goods and services which are currently subject to VAT at 21%. It is expected to yield €670 million in a full year.

**Corporation Tax**

- Several reductions occurred in regard to corporation tax including:

  -An extension in the scheme which provides relief from corporation tax on the trading income and certain gains of new start-up companies in the first 3 years.

  -Along with Several changes to the Research and development tax credit scheme.

- These changes are expected to cost €9.75 million in a full year.

**Carbon Tax**

- The carbon tax will be increased by €5 to €20 per tonne on fossil fuels bringing in €109 million in a full year.

**Household Charge**

- A household charge of €100 is being introduced in 2012. The charge will raise an estimated €160m per annum. The government has indicated that this is an interim measure pending design and implementation of a full property tax, applicable in 2014.

**Illness Benefit**

- Removal of the 36 day tax exemption for illness benefit will yield 13 million in a full year.

**Mortgage Interest Relief**

- Is increased to 30% for first time buyers who bought their home between 2004 -2008. Current rates of Mortgage Interest Relief will be extended to First-Time Buyers and Non-First-time Buyers in 2012, both costing €57 million in a full year.

**Property Based Legacy Reliefs**

- A surcharge will be implemented on individuals with gross incomes over €100,000. The surcharge will apply at a rate of 5% on the amount of income sheltered by property reliefs in a given year. This is expected to bring in €15 million in a full year.

**Stamp Duty**

- Multiple Stamp Duty rates have been removed for non-residential properties and replaced with a flat rate of 2%. It is anticipated that this will cost the exchequer €64 million in a full year.

**Capital Acquisitions Tax and Capital Gains Tax**

- The rate on both of these is being increased to 30%. This will yield €159 million in a full year.

**Deposit Interest Retention Tax and Exit Taxes on Life Assurance Policies and Investment Funds.**

- The rate of tax which applies to deposit interest and the rates of exit tax which apply to life assurance policies and investment funds is being increased. This is expected to bring in an additional €50 million in a full year.

**Pensions**

- Changes to a variety of pension schemes occurred. The most significant is the removal of the current relief of 50% of employer PRSI for employee contributions to occupational pension schemes and other pension arrangements. This is expected to yield €90 million in a full year.

**Enforcement Compliance**

- Additional compliance activity in regard information obtained by the Revenue Commissioners relating to payments made by government bodies to third parties and improved information sharing form the Department of Social Protection is expected to yield €55 million in a full year.

**Motor Tax**

- Motor tax rates across all categories will increase with effect from 1 January 2012 this will provide an additional €46.5 million in a full year.

**Farm Taxation**

- Measures in this area will amount to costs of €6 million.

# Taxation (continued)

## Our Response

- The increase in the standard rate of VAT from 21% to 23% is a very worrying development. The ESRI in their report on the Distributional Effects of Value Added Tax in Ireland has shown that among the households hardest hit are those in the lowest income decile. Any increase in VAT will increase income inequality as well as poverty because the poorest quintile of households spend a higher proportion of their income on VAT than any other quintile of the population.
- While we welcome the changes in the Universal Social Charge. *Social Justice Ireland* is disappointed to note that this charge has not been extended to all incomes in excess of €100,000 irrespective of its source.
- *Social Justice Ireland* welcomes progress towards a site value tax. The government has indicated that the flat household charge is an interim measure pending design and implementation of a full property tax, applicable in 2014. It is imperative that the government move to introducing a fairer charge. To protect the vulnerable the government has proposed a waiver for those on mortgage interest supplements and for those residing in certain categories of unfinished housing estates. Further provisions will be made to allow the payment to occur in instalments.
- *Social Justice Ireland* is once again disappointed to note that the Government has not asked the corporate sector to play a role in assisting in Ireland's recovery. Social Justice Ireland proposed that a levy of 2.5% be introduced in budget 2012 on corporate profits. However, the Government decided not to do this, rather it provided €9.75M of reliefs.
- While *Social Justice Ireland* initially welcomed the introduction of the carbon tax, we believe that once it was introduced a portion of the income raised should have been put aside to assist people who were most affected. While we acknowledge some attempts made by the government to ameliorate the impact of this increase. However, the reality remains that more needs to be done to target low income families and rural dwellers that were impacted most by this tax.
- *Social Justice Ireland* welcomes the increases and standardisation of the rates in regard to Capital Gains Tax, Capital Acquisitions Tax and DIRT. This will assist in ensuring a fairer tax system in the future.
- *Social Justice Ireland* is disappointed that the government has not taken the opportunity to broaden the tax base in order to meet the overall tax burden and to adequately support our economic and social infrastructural requirements.

