Budget 2015
Analysis & Critique

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SOCIAL JUSTICE IRELAND

working to build a just society

CONTENTS:

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Rich gain more in Budget of missed opportunities

Fourth regressive Budget in a row

Budget 2015 is the fourth regressive budget in a row. While it contains a number of welcome initiatives and positive developments, overall the Budget is deeply disappointing.

Over €1bn was allocated in tax cuts and expenditure increases but the choices made by government show a profound lack of a coherent, guiding vision. It was a Budget of missed opportunities. It lacked the long-term focus on real recovery that this particular moment required. It failed, in effect, to even set out a clear pathway forward that would promote the common good.

Rich-poor gap widens

Budget 2015 widened the rich-poor gap by €499 a year. This measures the gap between the disposable income of a single unemployed person and a single person on €50,000 per annum. If compared with people on higher salaries the rich-poor gap has widened even more. (cf. p. 9)

Budget 2015 gave €0.90 a week increase to an unemployed single person while giving €14.30 a week to a single person earning €75,000. In the case of couples, the unemployed got €1.51 a week (€78.52 a year) extra while a couple with two earners on €125,000 will receive an extra €23.57 a week (€1,225.64 a year) as a result of the Budget changes. (cf. pp.8-9)

Hardest hit lose out again.

Those who proportionately took the greatest hits during the crisis were left behind again as priority was given to reducing the top income tax rate.

In the period 2008-2015 budget changes in tax and social welfare have impacted most on two groups i.e. welfare-dependent households (losses up to 12.5%) and working poor households (losses up to 11.3%). (cf. p. 10)

Budget 2015 does little to reverse this situation and fails to prioritise such groups.

Positive Developments

There were a number of welcome initiatives including the increase in child benefit and the increased allocation in areas such as social housing and health. The recognition of the need for multi-annual planning in a few areas is a very welcome development. For example, the promise of a new Plan for Social Housing to be published within weeks is a move in this direction even though the overall target of 30,000 new homes over several years falls far short of what is needed in a country with a growing waiting list which is currently over 90,000 households.

The recognition of the need for the health budget to be adjusted over a two-year period is a welcome development within a

Welcome

- Investment in social housing and health.
- Increase in child benefit.
- Emerging evidence of multi-year planning in some areas.
- 1,700 new teaching posts

Regret

- Failure to provide greater support for Ireland's poorest i.e. welfare dependent households and working poor households.
- Provision of €95m in corporate tax breaks.
- Lack of a guiding vision that would underpin a real recovery and promote the common good.

Fairer choices would lead to real recovery

budget that shows a modest increase in funding for 2015. A concern in this area is the lack of any evidence that provision has been made for demographic changes and the consequent increasing number of older people and people with disabilities needing care.

Failure on working poor

The Budget fails dramatically to address the working poor issue. These have been among the worst hit in the period since 2008 (cf. p. 10). Government will claim that they did as much as they could with the resources available. However this is not the case.

The total cost of the income tax and USC adjustments was €642m

The distribution of the benefits resulting from Government's choices was skewed in favour of the better off and dramatically widened the rich-poor gap.

End of 'Double-Irish' welcome

The decision to end the 'Double-Irish' tax scheme was long over-due and is very welcome. However, €95m in tax breaks was given to the corporate sector. This was an extraordinary decision which fails to recognise that Ireland's low overall tax-take is not sustainable.

It also fails to recognise that corporations, irrespective of their size or significance, should contribute a reasonable proportion of their profits in taxation—such as small and medium enterprises (SME) do. (cf. p.9)

A fairer outcome was possible

On page 6 we set out an alternative that Government could have followed that cost exactly the same amount.

For the same cost Government could have chosen a much fairer set of alternatives as follows:

a. Refunding the unused proportion of PAYE and personal tax credits to those who are active in the labour market but earn insufficient income to use up allthose tax credits (i.e. introduce a system of refundable tax redits) - **full year cost of €140m.**

b. Increase the personal tax credit for all earners by €175 a year - **full year cost of €400m.**

This would provide an increase in income of €175 to all single earners and couples with one earner across the system.

Couples with two earners would gain twice this amount, €350 per annum.

In contrast to the Budget outcomes a single person earning €25,000 would gain €175 a year while a single person on €75,000 would gain the same.

The scale of the challenge

Ireland is facing many challenges as it moves forward.

- More than 750,000 people live in poverty including almost one in every five children.
- Almost 150,000 people are long-term unemployed.
- There are more than 90,000 households on waiting lists for social housing.
- Healthcare waiting lists are continuing to grow.
- Net migration was minus 21,000 in the year to April 2014 (most recent data) while net migration of Irish nationals in 2008-2014 was minus 120,000.

These and many more challenges needed a Budget that mapped out a road to real recovery. That was what the present moment required.

Budget 2015 did not meet this requirement.

The road being followed in Budget 2015 will not lead Ireland to real recovery

A guiding vision

Social Justice Ireland believes that Ireland should be guided by a vision of becoming a just society in which human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected.

The core values of such a society would be human dignity, equality, human rights, solidarity, sustainability and the pursuit of the common good.

An alternative was available

On page 24 we present twelve more initiatives (not an exhaustive list) that Government could have implemented in Budget 2015 that would produce the same borrowing requirement but would have far different outcomes.

These initiatives cover a wide range of issues including: poverty, the working poor, social housing waiting lists, taxation, jobs and unemployment, ODA, education, healthcare, older people, rural Ireland, sustainability and participation.

There is a pathway to real recovery, a more just and egalitarian alternative that meets the challenges Ireland faces today.

That alternative was spelled out in detail by *Social Justice Ireland* in our Policy Briefing on 'Budget Choices' published in June 2014.

In that we presented a series of fully-costed initiatives—in all the areas mentioned above—that would have moved Ireland towards real recovery.

Social Justice Ireland has also presented much more detailed versions of these proposals in other publications, most notably in *'Steps Towards A Fairer Future—Securing Economic Development, Social Equity and Sustainability'* published in April 2014. The full text is available on the Social Justsice Ireland website: www.socialjustice.ie

We recommend these detailed proposals to all policy-makers, especially those who are members of our parliament at this critically important moment.

Budget 2015: 4th Regressive Budget in a Row

Budget 2015 is the fourth regressive Budget in a row. Taken together, the measures announced in the Budget, alongside those due for implementation following Budget decisions (e.g. water charges), carry a disproportionate impact on lower income households across the state.

The Budget's income tax changes favour those on higher incomes (see our analysis on pages 6, 8-10, 14-15), while its failure to deliver any significant increases in social welfare payments means it will further widen the divides in Irish society. The regressive impact is compounded by adding in the effect of the water charges commencing in January 2015 and the limited progress planned to address the deficits in public services which have emerged during the last six years of austerity.

The regressive nature of Budget 2015 follows that of Budget 2014 (e.g. doubling of property tax, cuts to household benefits package, cuts to youth welfare payments and increases in prescription charges for medical card holders), Budget 2013 (e.g. abolition of PRSI allowance, cuts to child benefit and increases in prescription charges for medical card holders) and Budget 2012 (e.g. increase in standard VAT rate from 21% to 23%, cuts to 3rd and 4th child benefit payments, cuts to fuel allowance).

Each of these Budgets also orientated their adjustments towards cuts in public services, further increasing their regressive impact.

Social Justice Ireland regrets the successive regressive impact of these policy choices. As we have shown in advance of every one of these Budgets, fairer alternatives were available and possible.

Welfare Forgotten in Budget Priorities

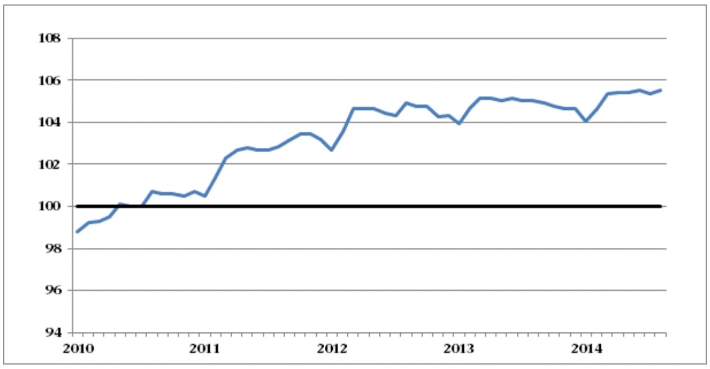
We regret that Budget 2015 failed to deliver an increase in the minimum social welfare payment—which remains at €188 per week.

As we detailed in our pre-Budget document, *Budget Choices*, this payment has remained at this level since 2010 and since then inflation has eroded it value. As Chart 3.1 shows, prices have risen by almost 5.5% since 2010 — implying that those dependent on social welfare have fallen further behind. The partial restoration of the Christmas bonus will provide only an extra 90 cent per week to a jobseeker.

While the Budget contained much talk of 'recovery', *Social Justice Ireland* believes that any such recovery must be broad based and delivering benefits to those in Irish society.

The failure to make some move on restoring the buying power of minimum social welfare payments in this Budget is both a concern and a regret. The most vulnerable in out society should not be left behind as recovery emerges.

Chart 3.1: Price Changes January 2010-August 2014 (index = 100 for 2010)



Some Positives, But Major Challenges Remain

In their Budget speeches, both Ministers pointed towards a number of very welcome developments over the past year.

Relative to the situation a few years ago, the Irish economy is much improved. Employment is increasing while unemployment is falling; exports are growing; tourism is recovering; agriculture is slowly expanding; construction is recovering; borrowing costs are low; and overall growth is strong.

However, a closer look at the economy reveals a number of weaknesses which require attention if growth and recovery are to be real and sustainable. These include:

- Depressed household spending (the largest component of economic activity) reflecting uncertainty and the ongoing effects of the cuts, tax changes and static incomes (both welfare and earnings) over recent years.
- Limited investment - so that overall levels of investment are unsustainably low.
- High long-term unemployment and the prospect of this continuing for some time.
- Uneven signs of recovery across the country—typified by employment data showing job losses in some areas while there are overall national gains.
- High levels of national and personal debt—much of it linked to the legacy of badly run and regulated banks.
- Unresolved issues from the property crash including the collapse in social housing provision.
- Serious deficiencies in many areas of public service provision.

These remaining challenges require Government to prioritise a broader and more inclusive recovery agenda. While there are positives, Budget 2015 lacked that vision.

