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Social Justice Ireland Budget 2013 Analysis & Critique

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CONTENTS

UNJUST, REGRESSIVE BUDGET DEEPENS DIVIDE IN IRISH SOCIETY

Budget 2013 is unjust and regressive. For the second year in a row this Government has introduced a Budget that is deeply regressive, both socially and economically. It does nothing to foster economic recovery or to provide a vision and direction for the country.

Socially regressive

Socially it hits people on low incomes, including the working poor, more than it hits the better off. Low-income` households have taken a wide range of 'hits' . The cumulative impact of the various initiatives contained in Budget 2013 on those who are vulnerable will be devastating in the years ahead.

The change in PRSI, for example, will hit the working poor far more than it will hit those with incomes above €100,000 a year (see p. 3).

Budget initiatives on pensions will take less from the pensions industry than before and will leave the pension tax-break in place, both of which benefit the better off.

The carbon tax was increased but no compensating mechanism was put in place for poor or rural households who are again hit disproportionately by this tax. At the same time Government found €70m to provide tax relief on excise duty for auto-diesel to road hauliers.

Economically regressive

Economically it fails totally to address unemployment. Domestic demand is set to fall again and the projected increase in employment is aspirational and minimal.

Unemployment is set to fall but this will occur because emigration will continue.

Without a substantial increase in investment there will be no increase in jobs on the scale required. Without jobs there will be no recovery. Without recovery Ireland will remain mired in austerity for the foreseeable future.

In reality the current approach by Government to resolving Ireland's series of crises is not working. In fact it is running down the economy.

Despite taking almost €28bn out of the economy in tax increases and expenditure cuts since July 2008 we are still left with 700,000 people at risk of poverty, falling domestic demand, record levels of long-term unemployment, rising emigration and 100,000 households on waiting lists for accommodation.

Economic recovery

Ireland urgently needs an investment of sufficient scale to create the jobs which are essential if

Welcome

- The commitment to restore core community services.
- Funding for 10,000 additional places on schemes
- €35m for new mental health services

Regret

- Regressive nature of choices made.
- Failure to address the long-term societal impacts of these choices.
- Government choosing to take more in cuts than in tax increases.
- Lack of investment will mean no major jobs boost
- Lack of transparency in Budget process.

Ireland needs a new approach

(Continued from page 1)
there's to be a recovery. In our Policy Briefing on Budget Choices *Social Justice Ireland* proposed that Government provide an investment package of €7bn for the domestic economy over the next three years to drive Ireland's recovery.

This focused, off-balance sheet programme would have had the dual impact of increasing domestic economic activity while also addressing some of the social and infrastructural deficits which remain in Ireland. Budget 2013 contains no initiative on the scale required.

Recent research by the Nevin Economic Research Institute (NERI) has shown that an investment programme can yield substantial employment gains while protecting Government finances.

No real addressing of unemployment

The Government is projecting that unemployment will be at 14.6% of the labour force in 2013 and still be at 14.1% in 2014. For the first time in Ireland's history 60% of those unemployed have been in that situation for more than a year.

The implications of this situation for people, families, social cohesion and the exchequer's finances have already been very serious and are likely to continue as such (see p.7 and 17).

As well as providing an investment programme to create jobs in the domestic economy *Social Justice Ireland* also argued that Government should introduce a new programme to create up to 100,000 part-time jobs for people long-term unemployed who have skills over a three-year period. Participation in such a scheme would be voluntary. While up to 10,000 additional places have been made available for various schemes in Budget 2013, this goes nowhere near addressing the scale of the problem Ireland currently faces on this issue. Government chose instead to ignore people trapped in long-term unemployment.

Cumulative impact will be devastating

Budget 2013 contained many measures that will impact on families, particularly those with children and those on lower incomes (see p. 11).

A family could, as a result of this Budget, be hit by all of the following: reductions in Child Benefit, the abolition of the PRSI allowance, the introduction of a property tax, the trebling of the prescription charge for medical cardholders, the increase in the Drug Payment Scheme threshold and the abolition of the Cost of Education Allowance.

If the family was already vulnerable or in poverty, the cumulative effects of these initiatives will have a devastating effect on their already precarious situation. The long-term impacts for society of these Government choices will be very negative.

Social Services being eroded

The social infrastructure is being undermined by Government without any regard to the long term consequences of these actions. Those who are poor and/or vulnerable are bearing an inordinate part of the burden of restructuring. Government has made no assessment of what the long term impacts of the cuts to services and service reductions will mean for Ireland in ten years' time.

Cuts to services (such as health, education, disability) particularly affect those with least income who do not have sufficient means to compensate for them. Furthermore, many services are provided by NGOs, but in many cases their funding has been cut or withdrawn by the State in recent years.

Regressive societal changes are being imposed

The choices Government is making each year in its annual Budget are, in fact, societal choices with major consequences for the future shape of Irish society. (see p.7)

For example, there is marked contrast between how children were treated in Budget 2013 and how corporations were treated. While households with children saw their incomes reduced, the corporate sector was not asked to make any contribution towards financing Ireland's recovery. Not alone that - they were given further tax reliefs. Similarly, the contribution sought from some politicians, public servants, bankers and well-off civil servants was minimal.

There is a profound lack of any guiding vision that would suggest Budget 2013 was moving Ireland towards a future where everyone had access to the basics required to live life with dignity.

The choices Government is making are undermining Irish society and dismantling the social model that has underpinned Ireland's development for more than half a century. Fair and balanced development is being replaced by choices that are producing a deeply divided two-tier society.

The Government has no mandate to make societal choices that move Ireland in this direction.

Reducing the deficit by creating a fractured society, a weak economy and persistently high unemployment is not a recipe for recovery. Ireland needs a new approach which prioritises investment, promotes public services, protects vulnerable people and communities and ensures its development is underpinned by an equitable tax system. Budget 2013 fails all these tests.

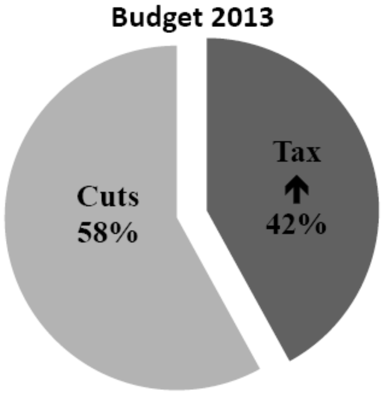
Without investment there will be no increase in jobs . Without jobs there will be no recovery. Without recovery Ireland will remain mired in austerity for the foreseeable future.

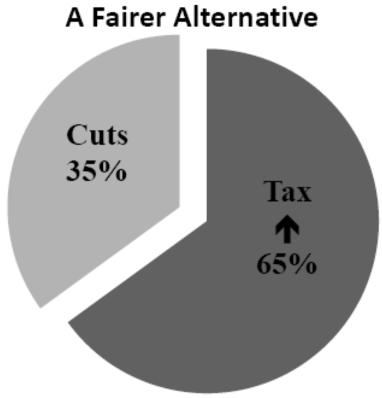
Composition of Budget 'adjustments' incorrect

Social Justice Ireland believes that the composition of the Budget 2013 'adjustments' as announced by the Ministers for Finance and Public Expenditure Reform is incorrect.

Under the agreed programme with the Troika, Budget 2013 was required to make a total of €3.5 billion in adjustments. As the Troika have continually pointed out in our meetings with them, the composition of this adjustment is a national decision.

In our pre-Budget document (*Budget Choices*, October 2012) we outlined a detailed, alternative and fairer composition for Budget 2013's adjustments. It would have place the emphasis on tax increases (65%) rather than cuts to spending and public services (35%). Instead the Budget increased taxes and PRSI by €1.432bn (42%) and cut spending by €1.940bn (58%). The remainder of the Budget measures came from €100m in dividends to be paid to Government in 2013.

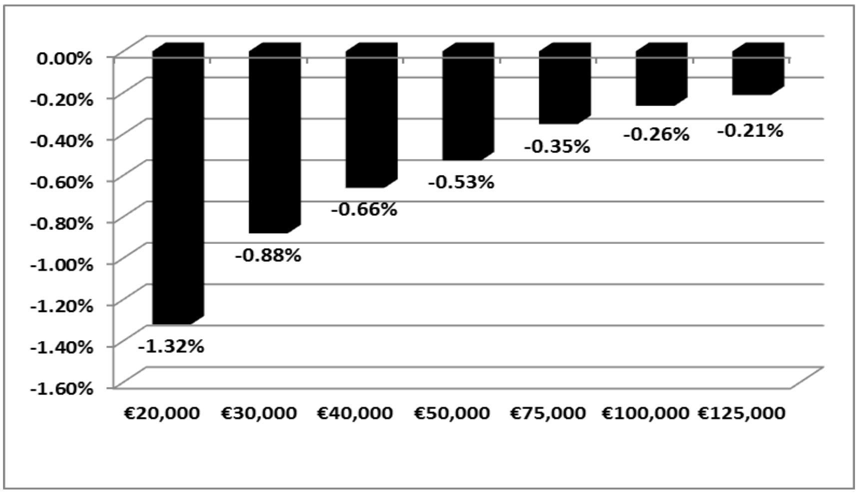




Working Poor the Target of PRSI Increase

The abolition of the weekly PRSI threshold for all workers earning more than €352 per week (€18,304 per annum) impacts hardest on those workers who have the lowest incomes. The regressive nature of this Budget measure is outlined in the chart opposite. For all workers earning above €352 per week the reduction in take-home income is the same at €5.08 per week (€264.16 per annum). The relative impact is greatest for those earning least with a single worker on €20,000 experiencing a percentage decrease that is five times greater than an earner on €100,000. Figures for families with multiple earners show a similar regressive impact.

% Decrease in Weekly Income for a Single Worker in 2013



Fairness Claims Refuted

The Summary of 2013 Budget Changes contained a number of claims about the progressivity of the Irish taxation system.

While *Social Justice Ireland* acknowledges that the income tax system itself is progressive, we contest the claim that the 'overall fiscal adjustment' has been 'progressive in nature'.