## Capital Budget

The Government's capital budget covers areas of state investment (in infrastructure, buildings and facilities). Budget 2012 in conjunction with the Government's recent *Infrastructure and Capital Investment 2012-16* document has targeted capital spending. Compared with expenditure in 2011, the capital budget in 2012 will shrink by €755m reaching €3.935 billion in 2012. Government's has also signalled further cuts in 2013 and 2014 of €562m and €120m respectively. By 2015 capital expenditure will reach €3.25b.

The sustained reductions in capital investment contrasts with the real need for an investment led stimulus to drive national job creation, domestic demand and assist in Ireland's economic recovery. As we have shown on p6 of this document, Government projections for the economy in 2012 signal only negative trends. *Social Justice Ireland* believes that Government needs to adopt a capital investment programme which would be targeted at initiatives that assist both the vulnerable and the economy. Investment in areas such as retrofitting houses, improving the water infrastructure and developing broadband infrastructure fit these categories.

While we regret the lack of progress on capital investment in Budget 2012, we hope Government can use the recently established Strategic Investment Fund to attract money from the European Investment Bank and elsewhere to drive capital projects and economic recovery in 2012

## Social Housing

Recent statistics show that 98,318 households are on waiting lists for social housing, an increase of 42,318 since 2008. This corresponds to about 220,000 people. Estimates also show that about 5,000 people are homeless (1 in 7 of whom is a child). A recent survey shows that there has been a 45% increase in sleeping rough in Dublin in 6 months. Coupled with the large number of distressed mortgages these figures are great cause for concern.

Government's response is contradictory. It reduces both capital and current spending. The net result can only be longer waiting lists and increasing homelessness.

The 2012 capital budget for Social Housing is €334m which is a reduction of 26% from 2011. Of this €145m has been allocated to Local Authority Regeneration & Remedial Works, a reduction of €59m from 2011. There has also been a reduction of 7% in the allocation for leasing.

The minimum payment tenants must make towards their rent has been raised which will bring hardship to many.

Government is failing to address the critical issue of housing waiting lists. A fundamental human right i.e. the right to appropriate accommodation, is not being honoured in Ireland. Development of social housing would also be good for the economy as it support jobs and keeps the construction skills alive. We regret that the homeless strategy has not got the attention it needs.

# Social Welfare

## The Context

- One in six or 15.8% of people are at risk of poverty (CSO SILC 2011). This increase is in spite of the median poverty threshold declining by 10% since 2009.
- The deprivation rate is 22.5% (an increase of 5.5%) and the consistent poverty rate is 6.2%.
- By age group, children (0-17) continue to have the highest risk of poverty with almost one in five children (19.5%) in this category.
- Persons aged 65+ had the lowest risk of poverty at 9.6%.
- Income inequality also increased in 2010 where the average income of those in the highest income quintile was 5.5 times higher than those in the lowest income quintile.
- Social welfare payments have a major role to play in combating poverty.
- Without social welfare payments 51% of Ireland's population would be at risk of poverty; (up from 43% in 2008). This increase over time demonstrates the increasing dependence of individuals on social transfers to remain above the poverty threshold.
- Almost half of those at risk of poverty in 2009 (44.2%) lived in households headed by a person who was outside the labour force (i.e. persons who were older or ill, or have a serious disability or are in caring roles.) These figures are not yet available for 2010.

## The Budget (c.f p.22/23 for rates)

- **Did not reduce primary weekly social welfare rates but has changed means tests and eligibility criteria.**
- **Maintains Child Benefit rates at €140.00 for the first and second child. However, the budget reduces the payment by €19.00 for the third child and €17.00 for the fourth and subsequent children.**
- **Cuts the Back to School Clothing and Footwear allowance by €55.00 for children aged 12 years or more and €50.00 for children aged 4 – 11. It also raises the eligibility from 2 to 4 years.**
- **Lowers the age of the youngest child for receipt of the One Parent Family Payment reducing the age to which the payment is made to 12 in 2012 and ultimately 7 in 2014.**
- **Reduces the earnings disregard for the One Parent Family Payment means test by €16.50 in 2012 for new and existing recipients.**
- **Discontinues the transition payment of the half-rate of the One Parent Family Payment where recipients' earnings exceed €425.00 per week.**
- **Reduces the Fuel Allowance by 6 weeks.**
- **Increases the age of entitlement for Disability Allowance from 16 to 18 and aligns the rates of payment with Jobseeker Allowance rates.**
- **Moves to a 'one person one payment' position limiting claimants from receiving more than one social welfare payment.**
- **Increases the minimum contribution for Rent Supplement to €30.00 for individuals and €35.00 for couples.**
- **Aligns the rate of pension paid with the contribution made and also increases the number of paid PRSI contributions needed to qualify for a Contributory Widow(er)'s Pension from 156 to 520 to take effect from July 2013.**
- **Changes the entitlement base of Job Seekers Benefit for part-time workers from 6 days to 5 days.**