The Socio-Economic context of Budget 2015

Table 4.1: Ireland's Social and Economic Context - Budget 2015			
Population		**Taxation**	
Population 2011 Census	4,588,252	Tax as % GDP in 2000	31.7%
Population 2016 *	4.691m	Tax as % GDP in 2006	32.6%
Population 2021* / 2041*	4.901m/5.701m	Tax as % GDP in 2014	32.4%*
Income Levels		Value of top 30 tax reliefs per annum	€17 billion
Average Gross Household Income (2012)**	€1,001.63 per week	**Labour Market**	
Average Disposable H-hold Income (2012) **	€776.26per week	Labour Force 2014 (Q2 2014)	2,156,100
Poverty		Employment (Q2 2014) /rate (ILO Basis)	1,901,600/61.3%
Poverty line 1 Adult (week / year)	€202.21/ €10,544	Unemployment 2014 (Q2 2014) /rate (ILO Basis)	254,500/11.5%
Poverty line 2 Adults (week / year)	€335.68/ €17,503	Long-term Unemployment (Q2 2014) /rate	146,500/6.8%
Poverty line 1 Adult + 1 Child (week / year)	€268.95/ €14,024	Youth Unemployment (Q2 2014)/rate	52,600/26.9%
Poverty line 2 A + 2 Children (week / year)	€469.14/ €24,462	Live Register Seasonally Adjusted (September 2014)	374,800
% of population living in poverty (number) **	16.5% (756,591)	Minimum Wage (per hour / 39hr week)	€8.65/ €337.35
% of children living in poverty **	18.8% (220,411)	Net Migration (year to April 2014)	-21,400
% of population experiencing deprivation 2007/2012	11.8%/26.9% (2+ basic items)	Net Migration Irish Nationals (2008-2014)	-120,000
Social Welfare Rates		**Inflation****	
Jobseekers Benefit personal rate/ Increase for qualified adult	€188.00/ €124.80	CSO annual CPI inflation rate (yr. to August 2014)	+0.4%
Jobseekers Allowance Maximum Personal Rate aged 26 and over/aged 25/aged18-24	€188.00/€144/€100	CPI excluding mortgage interest (yr. to August 2014)	+1%
Old Age Pension: contributory/non-contributory	€230.30 / €219.00	**Literacy & Environment**	
Child Benefit:	€130 flat rate for all children	Illiteracy rate of adult population (2013 Data)	18%
Housing		% Waste Landfilled (2011)	47.6%
LA Housing Waiting list – households	89,872	Greenhouse Gas Emissions v. Kyoto target	-2.7%
LA Housing Waiting list – persons	approx. 225,000	**Overseas Aid**	
% on LA housing waiting list for 2 years +	60%	ODA as % GDP: 1999/2005/2008	0.30/0.40/0.54
Homelessness (census 2011)	3,808	ODA as % GNP: 2012 /2013/2014	0.44/0.43/0.39

Sources: Department of Finance Stability Programme Update, Collins (2013),Department of Finance and Department of Public Expenditure and Reform Budget Documentation and various publications from Eurostat, Central Bank, ESRI,CSO, CSO QNHS, CSO Census 2011,Department of Environment Heritage and Local Government Housing Statistics, OECD Literacy Survey, CSO Environment Indicators 2014, Department of Social Protection Rates of Payments 2014 and various other Government Departments and Agencies,
Note: * = projection; ** = CSO SILC data; ^ = no data collected since

Budget 2015 — Key Numbers, Data & Trends

To accompany Budget 2015 the Departments of Finance and Public Expenditure and Reform have published a series of documents detailing the changes announced in the Budget. Throughout 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 next year, and for the next three years. It outlines expectation in terms of GDP growth to 2017.

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.

The table also details Government projections in terms of inflation, the labour market and the size of budgetary adjustments. 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 2015

National Income		**Inflation and the Labour Market**	
GDP in 2015 (€m)	193,475	Inflation in 2015 (HICP)	1.1%
GDP in 2016 (€m)	203,400	Inflation 2015-2017 (HICP average)	1.3%
GDP in 2017 (€m)	213,925	Unemployment rate in 2015	10.2%
GDP growth in 2015	3.9%	Employment growth in 2015	2.4%
GDP growth in 2016	3.4%	Unemployment rate 2015-2017(average)	9.5%
GDP growth 2015-2017 (average)	3.5%	Employment growth 2015-2017 (average)	2%
Exchequer Budgetary Position		**Taxation**	
Current Budget Balance, 2015 (€m)	-€3,730	Income Taxation - lower rate	20%
Net Capital Investment,2015(€m)	€4,390	Income Taxation - higher rate	40%
Net Capital Investment,2016(€m)	€4,475	%Tax on €25,000 income (single / 2 earners)	14.4%/1.3%
Net Capital Investment,2017(€m)	€4,345	%Tax on €60,000 income (single / 2 earners)	32.8%/17.1%
Underlying General Government Balance, 2015 (€m)	-€5,195	%Tax on €100,000 income (single / 2 earners)	40.4%/29.2%
Underlying General Government Balance, 2015 (% GDP)	-2.7%	Corporation Tax Rate	12.5%
Current Budget Balance 2016 (€m)	-€2,195	Capital Gains Tax Rate	33%
Current Budget Balance 2017(€m)	-€1,155	**Universal Social Charge** Incomes of €12,012 or less are exempt. Otherwise; €0 to €12,012 @ 1.5%/€12,013 to €17,576 @ 3.5%/€17,577 to €70,044 @ 7%/ €70,044 to €100,000 @8%/PAYE income in excess of €100,000 @ 8%/Self-employed income in excess of €100,000 @ 11%**	
Net Capital Investment 2015-2017 (Average) (€m)	€4,403	**Size of Budgetary Changes**	
Underlying General Government Balance 2015-2017 (Average) (€m)	-€3,628	Size of Budgetary adjustment (€m)	1,050
Interest on National Debt 2015 (m)	7,380	Yield in 2015 of Tax changes (€m)	-420
Interest on National Debt 2016 (m)	7,656	Value in 2015 of Expenditure changes (€m)	630
Debt to GDP ratio 2015 (%)	108.5%	Full year cost of new Social Welfare Measures to be implemented in 2015 (€m)	196
Debt to GDP ratio 2016 (%)	104%		

Sources: Minister's speech and various tables throughout Budgetary publications.**Extension of the exemption from the 7% rate of USC for medical card holders whose aggregate income does not exceed €60,000, who will now pay a maximum rate of 3.5% USC. Individuals aged 70 years and over whose aggregate income is €60,000 or less will pay a maximum rate of 3.5% USC.

Income Tax Changes: Fairer Options Missed

The Budget included an income tax package with a full year cost of €642m (€405m on income tax reductions and €237m on USC reductions). As we show elsewhere in this document (see pages 8-9) these changes are unfair and provide substantially larger gains to those on higher incomes compared to those on lower incomes. For example, a single person earning €25,000 gains €174 per annum while a single person on €75,000 gains more than four time this amount (€746 per annum).

For the same commitment of resources (€642m) Government could have chosen a much fairer set of alternatives. This includes:

- Refunding the unused proportion of PAYE and personal tax credits to those who are active in the labour market but earn insufficient income to use up all these tax credits (i.e. introduce a system of refundable tax credits): ***full year cost of €140m***
- Increase the personal tax credit for all earners by €175 per annum: ***full year cost of €400m***

Our costings for these measures are based on a previous *Social Justice Ireland* study on refundable tax credits (see p11 of our pre-Budget *Budget Choices* document) and the recently released Revenue Commissioners *Ready Reckoner for Budget 2015*. The costing of the €175 per annum increase in the personal tax credit also assumes a commensurate increase in the married persons, widowed persons and lone parent credit.

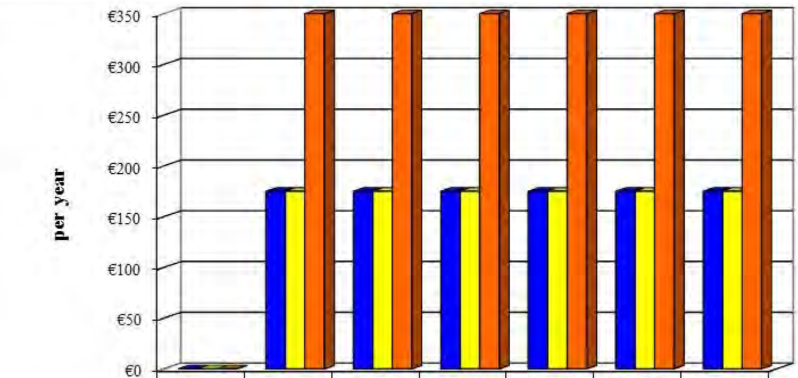
The annual cost of this €175m increase according to the Revenue Commissioners is €361m; and to ensure our estimates are conservative, we assume the other €39m is allocated to those not currently factored into Revenues estimates who would receive an increase in their tax credit refund.

The distributive impact of this alternative policy choice is outlined in chart 6.1. It provides an increase in income of €175 to all single earners and couples with one earner across the system. Couples with two earners gain twice this amount, €350 per annum. In contrast to the Budget outcomes (see p8-9) a single person earning €25,000 gains €175 per annum while a single person on €75,000 gains the same.

As our analysis shows, the Government could have chosen a fairer and more equitable income tax package in this Budget. We regret that government ignored this option. The skewed and regressive outcome of the tax measures in Budget 2015 could have been avoided.

the Government could have chosen a fairer and more equitable income tax package in this Budget

Chart 6.1: Distributive Effects of an Alternative Income Tax Package



	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	0	175.00	175.00	175.00	175.00	175.00	175.00
Couple 1 Earner	0	175.00	175.00	175.00	175.00	175.00	175.00
Couple 2 Earners	0	350.00	350.00	350.00	350.00	350.00	350.00

Corporation Tax: Slow Reforms

To prevent the practice of some companies paying a very low proportion of their profits in tax, *Social Justice Ireland* has proposed that companies should pay a minimum effective Corporate Tax rate of 6% (see page 15).

In last year's Budget speech, the Minister for Finance said he would ensure that Irish-registered companies could not be 'stateless' in terms of their tax residency. However, the subsequent Finance Act made only a partial move against 'stateless' companies. If companies, which are registered in Ireland, are managed and controlled in places such as Bermuda, they can still remain 'stateless' in terms of tax residency.

In Budget 2015, the Minister announced that from 2015, new companies would not be permitted to avail of a 'stateless' status; however, for existing companies this facility will not disappear for seven years, i.e. until 1st January 2021. The details will be in the forthcoming Finance Act.

A range of enhancements to company after-tax profitability was also announced. Prominent among these is the extension of qualifying R&D relief. Currently, this relief is available for qualifying expenditure that is in excess of that incurred in the base year (2003).