The summary cited a number of reports to support its claim, the first of which was 'Notes from Crisis Countries'. This study (Callan et al. 2011) did not include the impact of cuts to services (like health, social care or education) which impact most on poorest especially in the long-term. The researchers noted that their analysis does not represent the full picture of the impact of austerity measures (Callan et al., 2011:16).

A more recent study released by the ERSI (2012) was cited which showed that Budgets 2009-2012 were progressive along the income distribution. It is important to note this study did not include cuts to services. Moreover, the authors noted that the protection of the state pension played a strong role in the progressivity of Budgets 2009-2011.

However, the ESRI's study of Budget 2012 alone showed that Budget 2012 was regressive 'with reductions of about 2 to 2½ per cent for those with the lowest incomes, as against losses of about ¾ of a per cent for those on the highest incomes' (ESRI, 2012: 55).

Measuring the tax and benefit changes in Budget 2013 alone, is likely to reveal yet another regressive budget.

The Budget documentation does not acknowledge the limitations the authors of the surveys they cite have noted, and attempts to mislead readers as to the regressive nature of Budget 2012.

A recent European Commission showed Ireland was one of only two countries where the upper quartile of households had not taken the greatest impact of the rise in financial distress in the past year.

The Social and Economic Context of Budget 2013

To provide a brief overview of the social and economic context of Budget 2013, 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 an on-going recession. The background to this recession derives from three major economic factors that have significantly undermined the exchequer's finances:

i) the collapse of the Irish construction sector and the 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 Budget is also framed in the context of Ireland's bailout agreement with the 'troika' (the European Commission, the European Central Bank and the International Monetary Fund)

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 poverty levels; a sustained problem with child poverty; on-going literacy challenges; high unemployment and lengthening social housing lists, reduced social services provision. 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 2012 Socio-Economic Review available on our website: www.socialjustice.ie

Table 4.1: Ireland's Social and Economic Context - Budget 2013

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 2013	30.6%
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	2,165,800
Poverty line 1 Adult (week / year)	€207.94 / €10,842	Employment 2012 /rate (ILO Basis)	1,841,300 / 59.0%
Poverty line 2 Adults (week / year)	€345.18 / €17,998	Unemployment 2012 /rate (ILO Basis)	324,500 / 15.0%
Poverty line 1 Adult + 1 Child (week / year)	€276.56 / €14,420	Long-term Unemployment 2012 / rate	193,000 / 8.9%
Poverty line 2 A + 2 Children (week / year)	€482.41 / €25,154	Live Register (increase since 2007)	417,277 (+254,968)
% of population living in poverty (number) **	15.8% (706,371)	**Inflation****	
% of children living in poverty (number)**	19.5% (200,000+)	CSO annual CPI inflation rate (yr. to Oct '12)	+1.2%
Social Welfare Rates		CPI excluding mortgages (yr. to Oct '12)	+2.5%
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 (2010 data)	45%
Child Benefit: 1st, 2nd and 3rd child / 4th +	€130 / €140	Greenhouse Gas Emissions v. Kyoto target	-3.2%
Housing		**Overseas Aid**	
LA Housing Waiting list - households	98,318	ODA as % GDP: 1999 / 2005 / 2008	0.30 / 0.40 / 0.54
LA Housing Waiting list - persons	approx. 250,000	ODA as % GNP: 2010 / 2012 / 2013	0.53 / 0.50 / 0.48*

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 2013 - Key Numbers, Data & Trends

To accompany the Budget speech the Departments of Finance and Public Expenditure and Reform 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 2013

National Income		**Inflation and the Labour Market**	
GDP in 2013 (€m)	€167,725	Inflation in 2013 (CPI)	1.7%
GNP in 2013 (€m)	€133,900	Inflation 2013-2015 (HICP average)	1.8% per annum
GDP growth in 2013	1.5%	Unemployment rate in 2013	14.6%
GNP growth in 2013	0.9%	Employment growth in 2013	0.2%
GDP growth 2013-2015 (average)	2.3% per annum	Unemployment rate 2013-2015 (average)	13.9%
GNP growth 2013-2015 (average)	1.6% per annum	Employment growth 2013-2015 (average)	0.8%
Exchequer Budgetary Position		**Taxation**	
Current Budget Balance, 2013 (€m)	- €9,610	Income Taxation - lower rate	20%
Net Capital Investment, 2013 (€m)	€7,810	Income Taxation - higher rate	41%
Capital Investment paid from current resources, 2013 (€m)	Zero	%Tax on €25,000 income (single / 2 earners)	15.1% / 2.5%
Capital Investment paid from borrowing, 2013 (€m)	All	%Tax on €60,000 income (single / 2 earners)	33.9% / 17.7%
Exchequer Borrowing, 2013 (€m)	€15,400	%Tax on €100,000 income (single / 2 earners)	41.4% / 30.2%
General Government Balance (%GDP)	-7.5%	Corporation Tax Rate	12.5%
Current Budget Balance 2014 (€m)	- €5,955	Capital Gains Tax Rate	33%
Current Budget Balance 2015 (€m)	- €2,320	**Size of Budgetary Changes**	
Net Capital Investment 2013-2015 (€m)	€7,280 (average)	Size of Budgetary adjustment (€b)	€3.372
Exchequer deficit 2013-2015 (€m)	€11,500 (average)	Yield in 2013 of Tax changes (€m)	€1,212
National Debt 2013 % GDP	117.6%	Yield in 2013 of Expenditure changes (€m)	€1,940
National Debt 2015 % GDP	116.8%	Full year cost of Social Welfare changes (€m)	€452

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

Financial Transactions Tax

Social Justice Ireland regrets that Budget 2013 did not commit Government to supporting recent European moves to introduce a Financial Transactions Tax (FTT) or Tobin Tax. The Tobin tax, first proposed by the Nobel Prize winner James Tobin, is a progressive tax, designed to target only those profiting from speculation. It is levied at a very small rate on all transactions but given the scale of these transactions globally, it has the ability to raise significant funds.

The October 2011 EU Commission proposal for an FTT, proposes that it would be levied on transactions between financial institutions when at least one party to the transaction is located in the EU.

The exchange of shares and bonds would be taxed at a rate of 0.1% and derivative contracts, at an even lower rate of 0.01%. Overall the Commission projects that the FTT would raise €57 billion per annum.

The tax would be levied at a very small rate on financial speculation and transactions. It would both dampen needless and often reckless financial speculation and it would generate significant funds which could be used by Ireland and other developed countries to fund overseas aid and reach the UN ODA target.

Adjustments, Growth, Domestic Economy & Debt

The Budgetary adjustments announced as part of Budget 2013 mark the eight fiscal adjustment to the Irish economy since the beginning of the current economic crisis in 2008 (see Table 6.1). The Budget's increases to taxes and decreases in public expenditure, will bring the total adjustment to date to almost €28 billion - equivalent to 17% of 2013 GDP which has been directly removed by government from the economy. The knock-on implications of these adjustments has removed additional economic activity. This helps explain the large and sustained drop in domestic economic activity in Ireland since austerity policies commenced.

Based on the plans outlined in Budget 2013 the Government intends to remove a further €5.1 billion from the economy over two Budgets from 2014-2015 - this does not account for any debt restructuring which may occur in 2013. However, if these plans are implemented, the overall sum of the adjustments from 2008-2015 will total €33 billion - equivalent to 18.17% of the GDP forecasted for 2015.

It has become increasingly apparent that such adjustments are unwise given the state of the domestic economy and its poor growth prospects. The Budget projects that the domestic economy will continue to shrink in 2013 driven by further reductions in household and government spending. It also projects flat employment levels and a small reduction in unemployment, most likely driven by migration rather than recovery. The Budget also highlights the growing costs of servicing the national debt (Chart 6.1). The unsustainable scale of these costs underpins the need for a serious restructuring of Ireland banking debt during 2013.

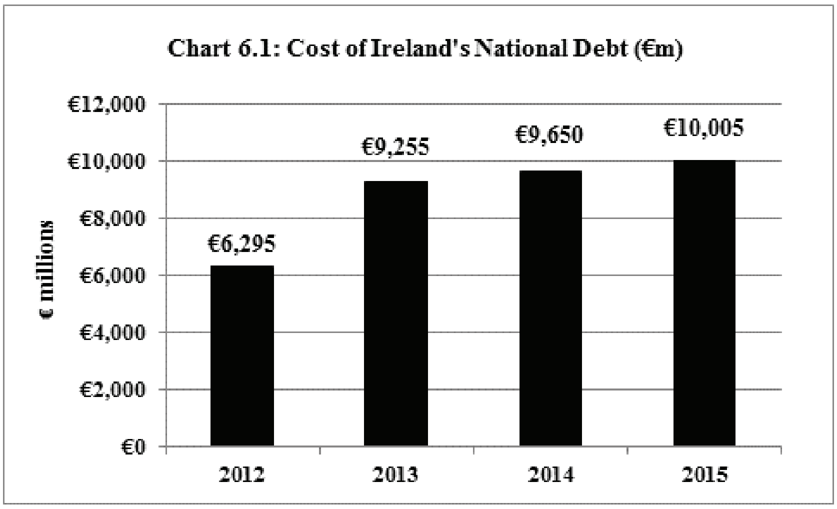


Table 6.1 Budgetary Adjustments 2008-2015 (€m)

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	€ 1,432	€ 1,940	€ 3,372	**€ 27,859**
Budget 2014*	€ 1,100	€ 2,000	€ 3,100	**€ 30,959**
Budget 2015*	€ 700	€ 1,300	€ 2,000	**€ 32,959**
Total of Adjustments	**€ 11,100**	**€ 21,859**		
% Division of Adjustments	**33.68%**	**66.32%**		

Note: * indicates projected adjustment from Medium Term Fiscal Review Nov. 2012 and Budget 2013

Strategy on Overall Tax Take is not sustainable

Data accompanying Budget 2013 outlines Government's plans for taxation and spending over the next three years (to 2015). Over that period, assuming the policies signalled by Government are followed, overall tax receipts will climb from just over €51bn in 2013 to just over €57bn in 2015. This increase will be driven by additional revenue from income, corporation and consumption taxes.