## Our Response

- Social Justice Ireland is aghast at the €475m reduction in social welfare and changes to eligibility criteria. The scale of cuts are disproportionally targeted at those on low incomes. This is a retrograde step when the latest data from the EU SILC has shown an increase in the at risk of poverty rate from 14.1% in 2009 to 15.8% in 2010.
- Without social transfers 51% of the population would be at risk of poverty (EU SILC 2010). These social welfare changes and reductions can only increase that number.
- Families with children are amongst the greatest casualties of the budget. Cuts to Child Benefit for the third and subsequent children as well as the Back to School Clothing and Footwear Allowance are draconian when almost 1 in five children are at risk of poverty (EU SILC 2011).
- The changes to the One Parent Family Payment including reducing the age to which the payment is made, the reduction in the income disregard and in particular the abolishment of the temporary half rate of the payment where recipients earnings exceed €425 per week, will act as a disincentive for those trying to return to employment.
- The decision to cut the Fuel Allowance by 6 weeks is an appalling decision. Gas and Oil prices rose by 20.5% and 20.3% respectively from October 2010 to October 2011 (CS0, 2011). Therefore this cut is ill-timed and ill-conceived.
- The decision to reduce the Disability Allowance in line with Jobseekers rates for new claimants will place a severe financial burden on families.
- We are concerned about the impact that the change to pension contributions will have on widow(er)s, the long term unemployed and those who have taken early retirement.
- The increase in the minimum contribution for Rent Supplement will place further hardship on those already struggling on an inadequate income.
- The cumulative affect of these cuts will make life unbearable for many individuals and families.

# Work/Unemployment/Job Creation

## The Context

- The unemployment rate is 14.5% (CSO; November 2011). The rate has increased in six of the eight regions with the rate of unemployment in the South East now at 18.2%.
- The rate of long term unemployment is 7.7%. Almost 180,000 people are now long term unemployed, an increase of 29% since 2010.
- 55.9% of those unemployed are aged between 25-44.
- The numbers on the live register (which includes some part-time employees) is 448,600 (end November 2011).
- 75,556 of those on the live register are under 25 years. One third of all those on the live register have been on it for more than one year.
- The 2009 CSO SILC study (October 2010) on poverty in Ireland shows that 23% of all households at risk of poverty are headed by a person with a job. These figures are not yet available for 2010.
- The 2011 preliminary CSO SILC study shows that 17.3% of those at risk of poverty have a job.
- Domestic demand fell by 2.2% in Q2 2011. It is expected to decline again in 2012. Government has stated that only when domestic demand recovers will there be broad based employment growth.
- Irish people take a job when it is available as was seen between 2002 and 2007 when LTU stood between 1.2 and 1.4%.

## The Budget

- **Allocates to Department of Jobs, Enterprise and Innovation €514m capital and €366m current.**
- **Introduces New Labour Market Activation Fund - €20m to deliver 6,500 places for the long-term unemployed.**
- **Will publish a policy statement on 'Pathways to Work' on reform of labour market activation.**
- **Allocates €10m to 'Springboard' Initiative to provide part-time higher education opportunities for unemployed people.**
- **Changes the entitlement base of Job Seekers Benefit for part time workers from 6-day week to 5-day week.**
- **Reduces Grant to C.E. Scheme from €1,500 to €500 per annum.**
- **Changes Employer's rebate of statutory redundancy from 60% to 15%.**
- **Will reduce materials allowance in the Job Initiative Scheme and discontinue payment of training budget.**
- **Will offer Enterprise Ireland funding of up to €20,000 to each of 10 start-up projects in the South-East and will promote additional €5,000 grants for investment in local innovation.**
- **Supports SMEs to create jobs by ensuring access to a targeted R&D tax credit regime and the extension of 3 year corporation tax relief for start-up companies.**
- **Commits to publish in January a Multi Annual Action plan for Jobs which Government hopes will create 100,000 jobs by 2015 and have 2 million people in work by 2020.**
- **Introduced a Foreign Earnings deduction targeted at individuals who spend at least 60 days a year developing markets for Ireland in Brazil, Russia, India, China and South Africa.**