However, this base year restriction is being removed from 1st January 2015 at a cost to the Exchequer of €50m in 2015. The cost of enhancing Capital Allowances for the Provision of Specified Intangible Assets will amount to a further €12m.

One result of the extension of tax reliefs to the corporate sector is that, despite a growing economy, Corporation Tax receipts are projected to increase by only €50m in 2015. This contrasts with the growth in tax revenue elsewhere in the economy and is of concern.

€30 Billion Later...

Budget 2015 brings the overall adjustment experienced by the Irish people to almost €30 billion. That figure includes reductions in 2015 public expenditure associated with the Haddington Road agreement and the reduction in central government transfers to local authorities in lieu of the new income from domestic water charges. The latter is likely to be notable in its impact on spending in the domestic economy during the next year.

While the Budget did not contain any further reductions to public spending, something we called for and welcome, it brings to an end a series of ten fiscal adjustments since July 2008. Overall, these have removed almost €31 billion from the Irish economy through both taxation increases and spending cuts. The approximate division between the two has been 33% on the taxation side and 66% on the expenditure side.

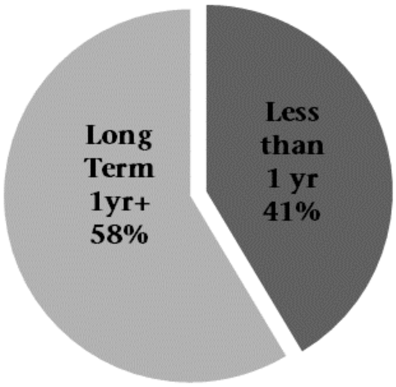
While some expenditure reductions were needed and necessary, the fact that the adjustment has weighed so heavily on the spending side is reflected in the significant deficiencies in public service provision that have emerged over the last few years.

As we return to more normal budgetary times, *Social Justice Ireland* believes that it is important that these deficiencies in public services are addressed as a priority.

Long-Term Unemployment

Despite the positive economic growth figures in the Budget for this year and the next, and the continued improvement in the unemployment numbers, Ireland continues to have a long-term unemployment crisis. Based on the latest CSO numbers (QNHS quarter 2 2014), of all those unemployed, 58% are without work for more than one year - meaning that almost 7% of the labour force is long-term unemployed. Budget 2015 has taken limited steps to address this crisis. A greater commitment to targeted training and reactivation focused exclusively on the long-term unemployed is needed and overdue.

Composition of the Unemployed, by duration



Total Unemployed:
254,500
Less than 1 year:
103,600
More than 1 year:
146,500

Social Housing

Budget 2015 has provided €800m for social housing—up 40% on 2014. Government believes the full range of their initiatives will produce 7,500 new homes in 2015. The allocation for homelessness services has also been increased by 20% to €55m. Both are welcome.

The Budget documentation also states that a Social Housing Plan is to be published in the coming weeks with details on delivering up to 30,000 social houses in the coming years.

Social Justice Ireland welcomes this new investment and social housing plan. However, they are not nearly enough to address the social housing crisis that Ireland has been experiencing for several years.

The number of *households* currently on waiting lists is rising dramatically and now stands at over 90,000. There are about 230,000 *people* in these households. The promised Social Housing Plan will address one third of this requirement and will take several years to do so. In the meantime 60,000 households will still be stuck on waiting lists along with all those who will be added to these lists in the coming years.

The number of people who are homeless has also grown dramatically. Low and middle income households are finding it extremely difficult to secure appropriate accommodation.

The State provides substantial support to both mortgage holders and those who rent. It provides direct housing support to about 130,000 households through local authorities, social housing associations and co-ops. Some of these accommodation units are rented from the private sector. Close to another 100,000 households who rent from the private sector are supported by the State through rent supplement payments.

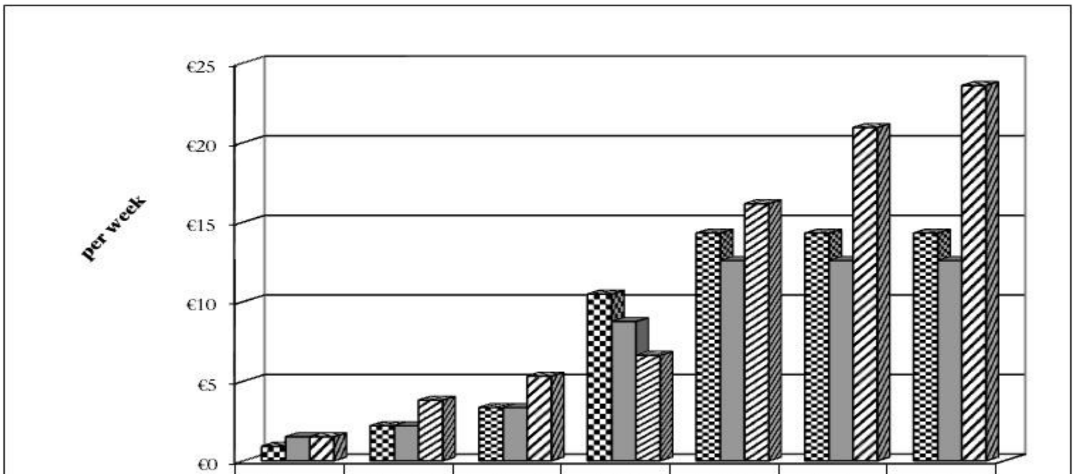
Prior to Budget 2015 the total State housing support was about €1bn. A further €1.1bn is provided through tax benefits to home owners and investors, including the cost of providing mortgage interest relief. Yet, despite this level of annual investment by the state, Ireland does not have a cost-effective, sustainable system to guarantee the provision of appropriate housing on the scale required.

Policy development in this area needs to begin by recognising that up to one third of Ireland's households will not be able to access appropriate accommodation through the market alone.

On the other hand, given the difficult current fiscal situation and the likely limitations that Government will face in coming years due to the conditions imposed by the Fiscal Compact, Government will not be able to borrow on the scale needed to provide the housing required.

It is for these reasons that *Social Justice Ireland* has for some time argued that a new 'off-the-books' approach is required to secure the multi-billion euro investment required to provide appropriate accommodation to those who are homeless and those who are on waiting lists. The move in this direction in Budget 2015 is far too small to make the impact required.

Chart 8.1: Impact of Tax and Headline Welfare Payment Changes from Budget 2015



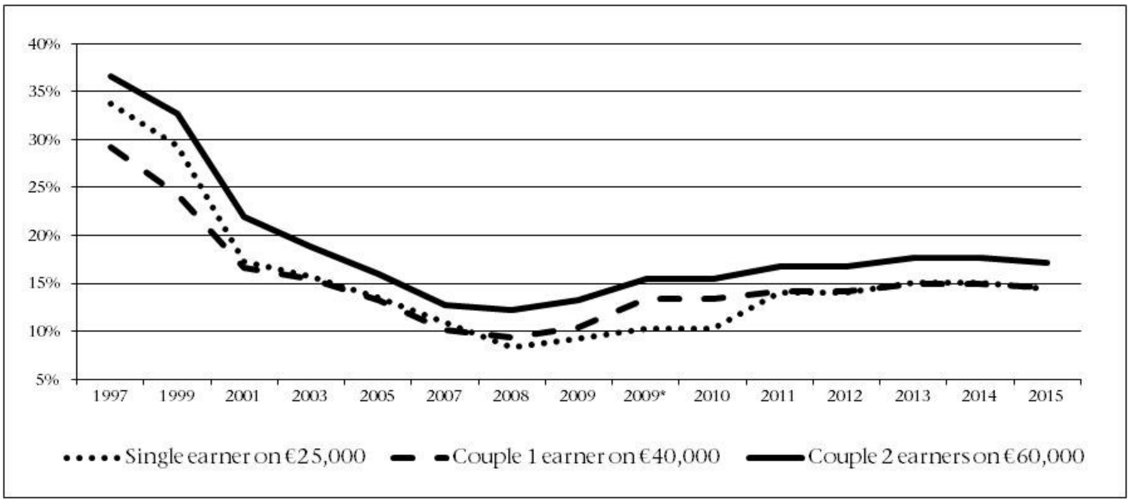
	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	0.90	2.19	3.34	10.47	14.30	14.30	14.30
Couple 1 Earner*	1.51	2.19	3.34	8.74	12.58	12.58	12.58
Couple 2 Earners*	1.51	3.81	5.31	6.63	16.14	20.94	23.57

Notes: * Except in case of the unemployed where there is no earner
Couple with 2 earners are assumed to have a 65%/35% income division.

Table 8.1: Effective Tax Rates following Budgets 2000/ 2008/ 2015			
Income Level	**Single Person**	**Couple 1 Earner**	**Couple 2 Earners**
€15,000	13.9% / 0.0% / 1.9%	2.5% / 0.0% / 1.9%	0.8% / 0.0% / 0.0%
€20,000	13.9% / 0.0% / 10.2%	8.3% / 2.7% / 6.2%	6.1% / 0.0% / 1.1%
€25,000	24.0% / 8.3% / 14.4%	12.3% / 2.9% / 7.6%	11.0% / 0.0% / 1.3%
€30,000	28.4% / 12.9% / 17.1%	15.0% / 5.1% / 9.0%	14.6% / 1.7% / 4.3%
€40,000	33.3% / 18.6% / 23.7%	20.2% / 9.4% / 14.4%	17.5% / 3.6% / 9.1%
€60,000	37.7% / 27.5% / 32.8%	29.0% /19.8% / 25.7%	28.0% /12.2% / 17.1%
€100,000	41.1% / 33.8% / 40.4%	35.9% /29.2% / 36.1%	35.9% /23.8% / 29.2%
€120,000	41.9% / 35.4% / 42.3%	37.6% /31.6% / 38.8%	37.7% /27.2% / 32.9%

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

Chart 8.2: Effective Tax Rates in Ireland, 1997-2015



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

Budget Widens Rich-Poor Gap by €499 a year

When assessing the change in people's incomes following any Budget, it is important that tax changes be included as well as changes to basic social welfare payments. In our calculations we have not included any changes to welfare allowances and secondary benefits as these payments do not flow to all households. Similarly, we have not included changes to other taxes (including property taxes) as these are also experienced differently by households. Chart 8.1 (page 8) sets out the implications of the Budget announcements on various household groupings in 2015.

Single people who are unemployed will benefit from the Christmas Bonus which equates to 90c per week (€47 a year) after this budget. Those on €25,000 a year will see an increase of €3.34 a week (€174 a year) in their take home pay while those on €50,000 will be €10.47 a week (€546 a year) better off in the coming year and those on €75,000 a year will be €14.30 a week (€746 a year) better off.