However, even with these increases in taxation revenue, Ireland will remain a low tax economy with its tax take (as a % of GDP) among the lowest in the EU. The most recent EU data (for 2010 - published in October 2012) shows that average EU tax levels are at 35.6% of GDP. In 2013 the overall level of taxation, based on the Budget 2013 data from the Department of Finance, will be 30.6% of GDP and we project this will increase to 31.4% in 2014 and 31.8% in 2015. While a proportion of the explanation for Ireland's current low overall tax level is related to the recession and austerity policies, a large part is structural and requires attention. *Social Justice Ireland* believes that over the next few years policy should focus on increasing Ireland's tax take to 34.9% of GDP, a figure defined by Eurostat as 'low-tax'. Such a rate would provide significantly greater revenue for the state, retain our low-tax economy status, and ensure that Irish society is capable of adequately supporting necessary economic, social and infrastructural requirements.

The current low tax model is not sustainable, we regret Budget 2013 did not take greater steps to alter this.

Government Choices undermining Irish Society

The choices Government is making each year in its annual Budget are, in fact, societal choices with major consequences for the future shape of Irish society.

The approach being taken prioritises cuts in expenditure over increased taxation (mostly by broadening the tax base). The well-being of Ireland's population is being reduced as a result.

The current crisis has increased pressure from many quarters for budget consolidation and for immediate reduction in Government's borrowing to finance its annual budget. Cuts in expenditure are given priority over tax increases on an overall ratio of 2:1. This is being done despite the facts that:

- Ireland is a low-tax country (i.e. overall tax-take from all sources)
- The IMF and European Commission have accepted the reverse ratio (1:2) as the means to address the situation in Italy which is already a high-tax country.
- There is no example of a small, low-tax country working its way to a balanced budget using this approach.
- The research justifying this approach is seriously disputed by academics.

It is clear that this austerity approach to Budget-balancing is regressive in nature and this applies especially to social expenditure in areas such as education, social housing, health, disability and welfare.

Government support for the corporate sector and for the wealthy generally is prioritised over support for promoting the wellbeing of society.

We are not arguing here for further burdens to be placed on struggling small and medium enterprises; rather we are pointing to that part of the corporate sector that continues to make large profits in Ireland. The Government refuses to seek even a small additional contribution from these profits to assist Ireland's recovery.

In reality the sector that played the greatest role in creating the current crisis (i.e. the corporate sector) escapes while the rest of us pay for their failures and refund the gambling debts of banks (which are part of the corporate sector).

We acknowledge that Ireland must pay for the failures that led to the economic crash. Most people in Ireland are now paying a very high price in lower living standards with less service provision. Our greatest asset, our people, are being neglected as high emigration and unemployed is tolerated.

Government does have choices. Government claims that the IMF has insisted on the 2:1 ratio they are following have been rejected by the IMF and the European Commission. So Government does have choices.

The choices Government is making are undermining Irish society and dismantling the social model that has underpinned Ireland's development for more than half a century. Fair and balanced development is being replaced by choices that are producing a deeply divided two-tier society.

The Government has no mandate to make societal choices that move Ireland in a direction that reduces compassion.

Instead of ensuring the corporate sector, those who are employed and all others share society's resources in a fair and balanced manner, Government is building a society that benefits the rich at the expense of the rest of us.

Unemployment Crisis

The scale and sustained nature of the unemployment crisis remains the most striking feature of the current recession. The latest CSO labour force data indicate that there are 308,500 workers unemployed - 206,100 males and 102,400 females. Of these almost 60% are long-term unemployed (out of a job for more than a year). Data from the Live Register captures a broader definition of those unemployed, underemployed or entitled to sign-on for PRSI credits and measured between 420,000 and 430,000 people in recent months. These numbers would be much higher if it weren't for the fact that there has been net emigration of 89,300 since 2010.

Despite this, Budget 2013 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. As Government focuses on creating a "climate" for jobs, the lines of long-term unemployed have lengthened , emigration has increased and the scale of the problem has grown.

In our Policy Briefing, *Budget Choices*, we outlined the details of a proposal to establish a Part-Time Job Opportunities programme which would create up to 100,000 state supported part-time jobs for long-term unemployed people in the public sector and the community and voluntary sector over a 3-year period.

We regret Budget 2013 did not implement this proposal or make any serious attempts to address this crisis.

Insufficient Investment

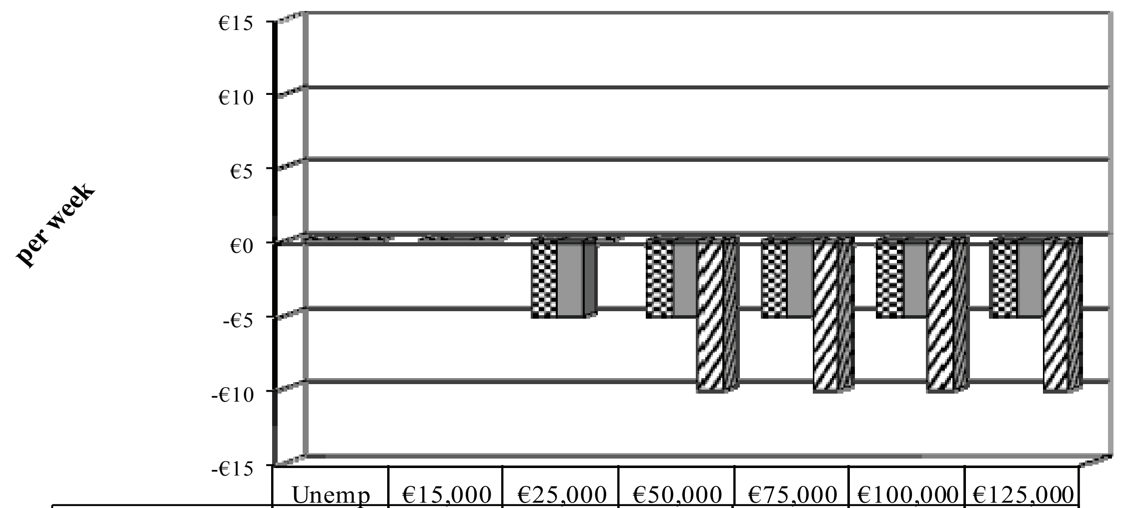
Once again budgetary policy has targeted capital spending. Budget 2013 announced cuts of €550m in the capital budget which covers areas of state investment in infrastructure, buildings, facilities and maintenance. These cuts contrast with the Government's stimulus plans announced in July 2012 and the continued decline in the domestic economy projected for 2013 (see page 6).

In our Policy Briefing, *Budget Choices*, we highlighted the need for Government to enhance rather than reduce capital investment as part of a €7 billion investment stimulus over the period from 2013-2015. As we showed, such a policy could be funded from off-balance sheet sources and would stimulate the depressed domestic economy. We suggested such investment should be targeted at initiatives that assist both the vulnerable and the economy. Among the areas we identified were: retrofitting Local Authority and social housing units. eliminating prefab accommodation in all schools by 2015, extending the early childhood care and education programme, proving new public healthcare facilities, improving non-motorway roads, improving the water infrastructure, developing broadband infrastructure, investing in renewable energy

We regret Budget 2013 failed to take action on this proposal.

Without investment there will be no substantial increase in jobs. Without jobs there will be no recovery. Without recovery Ireland will remain mired in austerity for the foreseeable future.

Chart 8.1: Impact of Tax and Headline Welfare Payment Changes from Budget 2013



	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	0.00	0.00	-5.08	-5.08	-5.08	-5.08	-5.08
Couple 1 Earner*	0.00	0.00	-5.08	-5.08	-5.08	-5.08	-5.08
Couple 2 Earners*	0.00	0.00	0.00	-10.16	-10.16	-10.16	-10.16

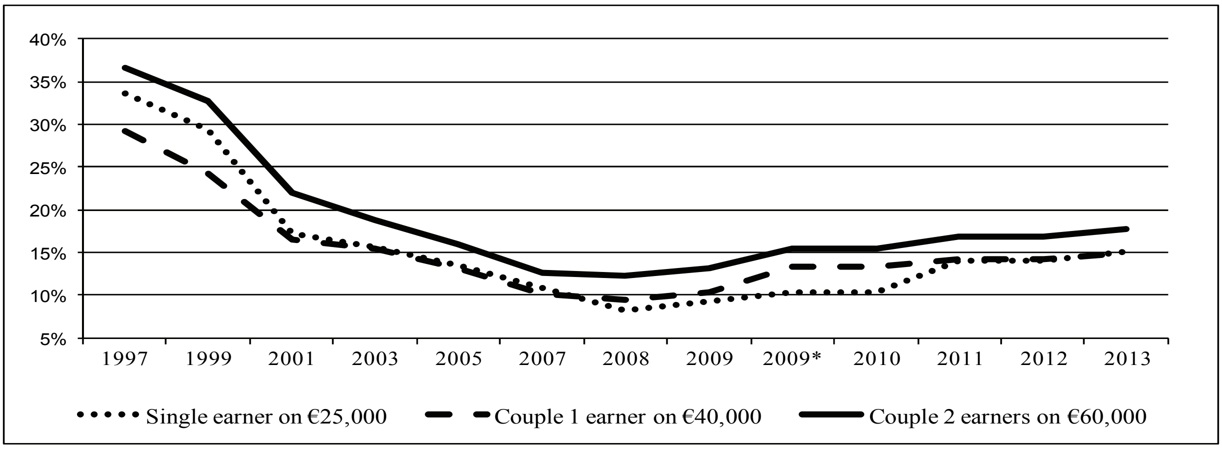
Notes: * Except in case of the unemployed where there is no earner
Couple with 2 earners are assumed to have equal shares of income.

Table 8.1: Effective Tax Rates following Budget's 2000/ 2008/ 2013

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% / 4.4% / 11.1%	8.3% / 2.7% / 7.6%	6.1% / 0.0% / 2.3%
€25,000	24.0% / 8.3% / 15.1%	12.3% / 2.9% / 8.3%	11.0% / 0.0% / 2.5%
€30,000	28.4% / 12.9% / 17.7%	15.0% / 5.1% / 9.5%	14.6% / 1.7% / 5.6%
€40,000	33.3% / 18.6% / 24.8%	20.2% / 9.4% / 14.9%	17.5% / 3.6% / 9.9%
€60,000	37.7% / 27.5% / 33.9%	29.0% /19.8% / 26.6%	28.0% /12.2% / 17.7 %
€100,000	41.1% / 33.8% / 41.1%	35.9% /29.2% / 36.8%	35.9% /23.8% / 30.2 %
€120,000	41.9% / 35.4% / 42.9%	37.6% /31.6% / 39.3%	37.7% /27.2% / 33.8 %

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

Chart 8.2: Effective Tax Rates in Ireland, 1997-2013



Effective Tax Rates after Budget 2013

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 (including USC and PRSI) 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 2013 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. For comparative purposes, it also presents the effective tax rates which existed for people with the same income levels in 2000 and 2008.