## Our Response

- The Government's strategy thus far lacks credibility in terms of creating jobs. The Economic and Fiscal Outlook projects employment to fall by 0.2% in 2012 and projects unemployment to fall by 0.4%. These projections indicate that the budget does not contain necessary measures for job creation.
- Provision of 6,500 places in the Labour Market Activation Fund while welcome, does next to nothing to address the needs of the 180,000 long-term unemployed.
- Government's own projection of a decline in unemployment to 11.6% by 2015 (approx. 52,000) is based on the assumption that more job seekers will emigrate or leave the workforce.
- A fully-costed *Part-time Job Opportunity Programme*, recommended by *Social Justice Ireland*, would have provided real part-time jobs for 100,000 long-term unemployed people, with the transfer of participants' social welfare payments. This would cost €150 million and contribute to a reversal of the rapid rise in unemployment, while providing much needed services for local communities.
- Government policy is undermining domestic demand and relying on export-led economic growth at a time of extreme uncertainty in international financial markets and low growth rates in the Eurozone.
- The cumulative effect of the changes in CE Scheme, Job Seekers Benefits and Jobs Initiative Scheme reflects government's lack of vision for the creation of sustainable growth, jobs and protection of the vulnerable.
- The Initiative to support SMEs to grow and create jobs needs careful monitoring to ensure that it is effective and to remove it if it is abused.
- It is regrettable that Government has failed to adequately address the working poor issue and has not recognised unpaid forms of work.

# Healthcare

## The Context

- Healthcare is a social right that every person should enjoy. People should be assured that care in their times of vulnerability is guaranteed.
- Ireland has a two-tier healthcare system. Despite huge increases in the budget for health the system is far from efficient of effective.
- The link between poverty and ill health has been well established. Poor people get sick more often and die younger than those in higher socio-economic groups.
- Ireland spends 7.6 per cent of GDP on health; well below the EU-27 average of 9.3 per cent.
- This level of funding is inadequate in light of the fact that waiting lists, bed closures, shortage of staff and long-term care requirements continue to be issues in the health service today.
- Primary care has been recognised as the cornerstone of the health system. The National Social Partnership Agreement Towards 2016 committed Government to the establishment of 500 Primary Care Teams by 2011. To date 348 teams have been put in place and 171 teams are in development.
- There are 55 Community child and adolescent mental health service teams in place.
- To ensure everyone in Ireland can access healthcare in the most appropriate manner when needed requires that Primary Care Teams be in place in all parts of the country.

## The Budget

- **Reduces the allocation for Health to €13.64b for 2012.**
- **Seeks 2% efficiencies in disability, mental health and children's services, saving €50 million.**
- **Seeks to reduce numbers and contain pay costs, to save €145 million.**
- **Seeks to reduce the price of drugs, such as reference pricing and generic drugs, and reduced fees for services, to save €112 million.**
- **Seeks efficiencies in procurement by active management and control of both price and volume of usage which will save €50 million.**
- **Allocates €35 million for the development of community mental health teams.**
- **Allocates €15m which will fund access to primary care without fees to claimants of free drugs under the Long Term Illness Scheme.**
- **Allocates additional funding of €55m to the Nursing Homes Support Scheme.**
- **Increases the monthly threshold from €120 to €132 under the Drug Payment Scheme, to save €12 million.**
- **Increases the charges levied on all private patients in public hospital saving €143 million.**
- **Allocates capital investment of €390m per year to include:**

⇒ **primary care,**

⇒ **mental health,**

⇒ **older people,**

⇒ **disability**

⇒ **acute hospitals**

⇒ **three high priority national projects:**

**1) National Children's Hospital,**

**2) replacement of the Central Mental Hospital**

**3) National Project for Oncology**

## Our Response

- *Social Justice Ireland* is concerned that there appears to be a move towards the fragmentation of the health service either through the establishment of individual directorates around care groups and independent trusts for the hospital system without the necessary focus on how these will be integrated at regional level with community and service-user involvement.
- *Social Justice Ireland* welcomes capital expenditure commitment to development of primary care, mental health, older people and disability projects, but there is no provision for continued development of primary care teams themselves. It is disappointing as this service, still in its infancy, needs government support to survive.
- While welcome, the extra funding for "fair deal" does not address deficits in infrastructure that exist at present to provide appropriate community-based services. This is regrettable in the light of the Minister's own statement "the reductions in health service numbers recently approved by Government will result in reductions in services in 2012 and beyond".
- A 2% budget saving for disability services will directly affect how services are delivered.
- We welcome the €35m for development of Community Mental Health Teams in keeping with "Vision for Change".
- Drug Payment Scheme increase from €120 to €132 will negatively affect families who already struggle to survive.
- While welcoming the increased charges levied on all private patients in public hospital safeguards are needed to ensure that public patients have full access to public beds based on medical need.
- We welcome €15m for GPs cards to claimants of the Long Term Illness Scheme.