Couples with one income on €25,000 a year will be €3.34 a week (€174 a year) better off while those on €50,000 will be €8.74 a week (€456 a year) better off.

Couples with two incomes on €25,000 a year will be €5.31 a week (€277 a year) better off while those on €50,000 will be €6.63 a week (€346 a year) better off.

The impact of Budget 2015 on the distribution of income in Ireland can be further assessed by examining the rich-poor gap. This measures the gap between the disposable income of a single unemployed person and a single person on €50,000 per annum. Budget 2015 has widened the rich-poor gap by €9.57 per week (€499 a year).

Effective Tax Rates after Budget 2015

Central to a thorough understanding of income taxation in Ireland are effective tax rates. These rates are calculated by comparing the total amount of income tax a person pays on 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 2015 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.

In 2015, for a single person with an income of €15,000 the effective tax rate will be 1.9%, rising to 10.2% at an income of €25,000 and 42.3% at an income of €120,000. A single income couple will have an effective tax rate of 1.9% at an income of €15,000, rising to 7.6% at an income of €25,000, 25.7% at an income of €60,000 and 38.8% 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 9.1%, rising to 32.9% 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 18 years for all earners.

Low Overall Tax-Take is not Sustainable

Data accompanying Budget 2015 outlines Government's plans for taxation and spending over the next four years (to 2018). Over that period, assuming the policies signalled by Government are followed, overall tax receipts will climb from €56.8bn in 2014 (30.9% of GDP) to €65.9bn (29.3% of GDP) in 2018.

Despite significant increases in the tax-take from households (both directly and indirectly) over the last few years Ireland remains a low tax economy with its tax take (as a % of GDP) among the lowest in the EU.

The most recent EU data (for 2012 - published June 2014) shows that average EU tax levels are at 36.3% of GDP. Ireland's rate remains around 29% of GDP; within the EU only Bulgaria, Latvia, Lithuania, Romania and Slovakia collect a lower proportion of GDP in taxation.

Social Justice Ireland believes that over the next few years policy should focus on increasing Ireland's tax take to 34.9 per cent of GDP, a figure defined by Eurostat as 'low-tax'. Such a rate would provide significantly greater revenue for the state and retain our low-tax economy status.

In our pre-Budget *Budget Choices* document we showed that, over the next three years, the Tax Gap, the difference between this benchmark and the planned level of overall taxation by Government is an average of €4.7bn per annum. This is the scale of additional revenue that Ireland should be collecting.

As a policy objective, Ireland should remain a low-tax economy, but not one incapable of adequately supporting necessary economic, social and infrastructural requirements. Judged in that manner the current low tax model is not sustainable and we regret that Budget 2015 did not take greater steps to address this.

Impact of Tax & Benefit Changes, 2008-2015

Since 2008 a series of ten budgetary adjustments have been introduced by Government impacting on taxation, welfare and other areas of public spending. As we have detailed on page 7 these adjustments have now totalled just over €30 billion.

On this page we track the cumulative impact of changes to income taxation and welfare since the start of the crisis in 2008. At the outset it is important to stress that our analysis does not take account of other budgetary changes, most particularly to indirect taxes (VAT), other charges (such as prescription and water charges) and property taxes. Similarly, it does not capture the impact of changes to the provision of public services – changes which as we highlight elsewhere in this document (see p.11) have been severe given the scale of the expenditure reductions introduced since 2008 (approximately €20 billion). As the impact of these measures differs between households it is impossible to quantify these household impacts and include them here. However, as we have demonstrated in previous editions of our Budget Analysis and Critique, these changes have been predominantly regressive – impacting hardest on households with the lowest incomes.

The households we examine are spread across all areas of society and capture those with a job, families with children, those unemployed and pensioner households. Within those households who are earning income from a job, we include workers on the minimum wage, on the living wage, workers on average earnings and multiples of this benchmark, and families with incomes ranging from €25,000 to €200,000. The analysis complements our assessments of the current Budget on pages 8 and 9.

Over the years examined (2008-2015) almost all households recorded notable decreases in their disposable income (after taxes and welfare payments). These changes have been driven by increases in income taxes, increases in social insurance contributions and reductions in welfare payments including child benefit. Measured as a proportion of household income, the decrease experienced by welfare dependent and working poor households are the largest. While other low income households, record smaller % decreases in income, it should be noted that these decreases have had to be absorbed by households with little or no spare capacity. This differs from higher income households recording similar % declines.

Only one household type, those dependent on the old age pension, experienced a small increase in their income. Of course, this group has also been exposed to notable reductions in public services, indirect benefits and measures such as the multiple increases in prescription charges.

Chart 10.1 Cumulative Impact on Welfare Dependent Households , 2008-2015

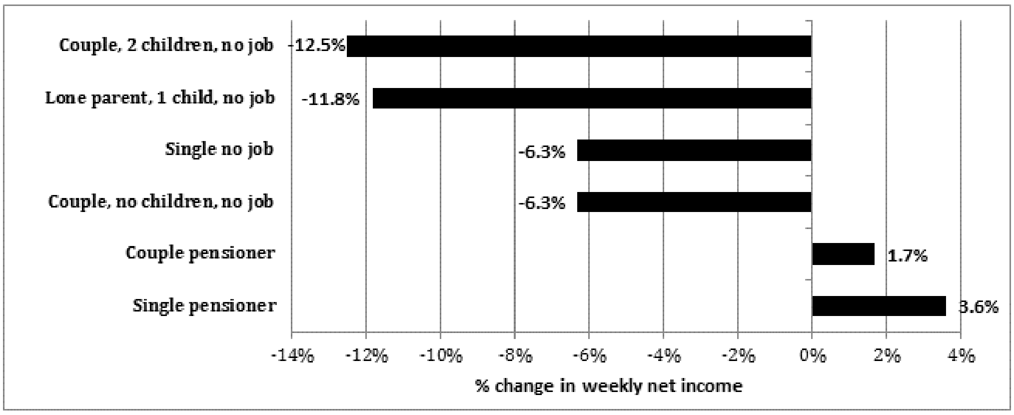
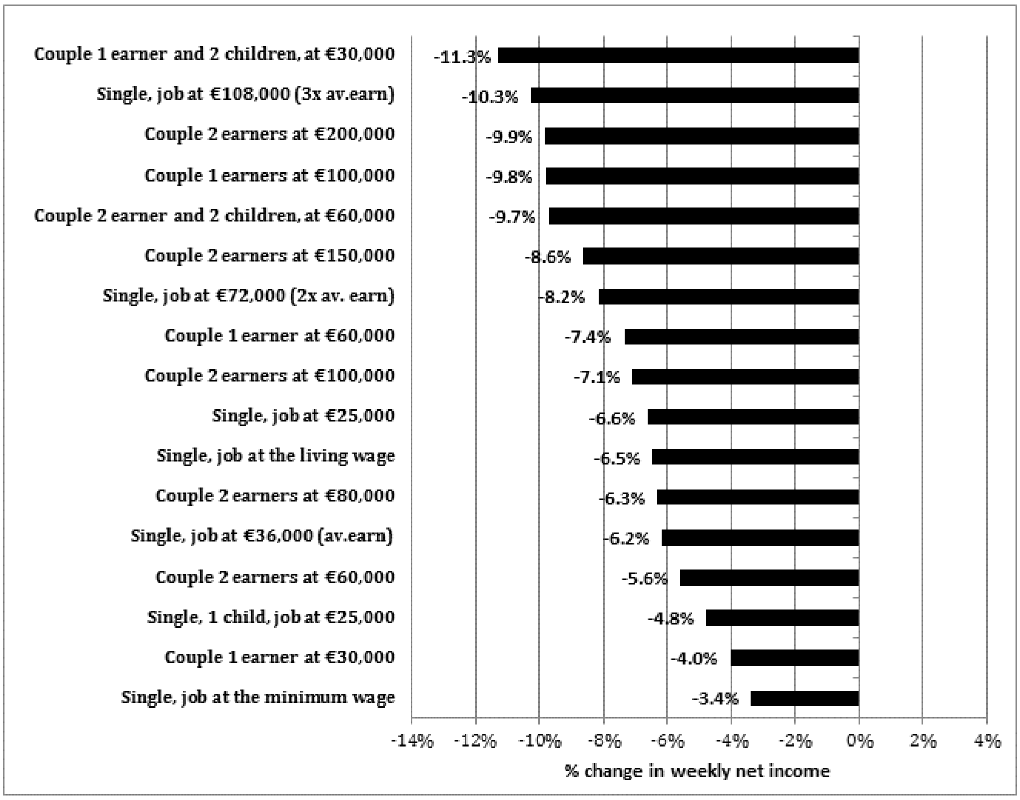


Chart 10.2 Cumulative Impacts on Households with Jobs, 2008-2015



Low Income Households and Water Charges

We are concerned that water charges will have a significantly negative effect on the lowest income households, and that measures included in Budget 2015 are inadequate to address this problem. In particular:

- The tax relief (at 20%) envisaged will not apply to those whose incomes are insufficient to pay tax (i.e. an individual whose income is less than €17,000, which is just below the national minimum wage for a full-time worker).
- While a quarterly payment is envisaged for some social welfare recipients as a support to address water charges, it appears that significant numbers of social welfare recipients (including short-term unemployed people) will not come within the categories that are intended to benefit; this should be rectified immediately.

While the 25% Christmas bonus payment announced for welfare recipients is welcome, this only amounts to 90c per week for some recipients (such as single long-term unemployed people).

This will not be in any way adequate to compensate for the introduction of water charges, which we are led to believe may amount to several hundred Euro for households.

Cumulative impact of successive budgets on families

The expenditure and taxation changes in successive budgets have had a significant cumulative impact on households in Ireland, particularly those with children and on low incomes. *Outlined below are the major changes from successive budgets 2009 to 2014.*

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 51% (€104.30) per week. The rate for those aged 25 was reduced by 29.5%.
- 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.
- Increased the number of paid contributions to qualify for Jobseekers Benefit from 52 to 104 paid contributions.
- Maximum length of time for claiming Jobseekers Benefit has been cut to 9 months for those with 260 contributions and to 6 months for those with less than 260 contributions.
- Child Benefit reduced by 21% (€36) per month for the 1st and 2nd child, and by 36% (€73) 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.
- Back to School Clothing and footwear payment cut by 34% (€105) at second level and by 50% (€100) at primary level. The qualifying age for primary level was increased from 2 years to 4 years.
- Discontinued the Cost of Education Allowance.
- The Drug Payment Scheme threshold was increased by 37% (€54) per month.
- Increased prescription charge for medical cardholders five fold to €2.50 per item. Increased the monthly prescription cap threshold for families by 22% to €25.
- Cut 600,000 home help hours.
- Abolished telephone allowance and the Bereavement Grant.
- Reduced the weekly Disability Allowance and the weekly Carers Allowance by almost 8% (€16.30) each.
- Reduced the Respite Care Grant by 19% (from €1780 to €1375).
- Introduced a student contribution of €200 for PLC courses.
- Student contribution for 3rd Level increased by €1250 and a pro-rata student contribution was introduced for apprenticeships.
- Abolished the long-term unemployment bonus to Youthreach, FAS and VTOS participants.
- Non-adjacent student grant cut by €395 and adjacent student grant cut by €155. Income threshold for FE and HE grants reduced by 3%.