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

In 2013, for a single person with an income of €15,000, the effective tax rate will be 2.7%, rising to 15.1% on an income of €25,000 and 42.9% on 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 8.3% at an income of €25,000, 26.6% at an income of €60,000 and 39.3% at an income of €120,000. In the case of a couple where both are earning and where their combined income is €40,000 their effective tax rate is 9.9%, rising to 33.8% 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 16 years for all earners.

Children and Budget 2013

While chart 8.1 reflects the limited income and PRSI changes in Budget 2013; other changes announced in the Budget have clear income distribution effects - most notably the changes to child benefit and the impact they have for families with children.

These changes add to a series of reductions to child benefit introduced over the last seven budgets (from 2008 onwards including the 2009 supplemental budget). Table 9.1 summarises these changes and shows how child benefit payments have been reduced over that period. For a family not in receipt of a qualified child payment and with one child, income support via child benefit has fallen by €36 per month (€432 per annum). The table does not take account of the additional reduction in income associated with the removal of the early childhood supplement payment which in 2008 was worth in excess of €1,000 per annum for families with young children. Taken together, these reductions have had a serious impact on the living standards of many families, and although Budget 2013's reductions may be offset by increased childcare provision for a few low income families, the cumulative effect of these changes is significant and will continue to add to recent increases in child poverty.

Table 9.1: Monthly Child Benefit Rates, 2008-2013

	2008/2009	2010	2011	2012	2013	2008-13
1 child	€166	€150	€140	€140	€130	- €36
2 children	€332	€300	€280	€280	€260	- €72
3 children	€535	€487	€447	€428	€390	- €145
4 children	€738	€674	€624	€588	€530	- €208

Property Tax: Regret on Rejection of Site Value Option

Budget 2013 introduces a 'Local Property Tax' (LPT) to replace the Household Charge. The LPT will commence from 1 July 2013. The tax will be charged at a rate of 0.18% of the market value of a residential property up to €1m, and 0.25% on any balance above €1m.

Social Justice Ireland welcomes the fact that the Budget abolished the household charge introduced in Budget 2012 which was unfairly structured and badly administered.

However, the inclusion of local authority and social housing into properties liable for the LPT may force local authorities and housing providers to increase rents for residents, who will be unable to defer those rental payments, unlike home-owners. This is unfair and may place considerable hardship on low-income tenants. Government should reconsider placing additional burdens on residents in local authority and social housing.

At the core of any taxation reform is the need for fairness and we regret that Budget 2013 did not introduce a Site Value Tax (SVT). Such a tax would encourage more efficient use of land and raise revenue for government.

The SVT would be levied on the underlying value of a site, reflecting the benefits it has received from the provision of public services and utilities. A number of feasible models for introducing this tax have been outlined over the past few years by Collins and Larragy (2011), Lyons (2011) and Feasta (2010).

We have long argued for the introduction of a SVT - it is long overdue and a necessary part of the development of a fairer taxation system. However, a priority must be that the SVT is fair and pays due attention to a household's ability to pay.

Income Inequalities Persist - Budget fails to address issue

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.

The most recent data on Ireland's income distribution, from the 2010 SILC survey, was published earlier this year. Its findings are summarised in chart 10.1 and 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 2010, the top 10 per cent of Irish households received over 28% of the total income while the bottom decile received just over 2%. Collectively, the poorest 50 per cent of households received a smaller share (23.6%) than the top 10%. Overall the share of the top 10% is nearly 14 times the share of the bottom 10%.

Looking over a thirty year period from 1980 to 2010, chart 10.2 examines how the shares of each quintile (20% group) has changed. The data in 1980 comes from the CSO'S Household Budget Survey of that year - one of the early households survey based insights into the distribution of Ireland's income. Overall the changes have been marginal, reflecting a high and sustained inequality in Ireland's income distribution. The bottom 20% gained a little (mainly on foot of welfare increases in the last decade) while the middle 60% saw their shares of the total disposable household income decline. Only the top 20% experienced any notable change, increasing their share by 2.6%. However, at the end of the three decades, the top 20% possessed more than eight times the income of the bottom 20%; much the same as the situation in 1980.

Looking over three decades, the scale of Ireland's income inequalities has hardly changed...Budget 2013 did nothing to address these divides, in fact it has policies will have widened them further

Reflecting on the policy choices made in Budget 2013, *Social Justice Ireland* considers that Government has taken no serious steps to address these 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. Indeed the targeted cuts on child benefit alongside the regressive nature of the abolition of the PRSI free allowance for all workers with incomes over €352 per week will further these income divides. As we highlight elsewhere in this document, the less visible cuts to public services, reductions in household benefits and new charges all have a greater impact at the bottom of the income distribution, further challenging the lives of those in our society with the lowest incomes.

Chart 10.1: Ireland's Income Distribution by 10% (decile) group, 2010

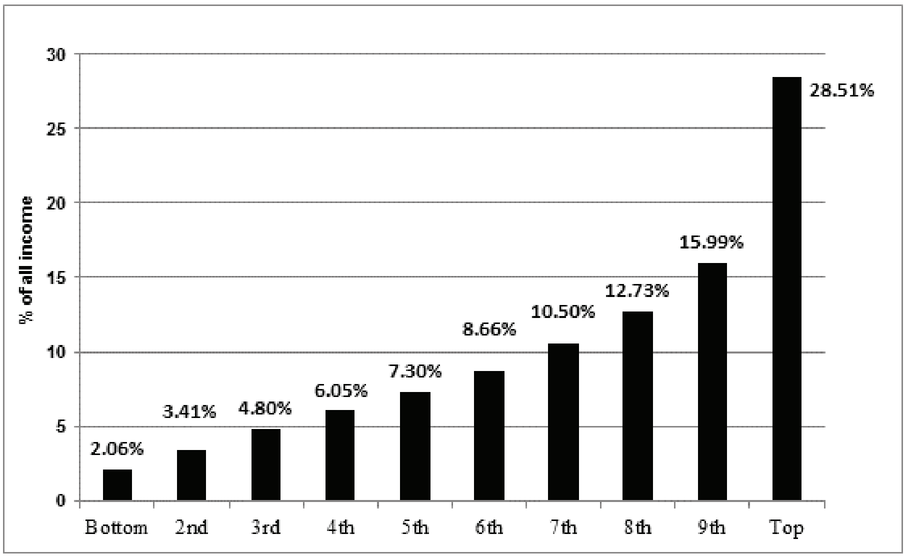
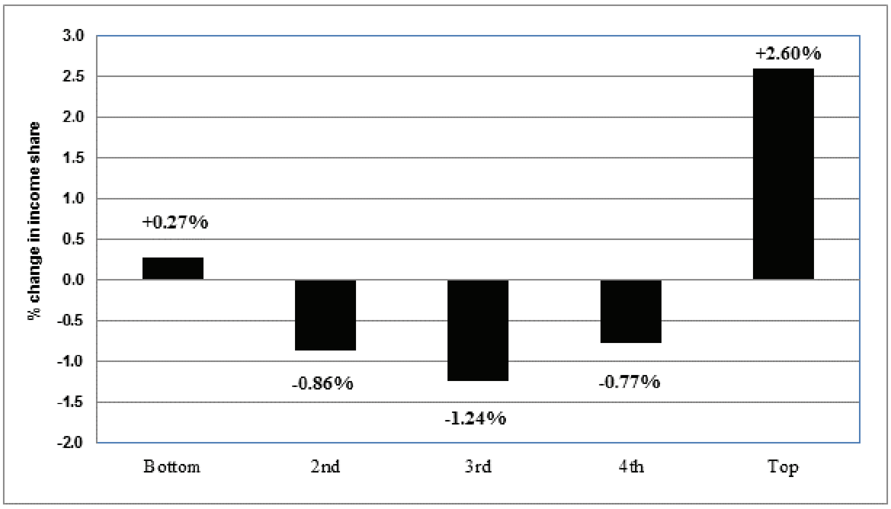


Chart 10.2: Change in Ireland's income distribution over 30 years, 1980-2010



Source: CSO Household Budget Surveys and SILC. **Note:** Data for 30 year comparison uses quintiles - 20% groups of the income distribution.

Budget 2013—impact on families

Budget 2013 contained multiple measures that will impact on families, particularly those with children and those on lower incomes.

This includes:

- the reduction of €10 a month in child benefit for the first and second child, €18 for the third child, and €20 for the fourth and subsequent child;
- the abolition of the PRSI allowance which increases PRSI by €264.16 for those working and eligible to pay PRSI contributions;
- the end of the €300 Cost of Education Allowance;
- the introduction of the Local Property Tax;
- the trebling of the prescription charge for medical card holders to €1.50 and increase in the monthly cap for a family to €19.50;
- and the increase in the Drug Payment Scheme threshold from €132 to €144;
- the abolition of the Cost of Education Allowance of €300 which will affect unemployed and lone parents.

These multiple cuts will affect families on low incomes and families with a lone parent disproportionately as the across the board cuts in child benefit and abolition of the PRSI allowance are regressive, as wealthier households can afford to absorb cuts and tax rises unlike households surviving on low incomes.

Budget 2013 continues the pattern of recent budgets in reducing expenditure in multiple areas, which combine to significantly reduce the income of many families.

It is unjust that corporations maintain and receive tax relief in Budget 2013 while families continue to suffer the brunt of budgetary adjustments.

Cumulative Impact of Budgetary Decisions on Families

The expenditure and taxation changes in successive budgets have had a significant cumulative impact on low income households in Ireland. The most significant issue to emerge is that, of all the fiscal adjustments since the crisis began, Budget 2012, the first budget of the present Government, was the most unequal. The greatest reduction in income as a result of expenditure cuts and taxation measures in Budget 2012 was felt by the poorest 40 per cent of households.