# Education

## 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.
- Early school leaving and low levels of attainment in the Leaving Certificate are significant barriers that prevent students from lower socio-economic backgrounds in particular entering higher education.
- A significant proportion of the adult population and of those in disadvantaged primary schools have problems with literacy.
- The importance of investment in education is widely acknowledged. For individuals, the rewards from education are clear. In Ireland the earnings of those with higher education are 84% higher than those with upper secondary education only (OECD, 2004).
- Given the significant earning advantage of higher education investment must be made in early childhood education and development (age 0-3) in order to make the education system more equitable and to have the maximum impact.
- The number of children born in Ireland in Q1 2011 was 7.6% higher than in Q1 2010. Provision must be made at all levels of education to provide spaces for the increasing population.

## The Budget

- **Reduced capitation grants for primary and post primary schools by 2% (€20.6M).**
- **Reduced capitation payment for further education programmes by 2%(€6M).**
- **Reduced core pay and non-pay funding for higher education by 2% (€50M + €19M respectively) .**
- **Reduced maintenance grants for students attending third level education by 3% (6.6M).**
- **Increased the student contribution at third level by €250 and removed maintenance grants for new post graduate entrants starting in 2012/2013.**
- **Reduced the Fund for Students with Disabilities by 20% (€2.8M) and Strategic Innovation Fund by 71%.**
- **Provided €20M under the NTF for a new Labour Market Activation Fund to target the long term unemployed.**
- **Provided €10M under the NTF to support a further roll out of the Springboard initiative.**
- **Introduced the phased withdrawal of 428 legacy posts which pre-date the DEIS scheme (pre 2005). Maintained the existing (2011) levels of SNA's and resource teachers.**
- **Increased pupil-teacher ratio in fee paying schools to 21:1.**
- **Removed the separate student to guidance counsellor allocations in Post Primary Schools.**
- **Doubled the charges for Primary School Transport from €50 to €100.**
- **Removed 200 teaching posts overall from the primary and post-primary sector.**

## Our Response

- Reduced capitation grants for schools means that they will not be able to adequately plan and provide for increased demographic pressures within the system.
- Doubling the charge for school transport at primary level will have a devastating impact on already struggling families who will also have to cope with a reduction of €50 in the Back to School Clothing and Footwear Allowance.
- A reduction of 3% in the maintenance grant combined with the €250 increase in the student contribution charge will make higher education more inaccessible to students from lower socio-economic backgrounds. *Social Justice Ireland* proposed the implementation of an income contingent student loan facility where all students (full and part-time) would be treated on the same basis.
- Removing maintenance grant support for new post-graduate entrants without providing an income contingent loan scheme will make these programmes less accessible.
- We call for continued investment in system-level innovation across higher education providers in areas such as teaching and learning, flexible learning and promotion of equality.
- Maintaining SNA's and resource teachers at existing levels is welcome but the phased withdrawal of 428 posts which pre-date the DEIS scheme and removing 200 posts overall in 2012 will impact significantly on the most disadvantaged schools in the country.
- Reducing the allowance to those participating on Youthreach, FAS and CTC courses yet again targets the most vulnerable young people.
- The lack of investment in Adult Literacy Programmes and Early Childhood Education means that inequalities that are ingrained within the current system will persist.

# Rural Development

Rural development is often confused with agricultural development. This approach fails to grasp the fact that many people living in rural Ireland are not engaged in agriculture. This in turn leads to misunderstanding when the income from agriculture increases because many fail to realise that not everyone in rural Ireland benefits from such an increase.

The data from the most recent SILC study which is for 2010 (cf. p.10) shows there is a very uneven national distribution of poverty. The risk of poverty in rural Ireland is 7 percentage points higher than in urban Ireland with at risk rates of 20.0% and 13.1% respectively. This gap has widened by 1% in a single year. In the same year average farm income increased by 48 per cent according to Teagasc bringing incomes back in line with those recorded in 2008. The number of farm households where the farmer and/or the spouse had work off the farm declined to less than 50 per cent. 37,000 Irish farms are classified as being "economically vulnerable" meaning the farm business is not economically viable and neither the farmer nor the spouse works outside of the farm.