Taxation

- Replaced the health levy and 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 now set at €20 per tonne in 2012. Introduced a flat rate Household Charge of €100.
- Increased the top VAT rate from 21% to 23% .
- Made maternity benefit taxable.
- Introduced the Local Property Tax set at a 0.18% of the market value of a property worth up to €1m and 0.25% on any balance above that. The tax includes local authority and social housing properties.
- Abolished the PRSI allowance which increased PRSI by €64.16 for those working and eligible for PRSI contributions. The relative impact of this change is greatest for those earning least.

Main Areas of Government Revenue — Budget 2015

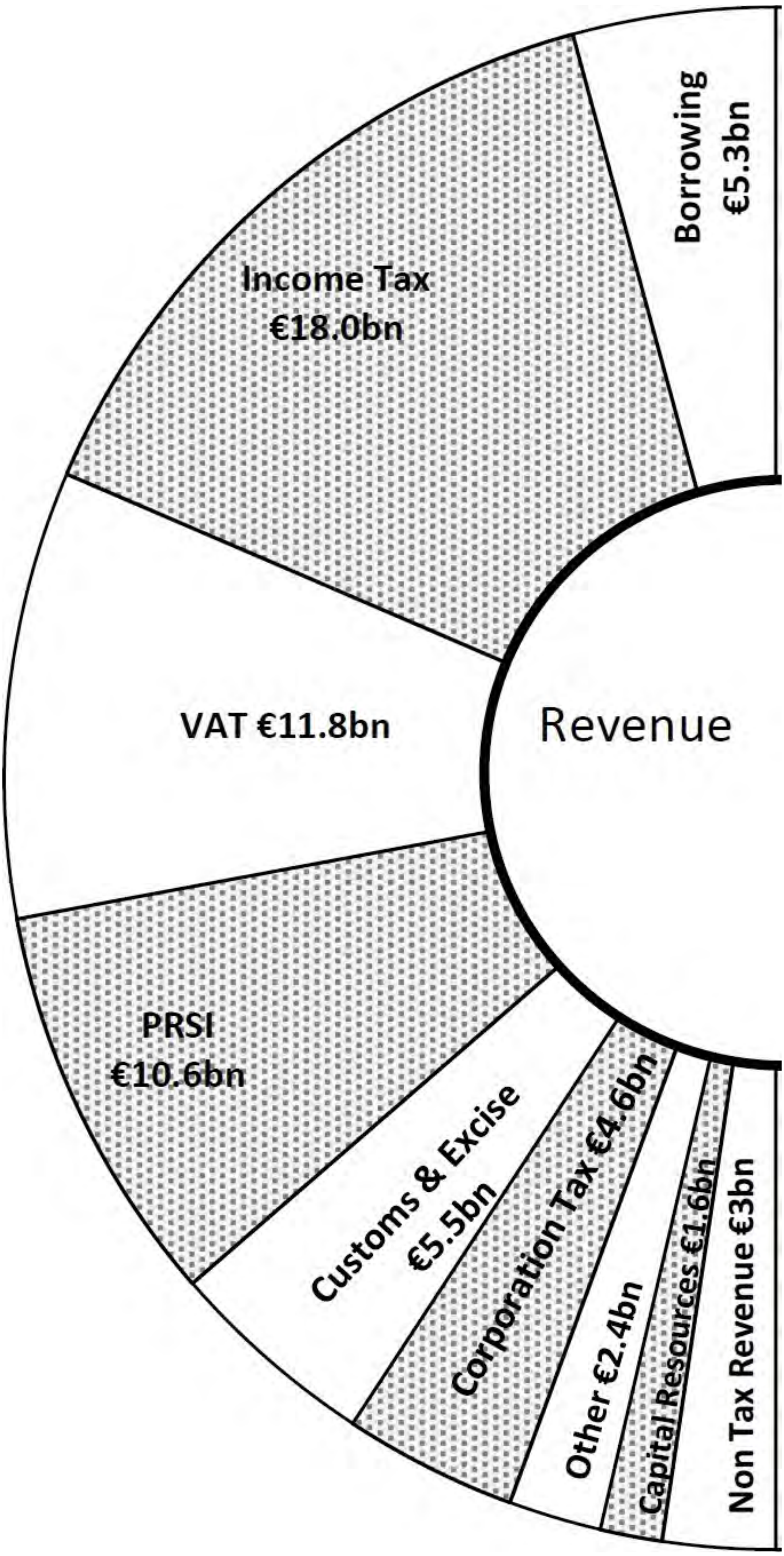
Data on pages 12 and 13 is from various Budget documents published by the Department of Finance and the Department of Public Expenditure and Reform. The diagram outlines the main areas of income and expenditure for the coming year. Expenditure includes gross current figures.

Income tax accounts for 42.3% of Government's total taxation revenue. Government reduced the 41% income tax rate to 40% in Budget 2015 and introduced a third USC rate of 8% for incomes in excess of €70,000 per annum. (See p.14/15)

The 9% VAT rate for the hospitality and tourism sector was maintained in Budget 2015.

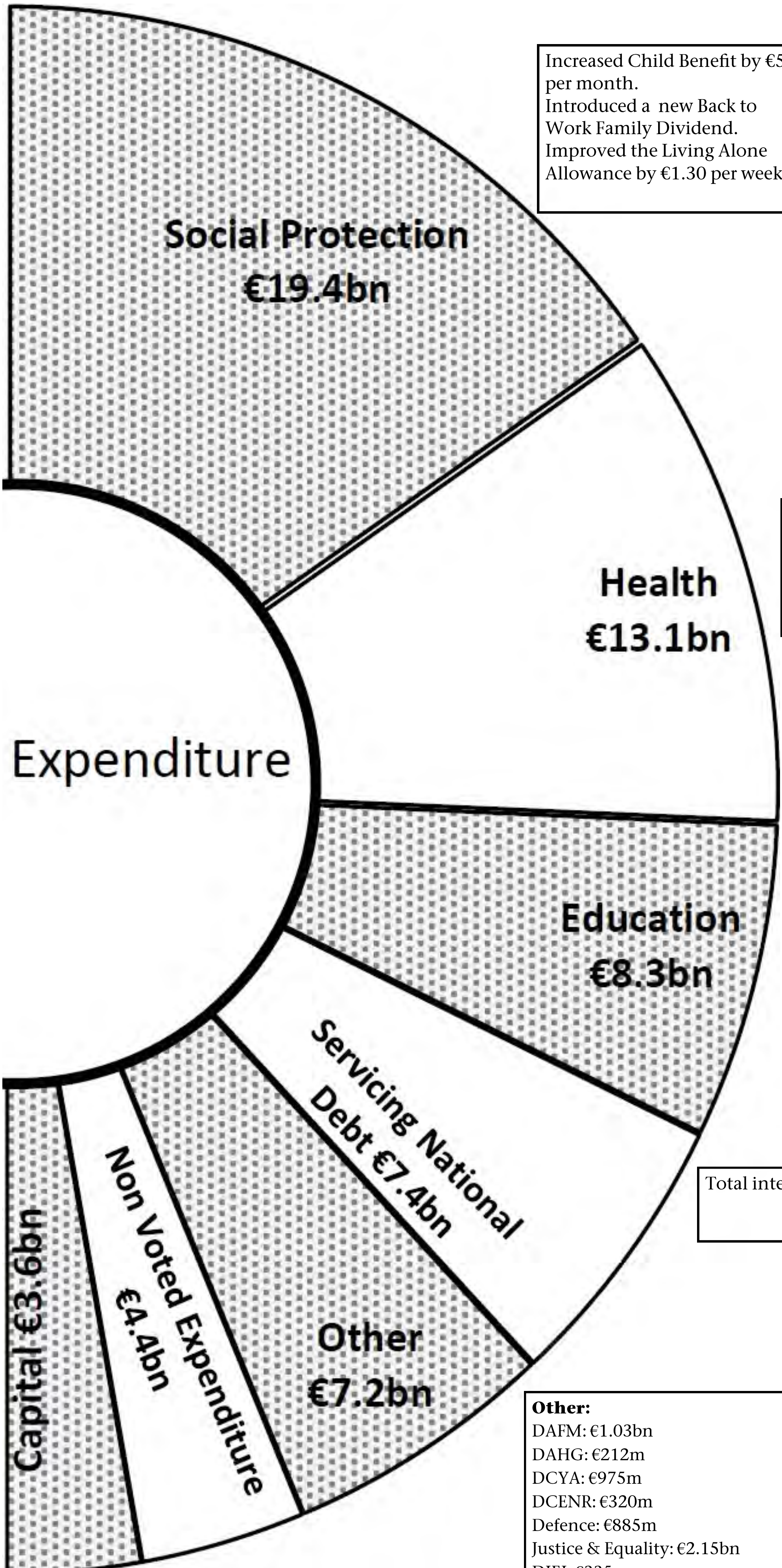
Corporation Tax amounts to 10.8% of the total tax take. Budget 2015 missed the opportunity to bring in a minimum effective corporate tax rate as proposed by *Social Justice Ireland.*

Other:
Local Property Tax: €440m
Capital Gains Tax: €415m
Capital Acquisitions Tax: €400m
Stamp Duty: €1,1185m



Main Areas of Government Expenditure — Budget 2015

Exchequer Pay and Pensions Bill for 2015 is €17.74bn



Increased Child Benefit by €5 per month.
Introduced a new Back to Work Family Dividend.
Improved the Living Alone Allowance by €1.30 per week.

Increase of €635m in current spending in Budget 2015.

€35m ringfenced for mental health services.

Allocated an extra 1,700 posts at primary and post primary level to cater for increased demand.