Outlined below are the major changes from successive budgets 2009 to 2012.

Expenditure

- Personal rate of Social Welfare reduced by 8% (€16.30) per week.
- Personal rate of Jobseekers allowance for those under 21 reduced by 51% (€104.30) per week. The rate for those aged 22-24 was reduced by 29.5% (€60.30) per week.
- Changed payment entitlement for part-time workers receiving Jobseekers Benefit from a six-day week to a five-day week.
- Fuel allowance payment reduced by 18.7% (€120) per annum.
- The number of paid contributions to qualify for Jobseekers Benefit has more than doubled from 52 to 104 paid contributions.
- Maximum length of time for claiming Jobseekers Benefit has been cut to 12 months for those with 260 contributions and to 9 months for those with less than 260 contributions.
- Child Benefit reduced by 15% (€26) per month for the 1st and 2nd child, and by 17% (€36) per month for the 3rd child.
- Child Benefit is no longer payable to children aged 18 in full-time second level education.
- Rent supplement minimum contribution has increased by 53% (€16 per week) for a single person and by 60% (€22 per week) for a couple.
- A €100 charge was introduced for Primary School Transport and the charge for Second Level School Transport was increased by €100.
- Cut the Back to School Clothing and footwear payment by 18% (€55) at second level and by 25% (€50) at primary level. The qualifying age for primary level was increased from 2 years to 4 years.
- The Drug Payment Scheme threshold was increased by 32% (€42) per month.
- A prescription charge of 50 cent per item for medical cardholders.
- Early Childcare supplement abolished – replaced by Early Childhood Care and Education scheme.
- Cut 600,000 home help hours.
- Introduced a student contribution of €200 for PLC courses.
- Student contribution for 3rd Level increased by 33% (€750).
- Non-adjacent student grant cut by €395 and adjacent student grant cut by €155.
- Reduced the weekly Disability Allowance and the weekly Carers Allowance by almost 8% (€16.30) each.

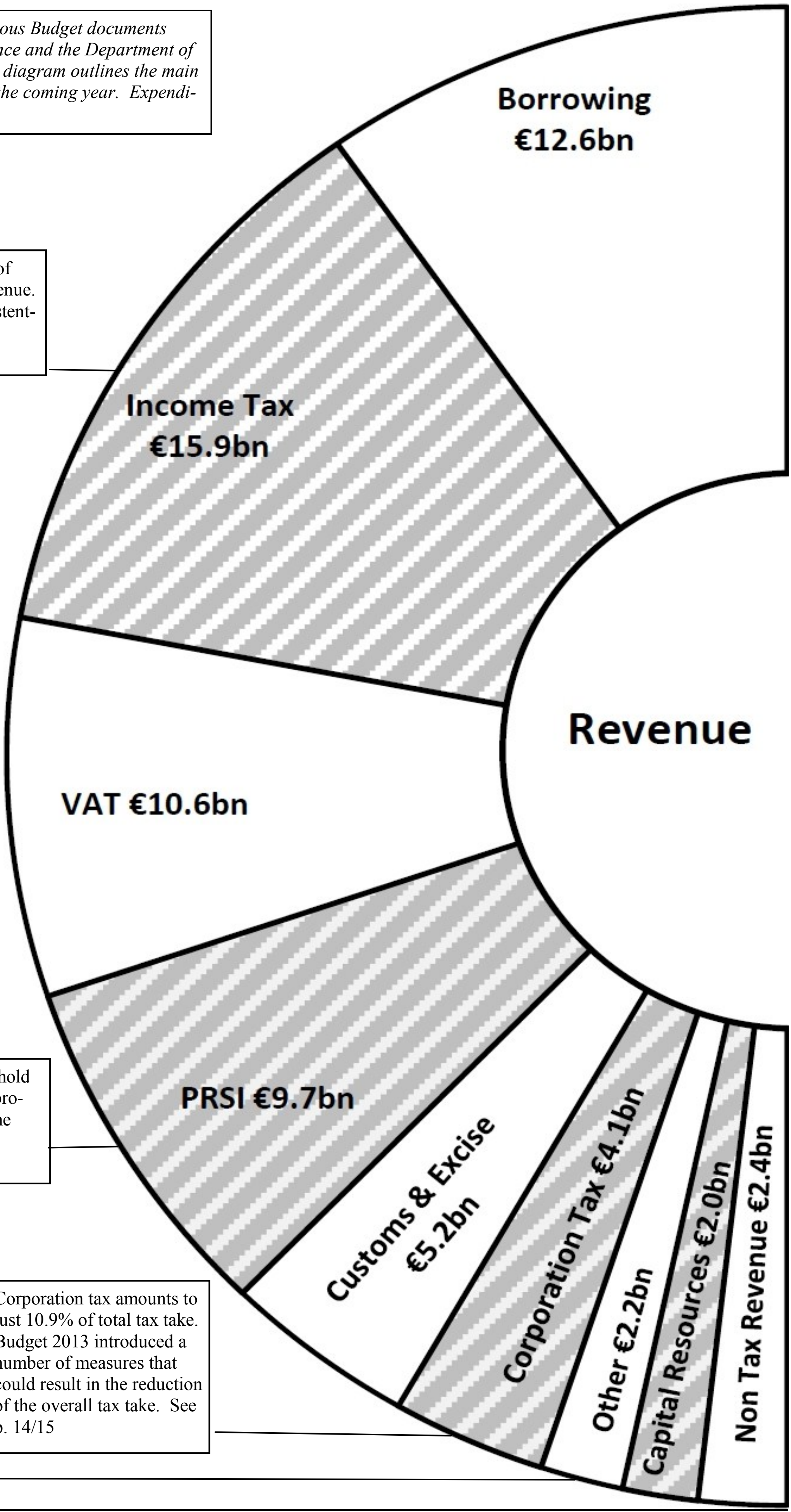
Taxation

- Replaced the health levy and an income levy introduced in Budget 2009 with the Universal Social Charge in Budget 2011. This applies to all income above €10,036.
- Introduced a Carbon Tax — €20 per tonne in 2012. This has led to an increase in fuel prices and public transport charges.
- Introduced a flat rate Household Charge of €100.
- Increased the top VAT rate from 21% to 23% .

Main Areas of Government Revenue - Budget 2013

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 41.8% of Government's total taxation revenue. *Social Justice Ireland* has consistently argued that there is a need to broaden the tax base.



The abolition of the PRSI threshold in Budget 2013 will have a disproportionate impact on low income workers. See p.14/15

Corporation tax amounts to just 10.9% of total tax take. Budget 2013 introduced a number of measures that could result in the reduction of the overall tax take. See p. 14/15

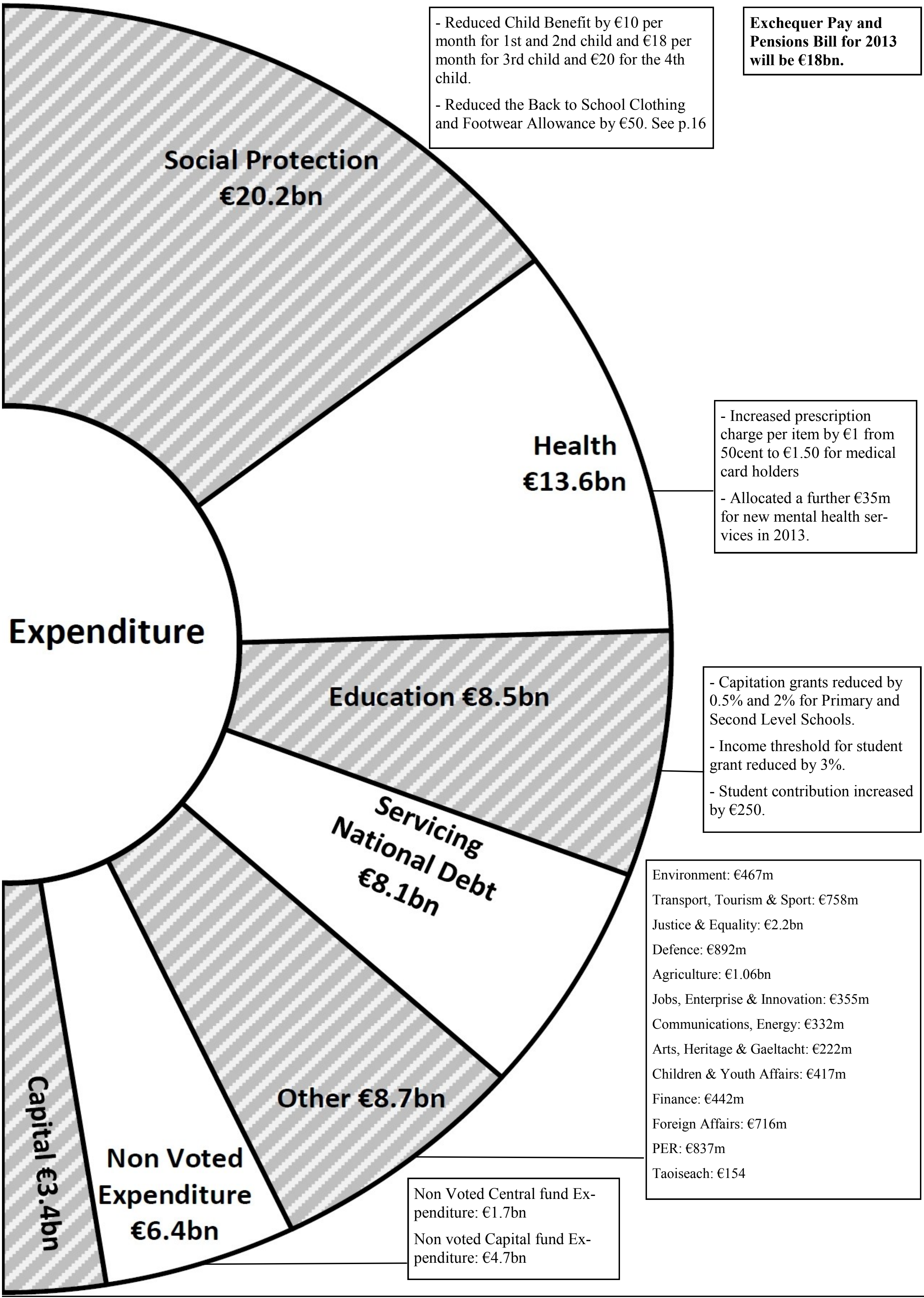
Other:

Property Tax : €250m

Stamp Duty: €1.2bn

CGT & CAT: €795m

Main Areas of Government Expenditure - Budget 2013



Taxation

The Context

- Ireland's tax take is one of the lowest in the EU at 30.8%. It has been falling dramatically as a percentage of GDP since 2007.
- National tax receipts have fallen by €12b since 2007 (from €59b in 2007 to €47b in 2011). The largest falls have been in areas such as capital gains taxes, stamp duties, corporation taxes and VAT.
- Decreases in income taxes have been somewhat offset by increased revenues from the income levy (2009-2010) and the USC.
- Our low overall tax take is not sustainable and not adequate to support necessary economic, social and infrastructural requirements.
- Ireland should raise its total tax take towards 34.9% of GDP over a number of years. Eurostat defines a country as being low-tax if its total tax-take is below 35% of GDP.
- Ireland should reform the tax break system to make the system fairer and to provide substantial additional resources to Government.
- The narrowness of the tax base must be reformed in order to raise the revenue to balance the budget while providing agreed services.
- Ireland can remain a low tax country whilst broadening the tax base and reforming the tax system to make it more equitable.

The Budget

Income Tax

Universal Social Charge

· The standard rate of USC (7%) will apply to earnings €60,000 and above for people aged 70+, and for people with medical cards, to yield €38m in a full year.

· Maternity benefit is taxable from 1 July 2013, to yield €40m in a full year.

PRSI

· A number of changes made:

Removal of weekly PRSI allowance to yield €289m in a full year;

Changes to PRSI contributions on income from trades/professions and on unearned income (e.g. rental and investment income) to yield €32m in a full year;

The minimum annual PRSI contribution for self-employed people increased from €253 to €500 to yield €18m in a full year.

Local Property Tax (LPT)

· From July 2013 the LPT will apply to market values at 0.18% up to €1m and at 0.25% on balances over €1m, to yield €500m in a full year. From 2015 local authorities will be able to vary the rate by +/-15%. Exemptions for first-time purchasers of homes in 2013 and for all purchasers of new (or previously unoccupied) homes until 2016. Option to defer payment until sale or transfer for some groups such as people on incomes up to €15,000 (single) or €25,000 (couples). Interest (4%) will apply on deferred taxes. The deferral option also applies to people paying certain levels of mortgage interest payments.

Pensions

· Tax relief on pension contributions proposed to be limited to pension-incomes of €60,000 or less, from 2014, and other changes also envisaged; to save €250m (2014, provisional).

· A once-off option to withdraw up to 30% of the value of Additional Voluntary Contributions, to yield €100m in 2013.

· The pension levy (0.6%) will not be renewed in 2014.

Carbon Tax

· Carbon tax on solid fuels at a rate of 10% per tonne from May 2013, and €20 per tonne from May 2014 to yield €22m in a full year.

Excise Duties

· Increased on beer/cider, spirits, wine and tobacco, to yield €180m (alcohol), and €25m (tobacco) in a full year.

· Relief on auto-diesel duty for hauliers to cost €70m.

Motor Tax/ VRT

· Increased from January 2013 to yield €100m in a full year.

· Vehicle Registration Tax increased from January 2013 to yield €50m in a full year.

Capital Acquisitions and Capital Gains Tax

· The Capital Gains tax rate increased from 30% to 33% to yield €51m in a full year.

· The Capital Acquisitions tax rate increased from 30% to 33% to yield €27m in a full year.

Reduction in the threshold for CAT to yield €15m in a full year.

Corporation Tax

· A number of reliefs/reductions introduced, including:

-Three-year relief for start-up companies, to cost €10m in a full year.

- A doubling of the initial spend eligible for the R&D tax credit, to cost €4m in a full year.

- Real Estate Investment Trusts (REITs) are being introduced to hold rental property, with qualifying income exempt from corporation tax, to cost €14m in a full year.

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

· Rates increased to 33% on payments made annually (and to 36% on payments made less frequently), to yield €64m in a full year.

Farming

· Relief on Capital Gains Tax where proceeds of farm land are reinvested for the same purpose to cost €5m in a full year.

· Reduction in flat-rate VAT scheme (which compensates unregistered farmers for VAT paid) to yield €21m.

Taxation (continued)

Our Response

In *Budget Choices*, published in October 2012, *Social Justice Ireland* asked Government to

- Remove the anomaly whereby PAYE workers earning over €100,000 pay a reduced rate of USC compared with self-employed on similar earnings
- Standard rate all pension contributions
- Introduce Refundable Tax Credits
- Introduce new taxes on text messages and bad nutrition.

We are disappointed that none of these costed proposals was implemented.

Instead, a proposal was announced which would *reduce* the yield from the pension industry and its customers.

In addition, a range of tax incentives was announced for business, without any business case being produced.

As shown in Chart 8.1 on page 8 the removal of the weekly PRSI allowance affects equally all households with earnings of €18,304 or over per annum.

The impact of this change—€5.08 per week per worker— will be negligible for high earners but will be significant for those whose earnings do not significantly exceed €18,304 per annum.

Many tax changes were introduced without any offsetting compensation for poorer households. These changes include:

- The removal of the weekly PRSI allowance
- The new Local Property Tax
- The increase in Carbon Tax
- Increases in Excise Duties
- Increases in Motor Tax.

The impact of these changes will be much more difficult for poorer households than for those households on higher incomes.

For more information see:

Analysis and policy recommendations in the taxation section of our website:

www.socialjustice.ie

USC: No Reform

As a result of the policies adopted in Budget 2011, there is an anomaly in the taxation system among all those workers earning in excess of €100,000.

Self-employed earners currently face a tax rate of 55% on all income that they earn in excess of €100,000 - this is calculated as 41% income tax + 7% USC + 4% PRSI + an additional 3% USC levy. However, all other individuals with income above €100,000 are not subject to this additional 3% USC levy and therefore face a tax rate of 52% on all their income in excess of €100,000.

It should be noted that the overall effective tax rate faced by both these groups is well below these marginal figures at around 40-42% of earnings.

Social Justice Ireland asked that *Budget 2013* should address this anomaly by extending the 3% USC levy to all income in excess of €100,000, irrespective of its source. This would have allowed Government to achieve a more appropriate contribution from the very highest earners in Irish society.

However, the Government made the choice not to implement this change in Budget 2013 while choosing instead to implement many measures that were regressive in nature.

Refundable Tax Credits

Social Justice Ireland commissioned and published a detailed study on the subject of refundable tax credits in 2010. 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 proposal 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 2013 did not introduce this reform.

Pension Proposal

Government announced its intention to raise approximately €250m from reduced pension subsidies for high earners from 2014 and to abolish the Pension Levy from the same year. However, the proposal lacks detail and it is intended to be the subject of negotiations with the pension industry: the outcome of these proposed discussions is unknown. When the Pension Levy was introduced in 2011, it was targeted to raise some €470m annually. Accordingly, it would appear that the effect of the Budget proposal would be to *reduce* rather than increase the yield from the pension industry and its customers. It is worth noting that 80% of pension tax relief goes to the top one fifth of the income distribution.

Social Protection

The Context

- One in six or 15.8% of people are at risk of poverty (CSO SILC 2012). 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% in one year) and the consistent poverty rate is 6.2%.
- By age group, children (0-17) continue to have the highest risk of poverty with almost 1 in 5 children (19.5%) in this category.
- Without SW payments 91% of persons aged 65+ would be at risk of poverty.
- The basic SW rate for a single person is almost €20 a week below the poverty line.
- Without SW payments 51% of Ireland's population would be at risk of poverty (up from 43% in 2008). This increase demonstrates the increasing dependence of individuals on social transfers to remain above the poverty line.
- Without Child Benefit and SW Family Allowances 38.6% of families with children would be at risk of poverty.
- 29% of households at risk of poverty are headed by a person with a job. A further 42% are headed by a person outside the labour force (i.e. persons who are older, ill, with a disability or in a caring role).

The Budget

(see page 22/23 for rates)

- **Did not reduce weekly primary rates of social welfare payments and maintained the rate and seasonal duration of the Fuel Allowance.**
- **Cut Child Benefit for first and second children by €10.00 to €130.00 per month. The monthly rate for the third child has been reduced from €148.00 to €130.00 per month, while Child Benefit for fourth and subsequent children has been reduced from €160.00 per month to €140.00 per month.**
- **Reduced the Back to School Clothing Allowance by €50.00.**
- **Made Maternity Benefit taxable income. It will however be exempt from the Universal Social Charge.**
- **Reduced the duration of Jobseekers Benefit by 3 months.**
- **Reduced the Respite Care Grant by €325.00 from €1700 to €1375 .**
- **Discontinued the €300.00 Cost of Education Allowance for new and existing recipients.**
- **Made changes to the Household Benefits Package by reducing the value of the Telephone Allowance to €9.50 per month and standardising the rate of the electricity/gas allowance to €35.00 per month. There is no change to the Free Travel Scheme, free television licence or Living Alone Allowance.**
- **Announced a new initiative to provide upwards of 6,000 afterschool places for children in primary school targeted at low income families availing of employment. Work on a pilot scheme will begin in 2013.**
- **Announced plans to reduce expenditure on exceptional needs payments. The details are still to be finalised.**

Our Response

- Social Justice Ireland (SJI) welcomes the decision to protect primary social welfare rates but is extremely disappointed that children and families are bearing the brunt of cuts in Budget 2013. The continuous erosion of vital social welfare payments will undoubtedly result in an increase in the number of households at risk of poverty.
- The cuts to Child Benefit means that a family with four children will see their Child Benefit payment reduced by €58.00 per month. This will create hardship for families who rely on this payment to cover the cost of essentials
- The reduction to the Back to School Clothing Allowance by €50 is an appalling decision targeting the most financially disadvantaged children in our society.
- The cumulative effect of reductions to Child Benefit and the Back to School Clothing Allowance, coupled with the decision to treat Maternity Benefit as taxable income is an attack on families with children, particularly low income families.
- The €325.00 or 19% cut to the Respite Care Grant is punishing those in full-time caring roles.
- Discontinuing the Cost of Education Allowance is a retrograde step, particularly at a time when the Government should be supporting people returning to education.
- The reduction in the duration of Jobseekers Benefit by 3 months is a further erosion of benefits for those who paid their PRSI.
- The reduction in expenditure on Exceptional Needs Payments and changes in telephone and gas/electricity allowance and how this may impact on the vulnerable in society is a concern. The numerous reductions in social welfare payments will have serious negative repercussions for thousands of Irish families.