Budget 2012 is likely to have a negative impact on the weakest people in rural Ireland as inflation rises, unemployment persists and the carbon levy is increased. Funding for the Rural Transport Initiative is cut by €0.9m which will have a negative impact on rural communities where adequate public transport infrastructure services and accessibility of transport is vital to support employment, development of local enterprise and access to services.

Funding for REPs is cut by €19m, over half of the 31 Garda Stations being closed are in rural areas and rural primary schools will be adversely affected by the phased increase in the pupil threshold for teacher allocations in small primary schools.

*Social Justice Ireland* believes that we are now reaching a crucial juncture that requires key decisions in ensuring the necessary structures are put in place so that rural communities can survive.

# 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 2011, indicate that one in five of this group (20.9%) 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. It seems only logical that if people with a disability are to be equal participants in society then the extra costs generated by their disability should not be borne by them alone, but rather society at large should act to level the playing field by covering those extra but ordinary costs. Policy had begun to address these challenges, but recent Budgets have reversed or stalled much of this progress. We regret that Budget 2012 has made little progress on this issue.

Government has increased the age of eligibility for the Disability Allowance from 16 to 18 leading to a reduction of €111, or 59%, in the 16-18 rate, reduced the rate for those aged 18-21 by €88, or 47%, reduced the rate for those with a qualified adult by €112.8, or 36%, reduced the rate for those aged 22-24 by €44, or 23% and reduced the rate for those with a qualified adult by €44, or 14%.

The Department of Justice & Equality has reduced Disability Awareness Initiatives by 72%, from €1.1m to €307,000. The Department of Education has reduced the funding of the Fund for Students with Disabilities by 20%, or €2.8m.

Government is seeking to achieve efficiency savings of 2% in budget for disability services within the health budget. It is vital that the 2% saving is not achieved through the reduction of services provided for people with disabilities. Greater clarity is required from Government on this issue. The cumulative effect of Budget 2012 has been to reduce funding to disability services and payments.

# Environment and Sustainability

*Social Justice Ireland* supports the increase of €5 per tonne (from €15 to €20 per tonne) in carbon tax, however we regret that the government has not made any provision to support low income families and rural dwellers who will be most affected by this increase. *Social Justice Ireland* proposed that Government should set aside €40M per year to support low income families and rural dwellers.

We acknowledge and welcome that this carbon tax will not apply to solid fuels such as coal or peat, but this exception will still not alleviate the extra costs faced by low income families and rural dwellers overall due to this increase.

The decision to set no targets for emissions shows a lack of vision in terms of environmental policy and ignoring climate change indicates a lack of long term planning for sustainability. *Social Justice Ireland* urges government to reverse this decision and to pass climate change legislation in 2012.

By disbanding COMHAR the government has lost an opportunity to collect, analyse and develop much needed environmental data to assess Ireland's progress towards a sustainable future. Adding this work to NESC may improve its focus on sustainability but it is likely to weaken environmental policy.

*Social Justice Ireland* proposes that the government should produce 'satellite' or 'shadow' national accounts which measure environmental issues and socio-economic issues and place sustainability at the centre of our development model. The present system ignores any environmental cost of the effects of economic growth, such as pollution and felling of rainforests.

We also call on the government to immediately ratify the Aarhus Convention on access to information, public participation in decision-making and access to justice in environmental matters immediately, which it has committed to in the Agreed Programme – Government for National Recovery.

# Public Finances, 2012-2015

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 and performances versus the Troika targets.

| *Rounding may impact on totals - figures rounded to the nearest €5m* | **2012** | **2013** | **2014** | **2015** |
|---|---|---|---|---|
| **CURRENT BUDGET** | €m | €m | €m | €m |
| **Expenditure** | | | | |
| Gross Voted Current Expenditure | 51,880 | 50,590 | 48,715 | 47,355 |
| Non-Voted (Central Fund) Expenditure | 8,985 | 9,720 | 10,565 | 10,945 |
| **Gross Current Expenditure** | **60,865** | **60,310** | **59,280** | **58,300** |
| less Expenditure Receipts and Balances | 11,365 | 11,445 | 11,600 | 11,910 |
| **Net Current Expenditure** | **49,500** | **48,865** | **47,680** | **46,390** |
| **Receipts** | | | | |
| Tax Revenue | 35,825 | 38,350 | 41,020 | 43,175 |
| Non-Tax Revenue | 2,495 | 1,855 | 1,660 | 1,535 |
| **Net Current Revenue** | **38,320** | **40,205** | **42,680** | **44,710** |
| **CURRENT BUDGET BALANCE** | **-11,180** | **-8,660** | **-5,000** | **-1,680** |
| | | | | |
| **CAPITAL BUDGET** | | | | |
| **Expenditure** | | | | |
| Gross Voted Capital | 3,935 | 3,375 | 3,255 | 3,255 |
| Non-Voted Expenditure | 5,865 | 4,165 | 4,160 | 4,175 |
| **Gross Capital Expenditure** | **9,800** | **7,540** | **7,415** | **7,430** |
| less Capital Receipts | 305 | 335 | 320 | 320 |
| **Net Capital Expenditure** | **9,495** | **7,205** | **7,095** | **7,110** |
| **Capital Resources** | 1,815 | 1,780 | 1,870 | 1,770 |
| **CAPITAL BUDGET BALANCE** | **-7,680** | **-5,425** | **-5,225** | **-5,340** |
| | | | | |
| **EXCHEQUER BALANCE** | **-18,860** | **-14,085** | **-10,225** | **-7,020** |
| | | | | |
| **GENERAL GOVERNMENT BALANCE** | **-13,650** | **-12,385** | **-8,505** | **-5,215** |
| *% of GDP* | -8.6 | -7.5 | -5.0 | -2.9 |