Total interest on ESA2010 basis

Other:
DAFM: €1.03bn
DAHG: €212m
DCYA: €975m
DCENR: €320m
Defence: €885m
Justice & Equality: €2.15bn
DJEI: €335m
DTTS: €672m

Taxation

The Context

- Ireland's tax take is one of the lowest in the EU at 31% of GDP. It has been falling dramatically as a percentage of GDP since 2007.
- National tax receipts have fallen by €12bn since 2007 despite the significant increase in the tax take from households (both directly and indirectly).
- Our low overall tax take is not sustainable and not adequate to support necessary economic, social and infrastructural requirements.
- Government must plan to have sufficient revenue to pay for servicing the national debt incurred in rescuing the banks and related costs together with meeting the costs of providing services at the level people expect.
- Ireland should raise its total tax take towards 34.9% of GDP over a number of years.
- The 'Tax Gap', the difference between the Eurostat benchmark of a low-tax country and the planned overall level of taxation by Government is an average of €5.6bn over the next three years.
- An increase in the tax take should be attained by reforming the tax base so that Ireland's taxation system becomes fairer.
- This would involve shifting taxation towards wealth, ensuring those who benefit most from Ireland's economic system contribute the most, in the most efficient manner.
- Such reform would raise the required revenue to balance the budget while providing agreed services. It would also ensure that Ireland is capable of planning for and providing the services that will be required in the future.

The Budget

Income Tax

Standard rate tax band increased by €1,000 to €33,800 for single individuals and to €42,800 for one-earner couples; a reduction in the higher rate of income tax from 41% to 40%; the combined full-year cost of both measures is €405m.

USC

Bands and rates changed to:

Income up to €12,012 exempt; otherwise

€0 - €12,012 1.5%

€12,013 - €17,576 3.5%

€17,577 – €70,044 7%

€70,044 – €100,000 8%

Above €100,000:

PAYE: 8%

Self-employed:11%.

Medical card holders and those over 70 whose income is less than €60,000 will have a maximum USC rate of 3.5%.

Full-year cost of USC changes: €237m.

VAT

'Place of supply' changes for telecommunications and broadcasting to yield an additional €100m in 2015.

Increase in the farmers' flat rate addition from 5% to 5.2% at a full year cost of €12m.

Excise duties

Tobacco Products

Excise duty (incl. VAT) on 20 cigarettes increased by 40 cents; pro rata on roll your own and other tobacco products to yield an additional €53m in a full year.

Betting duty

Extension to remote operators to yield €25m in a full year.

VRT

VRT reliefs for the purchase of electric and hybrid vehicles extended to end-2016 at a full-year cost of €3m.

Artists' Exemption

The threshold increased by €10,000 to €50,000 and extension to non-resident artists. Full year cost: €0.8m.

Foreign Earnings Deduction

Relief extended for a further 3 years to benefit Irish executives working temporarily abroad; further countries included and other conditions eased. Full-year cost: €1m

Special Assignee Relief

Upper salary threshold being removed and other conditions being relaxed to benefit overseas executives working in Ireland. Full-year cost: €1m

Tax relief on water charges

Tax relief at 20% for water charges up to €500 per year to cost €40m in a full year

Home Renovation Incentive

Extended to rental properties at a full year cost of €3m.

Capital Acquisitions and Capital Gains Tax

Relief for farm restructuring extended to end-2016; cost €2.5m, full year.

Targeting of CAT agricultural relief to active farmers at a full-year cost of €3.5m.

Corporation Tax

Research & Development Tax credit:

25% tax credit is currently available on incremental expenditure from 2003 base: the base is to be abolished at a full-year cost of €50m.

Capital Allowances for the provision of specified intangible assets: the current restriction to 80% of trading income is to be removed at a full-year cost of €27m.

DIRT

Relief from DIRT to be provided for savings used by first-time house buyers at a cost of €2.8m in a full year.

Other Farming Measures

A range of further measures introduced for farming; full year cost €13.6m.

Taxation

Our Response

In Budget Choices, published in June 2014, *Social Justice Ireland* asked Government, amongst other things, to:

- Introduce a minimum effective corporate tax rate of at least 6% on profits made here
- Standard rate the tax break for pension contributions to 20% and introduce a universal basic pension payment for all people over 65
- Introduce Refundable Tax Credits to benefit low-income people.

Instead, Budget measures included changes in USC that will minimally benefit people on the national minimum wage (see page 10). Those who will benefit most from the tax changes introduced are:

- high earners with incomes above €75,000 (see page 8);
- resident and non-resident executives (reliefs extended): and
- the corporate sector which will benefit from measures totalling €95m.

This time last year the Minister stated that he would bring forward a change in the Finance Bill to ensure that Irish registered companies cannot be 'stateless' in terms of their place of tax residency. Following budget 2015, for existing companies this facility will not finally disappear until 2021.

Relief for personal pension contributions will continue at the higher rate (and will continue to benefit higher earners) and Government ignored *Social Justice Ireland's* proposal for a universal pension that would achieve universal coverage.

Debt: costs & write-off

Falling interest rates and the improvement in the public finances have begun to assist in stabilising Ireland's debt burden. However, despite this the Budget reveals that in 2015:

- Ireland's gross national debt will be 110% of GDP (€203bn);
- General government expenditure on paying interest on the national debt will be €7,380m; and
- Government is set to borrow €6,485m in 2015 - therefore the equivalent of all of this borrowing plus €895m in tax revenues will be used to service debt.

While much of this debt is related to the collapse of Ireland's taxation system in 2008/09 a sizeable proportion is associated with rescue of various failed banks. Given the European context of these bailouts, it is a regret that Government has to date failed to secure a significant write-off of the banking component of this debt. Such a write-off is a matter of fairness and appropriateness and is overdue.

Corporate tax reform

Over the past two years there has been a growing international focus on the way multi-national corporations manage their tax affairs. This focus has been overdue and most welcome - corporations, irrespective of their size or significance, cannot expect to locate in a country without contributing a reasonable proportion of their profits in taxation - much as small and medium enterprises (SMEs) do as a normal course of events. While there are no official statistics for the effective tax rates of multi-nationals in Ireland our calculations suggest they are as low as 3% for many large corporations while SMEs pay close to 12.5%.

The current OECD BEPS project implies significant change to current structures of corporate tax. While some reforms have been signalled, we regret that as part of that transition Budget 2015 did not implement our proposal for a minimum effective corporation tax rate of 6%. Such a move would have provided an additional €500m in 2015 - resources which could have supported fairer choices.

Windfall Gains Mistake

Social Justice Ireland believes that the Budget 2015 decision to abolish the 80% windfall gains tax on rezoned development land is a mistake. The vast profit made by property speculators on the rezoning of land by local authorities was a particularly undesirable feature of the recent economic boom. For some time *Social Justice Ireland* called for a substantial tax to be imposed on the profits earned from such decisions and this was a most welcome initiative of the last Government. While this measure may provide little current revenue, it is best to make the system fairer before any further unearned gains are reaped by speculators. Re-zonings are made by elected representatives supposedly in the interest of society generally. It therefore seems appropriate that a sizeable proportion of the windfall gains they generate should be made available to local authorities and used to address the ongoing housing problems they face. Abolishing this special tax is a mistake.

Universal pension overdue

Social Justice Ireland has produced a detailed study showing how and why a Universal Pension could be introduced into Ireland. Such an initiative would provide older citizens, regardless of their previous social insurance contribution record or means, with a guaranteed income during old age. It would also provide those older people who do not receive any support through the state pension system with a pension thus achieving universal coverage.

Such an initiative would provide a secure and certain framework around which citizens could plan for their retirement. Over time it would distribute income from the wealthiest in society to the poorest and it would ensure the long-term sustainability of the state pension system.

Unfortunately, Government chose not to take up such a progressive approach in Budget 2015. A universal pension is a very desirable goal and should be put in place.

Social Protection

The Context

- One in six or 16.5% of people are at risk of poverty (CSO SILC 2014). This increase is in spite of the median poverty threshold declining by 10% since 2009.
- More than one quarter of the population (27%) experiences two or more enforced types of deprivation. The consistent poverty rate is 7.7%.
- By age group, children (0-17) continue to have the highest risk of poverty with almost one in five children (18.8%) in this category. Overall children represent one-quarter of Ireland's poor.
- Persons aged 65+ had the lowest risk of poverty at 12.1%.
- 58 per cent of those in poverty are not connected to the labour market.
- The at risk of poverty rate in rural areas (19.2%) is over 4.5 percentage points higher than urban areas (14.7%). The at risk of poverty rate in the Border, Midland and Western region is 21.4%.
- Without social welfare payments 50.3% 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.
- The basic social welfare rate for a single person is more than €14 a week below the poverty line.
- Households with the lowest incomes, including those living below the poverty line and those just above it, experienced the highest levels of financial stress before and during the recession. This highlights the cumulative impacts of cuts on these households.

The Budget

- Maintained social welfare rates for all existing schemes and supports.
- Introduced a new Back to Work Family Dividend to help unemployed households with children return to work. Households with children returning to work can retain the Qualified Child Increase (QCI) of €29.80 for 12 months after they return to work. In the second year families can retain 50 per cent of the QCI. This measure provides an additional €1,549.60 per child for the first year.
- Increased Child Benefit by €5.00 per month per child from €130.00 to €135.00. This is an annual increase of €60.00 in Child Benefit.
- Partially restored the Christmas Bonus. This payment will be 25 per cent of the standard weekly payment and will be paid to long-term welfare recipients.
- Improved the Living Alone Increase by €1.30 per week from €7.70 to €9.00. This is an annual increase of €67.60.
- Gave a €100.00 per annum water subsidy to those in receipt of the Household Benefits Package to help offset water charges.
- Gave €100.00 per annum to Fuel Allowance recipients who do not already receive the Household Benefits Package to help offset water charges.
- Increased funding for the School Meals Programme by €2 million to €39 million in 2015.
- Doubled the number of places on JobsPlus from 3,000 to 6,000 to incentivise employers to hire those who are long-term unemployed.
- Announced that €12 million will be provided for the new employment support programme Jobpath.

Our Response

- *Social Justice Ireland* regrets that Budget 2015 did not increase primary social welfare rates. CPI data from April 2014 suggests that since 2010 average prices have increased by 5.43 per cent. Once again, the budget has not recognised the impact of inflation on low income families. The continued failure to increase payments is in effect a cut in the real value of social welfare payments.
- While *Social Justice Ireland* welcomes the improvement in the Living Alone Increase, it notes that an increase of €1.30 per week is insufficient and will not meet the additional costs faced by those who live alone.
- The new Back to Work Family Dividend is wholly inadequate. It fails to address or recognise the cost of childcare and other costs such as transport that are associated with returning to work.
- The €100 water subsidy for those in receipt of the Household Benefits Package and the Fuel Allowance will not offset the full financial burden of water charges on low income households. Furthermore, those dependent on social welfare but not in receipt of these payments will have to bear the brunt of water charges.
- It is inevitable that the imposition of water charges on low income families will lead to an increase in the number of households at risk of poverty.
- Social Justice Ireland notes the partial restoration of the Christmas Bonus.
- Social Justice Ireland believes that Budget 2015 has failed to alleviate the depth of poverty experienced by low income households, in particular those households without children.
- Overall, Budget 2015 has not secured the 'social recovery' of low income and welfare dependent households.