Work/Unemployment/Job Creation

The Context

- The unemployment rate is 14.8% (CSO; November 2012). Employment fell by 0.2% in the year to Q3 2012. The labour force decreased by 0.4% in the same period.
- The rate of long term unemployment is 8.9%. 193,000 people are now long term unemployed, almost 60% of the total number unemployed.
- The rate of unemployment among young people aged 20-24 is 35%.
- The decrease in the labour force is almost entirely concentrated in the age groups 20-24 and 25-34.
- Full-time employment has fallen by 21.7% since 2007 and part-time underemployment now accounts for 33.1% of all part-time employment.
- 46,500 Irish nationals emigrated in the year to April 2012. The highest proportion of those leaving were males aged between 25-44.
- The 2010 CSO SILC study (2012) on poverty shows that 29% of all household at risk of poverty are headed by a person with a job. The study also shows that 17.3% of those at risk of poverty have a job.
- The latest Government projections for employment in the Medium Term Fiscal Statement shows 0% growth in employment in 2013 and unemployment to remain at 13% at the end of 2015.

The Budget

- **Signalled €175m new tax break initiatives to provide €700 million package for companies in need of credit.**
- **Allocation of "just under half a billion euros to drive the job and enterprise agenda".**
- **Provides an additional €11m to provide an additional 2,500 JobBridge places, an additional 2,500 TUS places and an additional 2,000 places on Community Employment schemes and 3,000 new places in a Local Authority Social Employment Scheme.**
- **To support these places €14m will be allocated from the Department of Social Protection to the Department of Children and Youth Affairs to fund a joint initiative that will provide over 6,000 afterschool childcare places for children in primary school. This will be targeted at low-income families where parents are availing of an employment opportunity.**
- **The duration of Jobseeker's benefits will be reduced from 9 months to 6 months for recipients with less than 260 paid contributions.**
- **The employers rebate of statutory redundancy currently at 15% will be discontinued.**
- **The duration of Jobseeker's Benefit will be reduced from 12 months to 9 months for recipients with 260 or more paid contributions.**
- **Committed to continuing the implementation of the €90m micro-finance scheme, the €450m Credit Guarantee Scheme and the €120 Innovation Fund Ireland in 2013.**
- **Extended the Employment Investment and Incentive income tax relief scheme for SME's to 2020.**

Our Response

- 'Creating jobs is central to this governments agenda'. However the decision to remain with the policy of a low tax base and an overemphasis on cutting expenditure fails to address the urgency of creating jobs for the 324,500 people who are unemployed (CSO, QNHS Q3 2012).
- The provision of an additional 10,000 places in Labour Market Activation and the €14m to provide after school childcare for those engaged in these programmes while welcome, does not address the core needs of the 193,000 people who are long-term unemployed in Ireland today.
- A fully costed *Part-time Job Opportunities Programme* recommended by *Social Justice Ireland* would have provided real part-time jobs for 100,000 long-term unemployed people. It would have cost €150m over a 3 year period and would have contributed to the reversal of a rapid rise in structural long-term unemployment while providing much needed services for local communities.
- The decision to reduce Jobseeker's Benefit from 12 months to 9 months adds an additional unnecessary burden on those who are unemployed.
- The Government's own admission that unemployment will remain stubbornly high for the foreseeable future is an admission of the need for urgent and imaginative responses to address this issue and the need for an investment programme. Budget 2013 is lacking in this regard.
- In Ireland 64% of private sector workers are employed by indigenous, non-exporting firms. Budget 2013 does not do enough to boost domestic demand and help indigenous firms to grow.
- Without investment there will be no jobs, without jobs there will be no recovery, without recovery Ireland will remain in austerity for the foreseeable future.

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 spends 9.2 per cent of GDP on health. Despite this the health system is far from effective or efficient.
- Ireland has a two-tier healthcare system and the highest 'duplicate market' of providing faster private-sector access to medical services where there are waiting times in public systems in the EU.
- 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. To date 408 teams of the 500 teams committed to be delivered by 2011 have been put in place. 92 are in development.
- 63 multi-disciplinary Community child and adolescent mental health service teams are in place. 124 adult community mental health teams are 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

- **Allocated of €13.6b for 2013. This includes €397 in capital funding**
- **Increased in the prescription charge for medical card holders from 50c to €1.50 per item and the monthly cap for a family is being increased from €10 to €19.50.**
- **Seeks to achieve 781m in savings in 2013. This includes:**
  - ⇒ **Pay related savings of €308 million.**
  - ⇒ **A reduction in the cost of Primary Care Schemes (€323m)**
  - ⇒ **Increased generation of private income in public hospitals (€65m).**
  - ⇒ **Net savings on Department's Vote (€60)**
  - ⇒ **Savings on procurement (€20)**
- **Allocated a further €35 million for new mental health services.**
- **Allocated €15m necessary to provide free GP care for people with certain prescribed illnesses**
- **People over 70 with an income of €600- €700 per week for a single person and €1,200-€1,400 per week for a couple will have their medical card replaced with a GP only card.**
- **Increased the Drug Payment Scheme threshold from €132 to €144 per month**
- **Increased the levy from a maximum of 15% to a maximum 22.5% on the "fair deal" over three year period on the personal assets.**
- **Committed to restore the core community services of home help, home care packages and personal assistant hours.**
- **Committed to set up a new Nurse Graduate Programme.**

Our Response

- *Social Justice Ireland* deems the cuts totalling €781m are excessive. This is more than 5% of the total budget for health. We note that recently published international evidence shows that it is not possible to have a sustainable health system with 3% reduction in expenditure year on year. The expected 3,500 reduction in the number of workers in the health system and the targets being set are unattainable if Ireland is to have a decent healthcare service characterised by safety and high quality outcomes.
- *Social Justice Ireland* is concerned there appears to be a move towards the fragmentation of the health service without the necessary focus on community and service-user involvement.
- The increase on the prescription charge for medical card holders contradicts the 2010 report of the *Expert Group on Resource Allocation and Financing in the Health Sector* which recommended such prescription charges be removed because they are often a disincentive to vulnerable and elderly people from seeking the medical care they need.
- *Social Justice Ireland* has concerns at the increase in funding for "fair deal" from the person's assets of 15% to 22.5%.
- We welcome the €35m for development of new Mental Health services, the €15m to provide free GP care for people with certain prescribed illnesses and the commitment to restore core community services of home helps, homecare packages and personal assistances hours.
- We welcome the graduate programme for nursing which provides hope for retaining graduates at home.
- We welcome Minister Lynch's commitment that community services would form a key element of the reform programme.

Education

The Context

- There are over 1 million full-time students in the Irish education system. The sector accounts for 22 per cent of the population.
- One in ten 18-24 year olds are early school leavers. The unemployment rate for early school leavers is almost twice that for other people in the same 18-24 age cohort. This presents a major challenge for government that needs a long term policy response.
- A significant proportion of the adult population and of those in disadvantaged schools have problems with literacy and numeracy.
- Ireland invested just €180m in early childhood education in 2012 and €3b in primary and second level education. Continued underinvestment in early childhood education is not acceptable. The highest return from investment in education is obtained between the ages of 0-5 years.
- Third level graduates in employment in Ireland earn on average 64 per cent more than those with a leaving certificate only.
- There are strong arguments from an equity perspective that those who benefit from higher education and can contribute to the costs of this should do so. Savings should be reinvested in early childhood education and programmes to address adult literacy problems.

The Budget

- **Increased the student contribution by €250 to €2500 per annum.**
- **Reduced the income threshold for entitlement to further and higher education student grants by 3%, from €41,110 to €39,875 in 2013.**
- **Increased the pupil teacher ratio from 21:1 to 23:1 in fee paying schools.**
- **Increased the pupil teacher ratio on PLC courses to 19:1. This will reduce the number of PLC posts by 200.**
- **Reduced funding to Higher Education Institutions by €25m.**
- **Reduced the funding to VECs by €13m.**
- **A 2% reduction in capitation rates for VTOS and PLC colleges.**
- **A 2% reduction in core pay funding to Higher Education Institutions.**
- **A 2% reduction in non-core pay funding to Higher Education Institutions.**
- **Reduced the training allowance for participants on VTOS, Youthreach and Further Education and Training Programmes.**
- **Reduction in staffing schedules for small primary schools leading to reduction of 75 posts in 2015.**
- **A reduction of 125 language support posts.**
- **A 0.5% reduction in capitation grants for primary schools.**
- **A 2% reduction in capitation grants for second level schools.**
- **Allocated €3m to the New Junior Cycle Framework.**
- **Allocated €6.5m to the Literacy and Numeracy Strategy.**

Our Response

- We welcome capital investment to cater for the projected increased numbers in education. *Social Justice Ireland* has long pointed out the need for this investment. It is crucial that there is long term investment in education to match the increased demand.
- Investment in Early Childhood Education and reducing our PTR at primary level must be policy priorities. Investment in the education of our growing population of children will be the most important determinant of Ireland's future sustainability.
- The cuts in the Department of Education Budget combined with the cuts to the School Completion Programme and the Early Intervention Programme by the Department of Children and Youth Affairs and the abolition of the Back to Education Allowance by the Department of Social Protection display a lack of policy coherence in terms of education across these departments who have responsibility for education at various stages of the life cycle.
- *Social Justice Ireland* has continuously called for investment in Adult Literacy Programmes and we are extremely disappointed that adults with literacy difficulties are yet again being ignored by Government.
- A reduction in the income threshold for the maintenance grant by 3% combined with the €250 increase in the student contribution charge will make higher education more inaccessible to students from lower socio-economic backgrounds.
- Reducing the training allowance to VTOS, Youthreach and Further Education participants yet again targets the most vulnerable young people.
- Government must protect investment in education and protect quality services. The adjustments and policy decisions made in Budget 2013 are not sufficiently focussed on protecting quality services.