## SOCIAL WELFARE: **Social Insurance** changes January 2012

| PERSONAL AND QUALIFIED ADULT RATES | Present | 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: | 193.50 | 193.50 | 0.00 |
| (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 | 193.50 | 193.50 | 0.00 |
| Person with qualified adult under 66 | 331.60 | 331.60 | 0.00 |
| Person with qualified adult 66 or over | 399.80 | 399.80 | 0.00 |
| (i) Age 65: | | | |
| Personal rate | 230.30 | 230.30 | 0.00 |
| Person with qualified adult under 66 | 368.40 | 368.40 | 0.00 |
| Person with qualified adult 66 or over | 436.60 | 436.60 | 0.00 |
| **Carer's Benefit** | | | |
| Personal rate | 205.00 | 205.00 | 0.00 |
| **Occupational Injuries Benefit - Death Benefit Pension** | | | |
| (i) Personal rate under 66 | 218.50 | 218.50 | 0.00 |
| (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 | 219.00 | 219.00 | 0.00 |
| **Illness/Jobseeker's Benefit** | | | |
| Personal rate | 188.00 | 188.00 | 0.00 |
| Person with qualified adult | 312.80 | 312.80 | 0.00 |
| **Injury Benefit/Health and Safety Benefit** | | | |
| Personal rate | 188.00 | 188.00 | 0.00 |
| Person with qualified adult | 312.80 | 312.80 | 0.00 |
| **Guardian's Payment (Contributory)** | | | |
| Personal rate | 161.00 | 161.00 | 0.00 |
| **Increases for a qualified child** | | | |
| All schemes in respect of all children | 29.80 | 29.80 | 0.00 |

## Changes in Monthly Rates of **Child Benefit** from January 2012

| | | | |
|---|---|---|---|
| **Child Benefit** | | | |
| (i) First and Second Children | 140.00 | 140.00 | 0.00 |
| (ii) Third Child | 167.00 | 148.00 | -19.00 |
| (iii) Fourth and Subsequent Children | 177.00 | 160.00 | -17.00 |

## Changes in Maximum Weekly Rates of **Health Allowances** from January 2012

| | | | |
|---|---|---|---|
| **Supplementary Allowance payable to Blind Persons in receipt** | | | |
| (i) Blind Pensioner | 58.50 | 58.50 | 0.00 |
| (ii) Blind Married Couple | 117.00 | 117.00 | 0.00 |

## **SOCIAL WELFARE**: **Social Assistance** changes January 2012

| | 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 | 188.00 | 188.00 | 0.00 |
| Person with qualified adult under 66 | 312.80 | 312.80 | 0.00 |
| **Widow's/Widower's Non-Contributory Pension** | | | |
| Personal rate | 188.00 | 188.00 | 0.00 |
| **One-Parent Family Payment** | | | |
| Personal rate with one qualified child (not age 18) | 217.80 | 217.80 | 0.00 |
| **Carer's Allowance** | | | |
| (i) Under 66 | 204.00 | 204.00 | 0.00 |
| (ii) 66 or over | 239.00 | 239.00 | 0.00 |
| **Supplementary Welfare Allowance** | | | |
| Personal rate | 186.00 | 186.00 | 0.00 |
| Person with qualified adult | 310.80 | 310.80 | 0.00 |
| **Pre-Retirement Allowance/Farm Assist** | | | |
| Personal rate | 188.00 | 188.00 | 0.00 |
| Person with qualified adult | 312.80 | 312.80 | 0.00 |
| **Guardian's Payment (Non-Contributory)** | | | |
| Personal rate | 161.00 | 161.00 | 0.00 |
| **Increases for a qualified child** | | | |
| All schemes in respect of all children | 29.80 | 29.80 | 0.00 |