Work, Unemployment, Job Creation

The Context

- The unemployment rate is 11.5% (CSO, QNHS Q2 2014). Within this are regional variations. The unemployment rate in the South East is 14.3% and the Midlands unemployment rate is 13.9%
- The long term unemployment rate is 6.2% accounting for 57.6% of the total number unemployed. Long-term unemployment is now a structural problem. The rate of unemployment among young people aged 20-24 is 26.9%.
- Employment rose by 1.7% (31,600) in the year to Q2 2014.
- Thee numbers classified as self-employed have increased by 3.9%.
- The growth in employment is welcome, but it is not widespread. Worryingly, full-time employment is falling in the West, Mid-West, and South-West.
- Part-time underemployment now accounts for 28.8% of all part-time employment.
- The 2012 CSO SILC study (2014) shows that 16% of adults living below the poverty line have a job.
- Net emigration among Irish nationals in April 2014 was 29,200 giving a cumulative total of over 123,000 in the five years since end-April 2009.
- Such high levels of emigration amount to a 'brain drain' which will have long-term negative impacts for Ireland in terms of the loss of highly skilled and education young people from the labour force.
- The latest Government projections in the Stability Programme Update show unemployment to remain at 9.7% at the end of 2016.

The Budget

- Allocated to Department of Jobs, Enterprise and Innovation €449.5m capital and €285m current expenditure, a total of €734.4m
- Allocated €1.6 billion through the Department of Social Protection to provide 300,000 work and training places under the Pathways to Work programme.
- Allocated €12 million through the Department of Social Protection for the JobPath initiative.
- Provided 6,000 positions on the JobPlus scheme.
- Committed to establishing a Low Pay Commission in 2015.
- Allotted €260 million to Research and Development through Enterprise Ireland and Science Foundation Ireland.
- Extended the qualifying limit for excise duty relief for microbreweries.
- Extended the rebranded Start-Up Relief for Entrepreneurs (formerly Seed Capital Scheme) to include those who have been unemployed up to 2 years.
- Committed to extending the Corporation Tax relief for start-ups to new businesses in 2015.
- Allocated funding to the IDA for property programmes in Waterford and Athlone and the development of "strategic property assets" in Letterkenny.
- Provided investment for the European Space Agency's Space Industry and Research Programmes.
- Committed to extending the Corporation Tax relief for start-ups to new businesses in 2015.
- Increased funding to Local Enterprise Offices for the funding and support of micro and small businesses.

Our Response

- *Social Justice Ireland* is disappointed at the lack of actual job creation provided for in Budget 2015.
- While the significant investment in work and training through Pathways to Work is to be welcomed, the cost per unit of providing 300,000 places appears very optimistic.
- The Government must ensure that the allocation of additional funding to the JobPath initiative addresses the concerns outlined in the Interim Report of the Labour Market Council (April 2014) in respect of the risks of establishing such a complex programme within a tight deadline, "service fragmentation" and the industrial relations issues already emerging.
- The 6,000 JobPlus places could cost between €45 and 60 million over two years (estimated at €12 million for 2015), paid to private employers, while supporting just 4% of the existing long term unemployed (CSO, QNHS Q2 2014).
- The extension of the Start-Up Relief for Entrepreneurs to persons who have been unemployed for up to 2 years takes no account of the correlation between long term unemployment and low levels of educational attainment or the inability of individuals to generate the start up capital required.
- The provision of funding to the ESA and science industry continues to ignore the skills deficit in this area identified in the National Skills Bulletin 2013.
- While supports to the Agriculture sector are welcomed, *Social Justice Ireland* reiterates our call for specific rural development employment policies.
- The lack of targeted supports for the underemployed and those in precarious employment is extremely disappointing.

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. Universal access is needed to ensure that a social model of health can become a reality.
- Ireland spends 8.4 per cent of GDP on health. Public spending on healthcare has been reducing in recent years. Continuing budgetary cuts raises serious concerns regarding access to necessary services for certain groups. International experts state that it is not possible to have a sustainable health system with a 3% reduction in expenditure year on year.
- Ireland is the only EU health system that does not offer universal coverage of primary care.
- Mental health services are facing increasing demands whilst staffing levels are only at 75% of what was recommended in *A Vision for Change.*
- Primary care teams should be staffed and resourced adequately to ensure everyone in Ireland can access healthcare in the most appropriate manner when needed
- Ireland's population is ageing. By 2025 the number of people aged over 85 years will have doubled.
- Since 2007 the number of home help hours delivered has decreased by 21% (2.5 million hours).
- If the health of older people is to be addressed appropriately it is essential that they are supported in ways that enable them to live at home as long as possible. This requires the provision of and continued resourcing of community-based services which are adequate to meet their needs.

The Budget

- Allocated €13.079 billion for Health in 2015 (including an increase of Exchequer funding of €305 million).
- There will be an increase of €635 million in current spending for the health services compared to the start of 2014.
- The total capital budget for 2015 will be a further €382 million.
- In addition, specific savings and efficiencies of €130 million have been identified. Any savings will go back into the development and delivery of services for patients.
- €35 million is ring fenced to enhance mental health services and invest further in suicide prevention. Additional staff will be provided so that patients can access mental health services such as psychologists and counsellors in the primary care setting.
- There will be an extra €6 million allocation for therapy services in the Children and Young People Programme.
- Funding of €25 million to be set aside for delayed discharges thereby improving timelines for admissions from Emergency Departments and waiting lists.
- Committed €3 billion to services for older people and disability services.
- Breast Check will be extended in 2015 to women up to the age of 69 as outlined in the Programme for Government.

Our Response

- *Social Justice Ireland* acknowledges a modest Budget increase in health service funding for the first time in 7 years .
- We welcome the move to multi annual planning as the budget is now envisaged to be developed over a 2 year period.
- We acknowledge that funding has been provided for services at their current levels. However we are seriously concerned that there is no evidence that funding has been provided for demographic changes which will see a steady increase of older people and people with disabilities accessing services.
- We welcome the €35 million ringfenced for mental health services in Budget 2015.
- We also acknowledge as positive both the extra €6 million allocation for therapy services in the Children and Young People programme, along with the €12 million which has also been allocated for school leavers over 18 yrs.
- We welcome the increase of 40c on a packet of 20 cigarettes. Smoking is the greatest single cause of preventable illness and premature deaths in Ireland, killing over 5,200 people a year.
- Budget 2015 commits to provide home care and community support services to enable older persons to live independently in their own homes for as long as possible. To facilitate this we believe that home help hours should be increased as a matter of urgency.

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 and the numbers at primary level have been increasing since 2001.
- Ireland spends just 0.1 per cent of GDP on pre-primary education compared with an OECD average of 0.5 per cent of GDP. Continued underinvestment in early childhood education is a cause for concern and a long-term cost to the state.
- The highest return from investment in education is obtained between the ages of 0-5 years. For every €1 invested in children aged 0-5 there is a €7 return.
- Almost 1 in 5 (18%) of the adult population (aged 16-65) scored at or below Level 1 in the OECD Survey of Adult Skills. These findings highlight the need to invest in adult education.
- One in ten 18-24 year olds are early school leavers. The unemployment rate for early school leavers is 37 per cent, almost twice that for other people in the same age cohort. This presents a major challenge for government that needs a long term policy response.
- Irish third level graduates enjoy the highest income return of all member states in the OECD, on average 64% 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 universal early childhood education and programmes addressing adult literacy.

The Budget

- Increased the student contribution by €250 to bring it to €3,000 per annum. This will come into effect in the 2015/2016 academic year.
- Reduced the capitation grant for primary and post primary schools by 1%.
- Reduced the standard capitation rates for 2015 at primary level from €173 to €170 and from €301 to €296 at post primary level.
- Reduced the capitation grant for further education programmes (VTOS, PLC, Youthreach) by 1%.
- Reduced core pay funding for HEIs by 1%.
- Reduced non-core pay funding for HEIs by 1%.
- Restored the €25m allocation to HEIs withheld in 2013 and 2014.
- Allocated €6m to the literacy and numeracy strategy.
- Announced the recruitment of 900 classroom teachers, 480 resource teachers and 365 SNAs. 145 SNA posts will be in place by the end of 2014.
- Allocated an additional €5m to Junior Cycle Reform.
- Maintained the existing 270,000 further education and training places.
- Changed the arrangement for payment of maintenance grants to alleviate financial difficulties experienced by students. This will come into effect in the 2015/2016 academic year.
- Allocated €530m in capital expenditure to be deployed on the school sector, PPP projects and on Higher Education Projects. This will be focussed on providing additional permanent places to meet demographic need.

Our Response

- The 1,700 additional posts while welcome, are simply keeping pace with demand. Ireland has the second highest average class size at primary level in the EU, these additional posts simply retain the present pupil teacher ratio and existing individual allocations.
- Capitation grants for primary and post primary schools have been cut by 10% since 2008 and were cut again in Budget 2015. It is disappointing that expenditure in this area was not increased given the significant reductions to date and the pressures on this Budget due to demographic changes and increased demand.
- VTOS, PLC and Youthreach Programmes have also had their capitation grants cut by 10% since 2008 and were cut again in Budget 2015. Given that these services make up a significant component of the Youth Guarantee this policy approach seems at odds with the stated aims of the Youth Guarantee.
- The lack of investment in Adult Literacy is extremely disappointing given the significant and ongoing challenge Ireland faces in this area.
- The increase in the student contribution charge to €3,000 will impact most on students from lower socio-economic backgrounds.
- Overall the Budget displays a lack of imagination in how further and higher education can flexibly contribute to meaningful education and training opportunities for the large numbers of people who are unemployed.
- The capital programme to keep pace with demand for places at primary and post primary levels is welcome.