Social Housing

Ireland has approximately 100,000 households on waiting lists for social housing and no credible plans to address this issue on any scale. While there are welcome programmes supporting the provision of social and cooperative housing these are nowhere near the scale required.

The Government's current approach to social housing is seriously problematic. On the one hand it is focused on the private sector providing units to be rented by Local Authorities or housing associations for the provision of urgently needed social housing. On the other hand, it is focused on housing organisations putting themselves at serious and unacceptable risk. The former is very unlikely to produce the number of units required. The latter is definitely not capable of producing accommodation on the required scale.

The private-rented sector lease schemes currently promoted by government offer only a temporary solution to long-term housing need of tens of thousands of households – at a significant cost to the taxpayer – without adding a single unit to the national housing stock.

The allocation for social housing in Budget 2013 is €585m (i.e. €310m in current spending and €275m for capital expenditure).

There will be an increase of about 5,000 units of social housing in 2013. This is totally inadequate and will go nowhere near having a major impact on the waiting lists.

Part of this is to be sourced through NAMA. It is crucial that Government ensure that no restrictive conditions are imposed on those seeking to access the NAMA properties.

Social Justice Ireland deeply regrets Government's failure to develop a programme of sufficient scale to address the extremely large waiting lists. Budget 2013 goes nowhere near achieving what is required on this issue.

Older People

In Ireland, 88% of those over the 65 years of age would be in poverty were it not for social welfare transfers. An extremely important part of payments made to older people is the Household Benefits package. Budget 2013 has reduced the amount allocated to the telephone allowance scheme by €61m a year, and to the electricity/gas allowance by €23m in a full year.

There is a lack of clarity about how savings in this area will be achieved. If utility companies do not absorb this loss it will constitute a cut in extremely important allowances which may increase fuel poverty and isolation amongst older people.

The trebling of prescription charges on medical card holders will fall heavily on older people who must purchase necessary medicines. It is often incorrectly stated that older people have not borne a burden during the last five years but higher fuel costs, the loss of the Christmas bonus and health cuts have fallen heavily on older people.

Disability

People with a disability continue to be one of the groups at highest risk of poverty in Ireland. Furthermore, research from the National Disability Authority 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 2013 has made little progress on this issue, entrenching the reverses already suffered by people with disabilities in Ireland in the last five years.

Sustainability

Budget 2013 included the extension of the carbon tax to solid fuels (coal and peat), eventually rising to €20 a tonne. It also provides €35m to an Energy Efficient Fund to retrofit building for energy efficiency. *Social Justice Ireland* agrees with both these initiatives.

However, we are disappointed that waivers were not introduced in Budget 2013 to apply to the carbon tax, which impacts significantly on older people and rural dwellers.

The government found €35m in Budget 2013 (€70m in a full year) to provide tax relief on excise duty for auto-diesel to road hauliers. A smaller sum could have provided waivers for vulnerable households.

Failure to introduce waivers is likely to exacerbate the experience of fuel poverty among the most vulnerable of households in the year to come.

Rural Development

Rural Ireland is becoming divided between the wealthy, large farmers and other rural dwellers. The restructuring of CAP is likely see a dramatic reduction in the number of farmers as farms are consolidated into larger units. 39 Garda stations were closed in 2012 and a further 100 will be closed in 2013. Changes in the pupil teacher ratio will mean more rural school closures. Budget 2013 reduced the allocation to the Rural Economy by 78% (€26.9m to €6m). This removal of resources from rural areas will make it difficult to maintain viable communities. The proposed restructuring of local initiatives in an "alignment" process with Local Authorities (LA) could result in a take-over of community initiatives by LAs. Yet EU funding is focused on community-led initiatives with a 10% bonus for countries delivering programmes through community-based structures.

Public Finances, 2013-2016

Below we outline the government finances for this 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	**2013**	**2014**	**2015**
CURRENT BUDGET	€m	€m	€m
Expenditure			
Gross Voted Current Expenditure	51,070	49,230	47,780
Non-Voted Current Expenditure	9,720	10,265	10,740
	60,790	**59,500**	**58,520**
less Receipts and Balances	10,870	11,050	11,295
Net Current Expenditure	**49,920**	**48,445**	**47,225**
Receipts			
Tax Revenue	37,950	40,705	43,175
Non-Tax Revenue	2,360	1,785	1,730
Current Revenue	**40,310**	**42,490**	**44,905**
CURRENT BUDGET BALANCE	**-9,610**	**-5,955**	**-2,320**
CAPITAL BUDGET			
Expenditure			
Gross Voted Capital	3,435	3,230	3,250
Non-Voted Expenditure	4,710	4,250	3,915
Gross Capital	**8,145**	**7,480**	**7,165**
less Receipts	335	310	310
Net Capital Expenditure	**7,810**	**7,710**	**6,855**
Capital Resources	**2,020**	**1,580**	**1,615**
CAPITAL BUDGET BALANCE	**-5,790**	**-5,590**	**-5,245**
EXCHEQUER BALANCE	**-15,400**	**-11,545**	**-7,565**
EXCHEQUER PRIMARY BALANCE	-8,175	-3,805	555
GENERAL GOVERNMENT BALANCE	**-12,645**	**-8,905**	**-5,325**
% of GDP	*-7.5*	*-5.1*	*-2.9*
GENERAL GOVERNMENT PRIMARY BALANCE	-3,390	745	4,680
% of GDP	*-2.0*	*0.4*	*2.6*

SOCIAL WELFARE: **Social Insurance** changes January 2013

PERSONAL AND QUALIFIED ADULT RATES	Present	New Rate	Change
State Pension (Contributory)/Transition			
(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	436.80	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/Surviving CP'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 Benefit			
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 2013

	€	€	€
Child Benefit			
(i) First and Second Children	140.00	130.00	-10.00
(ii) Third Child	148.00	130.00	-18.00
(iii) Fourth and Subsequent Children	160.00	140.00	-20.00

SOCIAL WELFARE: **Social Assistance** changes January 2013

	Present	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(er)'s/Surviving CP'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
Disability Allowance			
Personal rate	188.00	188.00	0.00
Person with qualified adult	312.80	312.80	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 2013

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	186.00	186.00	0.00
Person with qualified adult	310.80	310.80	0.00

Where a person has a dependent child and in certain other circumstances the basic rate (€188.00) ap-

Changes in Maximum Weekly Rates of **Health Allowances** from January 2013

Supplementary Allowance payable to Blind Persons in receipt of a Blind Pension			
(i) Blind Pensioner	58.50	58.50	0.00
(ii) Blind Married Couple	117.00	117.00	0.00

Budget Produces a Harsher Society

Democratic governments are elected to lead society. The national budget is one of the very powerful tools in forming society. It plays a critical role in planning the shape of society by the choices it makes and the priorities it supports.

Societies are measured by the way they treat their poor and vulnerable members. On this measure Government is failing to lead us in shaping a caring and inclusive society. It is also sending out a message that it is ok to further impoverish poor and struggling families while the lifestyles of the better off and the corporate sector are protected.

For the second year in a row, the budget will create a much harsher environment for poor and vulnerable people. Despite the best efforts of private citizens, the structures of care, compassion and equality will be greatly reduced. Budget 2012 saw 40% of the population on lowest incomes take a far higher proportionate 'hit' than the richest 10%. Budget 2013 continues this process.

As a result of Government decisions poor people's income has fallen and their access to services has been reduced or costs more. The situation of the working poor has worsened.

At the same time the Community and Voluntary sector which provides some key services has seen their funding reduced dramatically as demand for their services increased.

Social Justice Ireland totally rejects Government's assertion that it has no choices and its blaming of the 'troika' for the decisions it made. In our meetings with the 'troika' it has been very clear that they would allow Government to make different choices as long as the Government's borrowing was reduced by €3.5bn in 2013.

Instead of prioritising a caring and inclusive society Government decided to protect the rich at the expense of the rest of us. As a result Ireland will be a much harsher society for its poor and vulnerable people.

Lack of Transparency

Government has failed to honour its commitment to produce Ireland's annual budget in a transparent and open manner.

In our analysis of Budget 2012 *Social Justice Ireland* welcomed the new model for preparing Budgets set out by Government. This new model was to be based on "transparency, openness and clear structural planning" according to Government.

What emerged instead was an extremely secretive process which excluded Oireachtas members and Oireachtas Committees as well as most Government ministers. In practice it failed to harness the experience, knowledge and research of a wide range of groups (with the exception of insiders such as the Financial Services Industry). This approach is totally unacceptable and undemocratic.

Overseas Aid Down

Budget 2013 reduced the allocation to the Official Development Assistance programme by €18m. Since 2008 Ireland's ODA budget has fallen by 32% (from €920m in 2008 to €622m in 2013). *Social Justice Ireland* is disappointed that overseas aid was again cut in the budget, and that progress to reach the stated commitment of spending 0.7% of GNP on development aid by 2015 has stalled. In fact, we are moving backwards from the target—from spending 0.53% of GNI on overseas aid in 2010, to 0.52% of GNI in 2011, 0.5% in 2012 and now 0.48% in 2013.

A continued commitment by Government and society to ODA enhances Ireland's long track record of contributing to development. This is an opportunity for Ireland to provide leadership on an international stage on this issue.

Honouring this commitment would not only be a major success for Government, but it would also be of significance internationally. Ireland's success would not only provide assistance to needy countries but would also provide leadership to those other European countries who do not meet the target. This should be a priority issue during our Presidency of the European Union in 2013.

Strengthening our commitment to ODA and honouring the UN target on ODA spending should be important policy paths for Ireland to pursue in years to come. This is especially pertinent as Ireland has been elected to the UN human Rights Council.

Social Justice Ireland

Social Justice Ireland is an independent research and advocacy think-tank of individuals, organisations 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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