## Changes in Maximum Weekly Rates of **Jobseeker's Allowance** January 2012

| | | | |
|---|---|---|---|
| **18 to 21 years of age** | | | |
| Personal rate | 100.00 | 100.00 | 0.00 |
| Person with qualified adult | 200.00 | 200.00 | 0.00 |
| **22 to 24 years of age** | | | |
| Personal rate | 144.00 | 144.00 | 0.00 |
| Person with qualified adult | 268.80 | 268.80 | 0.00 |
| **Over 25 years of age** | | | |
| Personal rate | 188.00 | 188.00 | 0.00 |
| Person with qualified adult | 312.80 | 312.80 | 0.00 |

Where a person has a dependent child and in certain other circumstances the basic rate (€188.00) applies to 18-24 year olds.

## Changes in Maximum Weekly Rates of **Disability Allowance** January 2012

| | | | |
|---|---|---|---|
| **18 to 21 years of age** | | | |
| Personal rate | 188.00 | 100.00 | -88.00 |
| Person with qualified adult | 312.80 | 200.00 | -112.80 |
| **22 to 24 years of age** | | | |
| Personal rate | 188.00 | 144.00 | -44.00 |
| Person with qualified adult | 312.80 | 268.80 | -44.00 |
| **Over 25 years of age** | | | |
| Personal rate | 188.00 | 188.00 | 0.00 |
| Person with qualified adult | 312.80 | 312.80 | 0.00 |

Reduced rates apply to claimants under 25 with effect from April 2012. Where a person has a dependent child and in certain other circumstances the basic rate (€188.00) applies to 18-24 year olds.

# The Working Poor—too many hits

Nearly a quarter of all households at risk of poverty in Ireland are headed by a person in employment. *Social Justice Ireland* welcomes the decision to increase the lower exemption threshold on the Universal Social Charge (USC). This means an increase in the net income of those earning between €4,004 and €10,036 of between €80.80 and €200.72 a year. However with inflation forecast by Government to rise by 1.8% in 2012 most of this gain will be neutralised.

Many of the expenditure cuts introduced in Budget 2012 adversely affect working-poor households. A household with three children will lose €228 in 2012, and an additional €96 from 2013. If a family has four or more children, the loss will be €288 for the third child and €204 for each additional child in 2012 and a further €96 for the third child and €140 for each additional child from 2013.

The reduction of the Back to School Clothing and Footwear Scheme will cost this family €55 per child aged over 12 attending school, €50 per child aged between 4-11 and €250 per child aged 2-4. The changes to payment entitlement for part-time workers receiving Jobseeker's Benefit will see receipts based on a five-day week rather than a six-day week. A part-time worker working for three days would lose up to €988 a year under this change.

Working poor households will also be negatively impacted on by: the increase in the Drug Payments Scheme threshold and the increases in the Primary School Transport Scheme charge. Increased public transport fares will also disproportionately hit the working-poor who are more likely to use public transport for daily use and to get to work.

Working poor households will see their standard of living fall in 2012 despite the welcome change to the USC - a sad consequence of failing to keep the broader picture in focus when planning Budget 2012.

# New Budget Process Welcome

In Budget 2012 Government set out a new process to be followed in producing Budgets in the years ahead. It claims this new model will be based on "transparency, openness and clear structural planning".

This new approach will

- Introduce a multi-annual Expenditure Framework.
- Introduce evidence-based expenditure policy.
- Be guided by a new Value for Money Code.
- Build performance information into the annual Estimates.
- Enhance the role of the Oireachtas.

*Social Justice Ireland* welcomes this new approach and will be glad to participate in its various phases as appropriate.

**Social Justice Ireland**

**We're on the web**
***www.socialjustice.ie***

**Recent Publications from *Social Justice Ireland***

- A New and Fairer Ireland: Socio-Economic Review 2011
- Policy Briefing on Budget Choices
- Policy Briefing on Health
- Policy Briefing on Work, Jobs and Unemployment
- Policy Briefing on Poverty and Income Distribution
- Sharing Responsibility in Shaping the Future
- Building a Fairer Tax System: The Working Poor and the Cost of Refundable Tax Credits

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

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If you wish to become a member of *Social Justice Ireland* or make a donation to support our work you may do so through our website at *www.socialjustice.ie* or by contacting our offices directly.

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

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