Investment: Some Progress

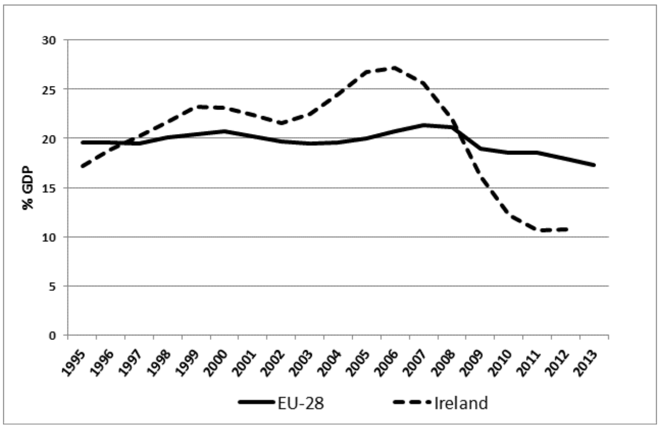
Social Justice Ireland has argued for greater Government focus on increasing investment in the economy.

A legacy of the recent economic crisis is that the Irish economy has moved to a situation of serious underinvestment. As the Chart shows, over recent years Ireland decreased its investment levels to well below any historic EU average or Irish figure experienced during most of the past two decades. An analysis by NESC identified that since 2007 public investment declined by 40 per cent - with Government investment down 50 per cent and state commercial companies down 20 per cent.

In recent years we have outlined a series of proposals for a socially orientated investment stimulus targeted on nine key areas: renewable energy, social housing, primary care facilities, energy efficiency, education facilities, early childhood care and education, community nursing facilities, non-motorway roads and water services.

Budget 2015 has made some progress with initiatives in areas such as social housing, education and health. These are most welcome, but further resources and policy commitments are required.

Chart 20.1: Investment as % GDP, Ireland & EU-28



PPNs - Participation

Public Participation Networks (PPNs) are being established in every Local Authority as part of the new Local Government structure. These aim to enable the public to take an active formal role in the policy making and oversight activities of the Local Authority's areas of responsibility.

These PPNs will be the main link through which Local Authorities connect with the community, voluntary, social inclusion and environment sectors. The PPN structure for engagement will ensure all stakeholders can participate in all their areas of interest on an ongoing basis.

To be effective these PPNs must be adequately resourced. In our discussion with Government in advance of Budget 2015 being announced we argued that a budget of €115,000 was required by each PPN. The details contained in the Budget 2015 documentation do not show whether or not this allocation has been made. Without it the PPNs will not be able to operate effectively.

Sustainability

Sustainability should be a central motif for economic, social and environmental policy development. Central to this is a recognition that these dimensions are complementary. We highlight two issues:

Budget 2015 is notable for its failure to place sustainability at its core. Climate change remains the largest long-term challenge facing Ireland and the wider world. Providing incentives for a substantial increase to the national dairy herd without complementary balancing measures to limit CO_2 emissions is problematic in this context.

A sustainable recovery requires balanced regional development. Such balance is not obvious in Budget 2015 even though some regions have been suffering more than others.

New indicators of progress are needed. Budget 2015 did not allocate the resources required to develop such indicators and failed to prioritise the issue of sustainability.

Disability

People with a disability experience higher everyday costs of living because of their disability when compared to others in society. They have also suffered disproportionately as a result of the cumulative cuts of recent budgets (cf. page.11). They are among those most at risk of poverty.

Budget 2015, however, does not address the extremely difficult situation in which people with disability live. Since 2008 there have been cuts of €159m to disability services, equivalent to a 9.4% reduction in spending without including inflation.

It is important to note that this reduction is occurring at a time when the demand for disability services is rising.

Rural

Rural development is closely linked with balanced regional development. Rural areas have been severely impacted by cuts in services where the steady erosion of Ireland's social infrastructure is especially evident. Emigration is widespread. Unemployment is above the national average.

Falling employment has been especially hard on rural dwellers and diversification of the rural economy is needed. Budget 2015 introduced some tax changes to benefit farmers and provided a small increase in funding for programmes but overall these are not nearly adequate to tackling the challenges faced by rural Ireland set out above.

Public Finances 2015 — 2017

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.

Rounding may impact on totals	**2015**	**2016**	**2017**
CURRENT BUDGET	€m	€m	€m
Expenditure			
Gross Voted Current Expenditure	50,075	50,075	50,075
Non-Voted Current Expenditure	10,950	11,200	11,300
	61,025	**61,275**	**61,375**
less Receipts and Balances	12,040	12,150	12,465
Net Current Expenditure	**48,985**	**49,125**	**48,910**
Receipts			
Tax Revenue	42,300	44,430	45,490
Non-Tax Revenue	2,955	2,500	2,265
Net Current Revenue	**45,255**	**46,930**	**47,755**
CURRENT BUDGET BALANCE	**-3,730**	**-2,195**	**-1,155**
CAPITAL BUDGET			
Expenditure			
Gross Voted Capital	3,550	3,550	3,550
Non-Voted Expenditure	1,130	1,220	1,090
Gross Capital	**4,680**	**4,770**	**4,640**
less Receipts	290	295	295
Net Capital Expenditure	**4,390**	**4,475**	**4,345**
Capital Resources	**1,635**	**3,525**	**1,595**
CAPITAL BUDGET BALANCE	**-2,755**	**-950**	**-2,750**
EXCHEQUER BALANCE	-6,485	-3,145	-3,905
GENERAL GOVERNMENT BALANCE	**-5,315**	**-3,875**	**-1,930**
% of GDP	-2.7%	-1.9%	-0.9%
UNDERLYING GENERAL GOVERNMENT PRIMARY BALANCE	2,185	3,896	6,157
% of GDP	1.1%	1.9%	2.9%

SOCIAL WELFARE: Social Insurance changes January 2015

PERSONAL AND QUALIFIED ADULT RATES	Present Rate	New Rate	Change
State Pension (Contributory)			
(i) Under 80:			
Personal rate	230.30	230.30	0.00
Person with qualified adult under 66	383.80	383.80	0.00
Person with qualified adult 66 or over	436.60	436.60	0.00
(ii) 80 or over:			
Personal rate	240.30	240.30	0.00
Person with qualified adult under 66	393.80	393.80	0.00
Person with qualified adult 66 or over	446.60	446.60	0.00
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:			
Personal rate	193.50	193.50	0.00
Person with qualified adult	331.60	331.60	0.00
Carer's Benefit			
Personal rate	205.00	205.00	0.00
Maternity Benefit			
Personal rate	230.00	230.00	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 to Child Benefit Rates coming into effect January 2015

	€	€	€
Child Benefit			
All Children	130.00	135.00	+5.00

SOCIAL WELFARE: Social Assistance changes January 2015

	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
Widow(er)'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
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
Living Alone Allowance			
Weekly	7.70	9.00	+1.30
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 2015

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	100.00	100.00	0.00
Person with qualified adult	200.00	200.00	0.00
25 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

Details regarding maximum weekly rates of Supplementary Welfare Allowance January 2015 available in Comprehensive Expenditure Report 2015-2017 p106

What would REAL recovery look like?

What would real recovery look like? What steps are required to build a fairer future? [1]

Budget 2015 has taken many initiatives and provided some additional resources for the coming year. Some of these are welcome. However it lacks a coherent vision that would secure real recovery.

Here we list twelve measures (not an exhaustive list) which, could have been implemented in Budget 2015 within the fiscal parameters allowed. They would have moved Ireland towards real recovery and a fairer future.

1. To reduce poverty levels: increase tax credits by €3.50 and social welfare rates by €5 a week.
2. To tackle the working poor issue: make tax credits refundable.
3. To reduce the social housing waiting lists: secure the multi-billion euro off-the-books investment required to provide appropriate accommodation to those who are homeless or on waiting lists.
4. To move towards a fair taxation system—introduce a minimum effective corporate tax rate.
5. To tackle the jobs and unemployment crisis—further increase the level of investment (e.g. #s 3 and 10 as well as in areas such as disability services).
6. To support the world's poorest—increase the ODA budget and commit to meet the UN target by 2020.
7. To use resources for maximum long-term impact in education—increase the investment in 0-5 year olds.
8. To reduce pressure on the healthcare system—roll out the infrastructure to ensure primary care teams cover the whole country.
9. To support older people—introduce a universal pension financed by standard rating the pension tax break.
10. To revitalise rural Ireland—frontload the roll-out of broadband
11. To prioritise sustainability—provide for new indicators of progress and wellbeing to underpin all government's decision-making.
12. To promote participation—resource the Public Participation Networks.

Of major importance also is the need to think beyond the immediate future. Many of Ireland's challenges cannot be addressed in the short term. Long-term thinking and planning are essential ingredients in producing real recovery.

Social Justice Ireland believes that Ireland should be guided by a vision of becoming a just society in which human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected. The core values of such a society would be human dignity, equality, human rights, solidarity, sustainability and the pursuit of the common good.

Implementing the 12 initiatives listed above would have moved Ireland in that direction.

1. Detailed answers to these questions are available in *Social Justice Ireland's* Socio-Economic Review 2014 published in April. Full text is on our website.

Overseas Development Aid

Budget 2015 allocated €601m to Ireland's Official Development Assistance (ODA) programme—an increase of €2m on 2014. This allocation, however, represents a further reduction in the percentage of Gross National Income (GNI) going on ODA. It now stands at almost 0.38% of GNI down from 0.39% in 2014, 0.47% in 2011 and 0.57% in 2008. (All of these calculations are based on the new, adjusted measurement of GNP and GNI introduced earlier this year by Eurostat.)

This is the eighth real cut in a row, totalling over 30% of the total ODA budget (in 2008 the allocation was €920m). While this year sees a welcome but small increase in the cash amount allocated, the continued reduction in the percentage of GNI going on ODA is at odds with the Government's commitment to raise ODA to the UN target i.e. 0.7% of GNI which it originally promised to achieve by 2015..

Ireland's overseas aid is effective. It has long been recognised as making real and positive differences to the lives of millions of people across the Global South.

Thanks to aid, nine out of ten of the world's children are now in school and poor countries are becoming more self-reliant. It is essential that Ireland keep its promises to the developing world.

It is not acceptable that Ireland fails to make progress towards the UN target for ODA. This is especially true while at the same time we are fully repaying bond-holders and financial institutions whose reckless gambling produced the economic crash.

Social Justice Ireland strongly urges Government to commit to reaching the UN target by 2020.

Using the Government's own forecasts on economic growth in the years immediately ahead, reaching the UN target would require the ODA budget to reach €1,250m by 2020.

This should be the Government's target and a clear pathway to reaching that target should be published immediately.

It is important to note that four EU member states met or exceeded the UN target in 2014 i.e. Denmark, Luxembourg, Sweden and the UK.

Ireland can and should do better.

SOCIAL JUSTICE IRELAND

working to build a just society

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

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