SOCIAL JUSTICE IRELAND

working to build a just society

Budget 2021
Analysis & Critique

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CONTENTS:

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Budget leaves poorest behind despite Government rhetoric

Budget 2021 has left Ireland's poorest people behind as Government decided not to increase core social welfare rates. Despite allocating more resources than any previous Budget in the history of the State, the distribution of those resources was such that the gap between the poor and the better off will widen in 2021 and inequality will increase. This is a totally unacceptable outcome.

In calculating how people's incomes will change in 2021 it is important to realise that many people with jobs are likely to see increases in their take-home pay in the coming year (cf. page 3) . Public servants will see an increase of 2% while the pay of other sectors is also expected to increase. In contrast to that, people on core social welfare payments depend on the Budget alone to increase their incomes.

The Department of Finance estimate that compensation per employee rose by 2.9% in 2020 and will rise by 1.3% in 2021 (Table 23, Economic and Fiscal Outlook). In that context it is not acceptable that core social protection rates remained unchanged, which, given estimates for inflation in 2021, will mean a real term reduction in the value of the core payments.

The ESRI has commented that Budget 2020 would increase poverty. We believe Budget 2021 will have a similar impact.

While the distributional analysis of the Budgetary measures undertaken by the Department of Public Expenditure and Reform demonstrates the importance of progressive changes to payments such as the Living Alone Allowance, Fuel Allowance and increases for Qualified Children, there will be large numbers of people depending on core social welfare payments who do not qualify for some or all of these allowances who will definitely be left behind.

While TDs will see their salaries rise by close to €2,000 in the coming year (almost €40 a week) many of Ireland's most vulnerable people will see their incomes remain unchanged for the second year in a row. Among other things they will face additional increases in the cost of food as a result of Brexit and higher charges for public transport as a result of increased carbon tax.

Social Justice Ireland recognises that poverty is never just about income. But it is always about income. Failure to increase core social welfare rates will have a profoundly negative impact on some of Ireland's most vulnerable people. As a result of Budget 2021 inequality will increase in Ireland, the rich/poor gap will widen and Ireland will continue its journey towards becoming a deeply divided two-tier society.

Deeply divided societies are bad for business, for society and for the environment. Budget 2021 fails to address the divisions.

Continued on page 2

Welcome

- Adoption of a counter-cyclical fiscal stance.
- Financing for the Community Health Networks
- Acknowledgement by Government that tax and welfare are a single system.
- Providing the finance to implement the McMahon Report and end Direct Provision.

Regret

- Failure to increase core social welfare rates.
- Failure to make tax credits refundable to address the working poor issue.
- No progress towards just taxation.

Some progress, some shortcomings

Budget Criteria

Budget 2021 must be judged by the degree to which it protects people from poverty, equips people and businesses to confront Covid-19 and Brexit, and addresses the climate and environmental crisis. The challenge for Government is to use the fiscal space available to introduce the necessary measures to support incomes and underpin the public health measures to save lives, preserve our economic capacity and prepare for the impact of a no-deal Brexit. Its response to this challenge in Budget 2021 has been mixed.

Correct Fiscal Stance

The White Paper indicates that, on a no policy change basis, the General Government deficit for 2020 would have been 6.1% of GDP and 4% for 2021. Budget 2021 measures will bring the deficit to 6.2% of GDP in 2020 and 5.7% in 2021. This, and the historic support offered by the ECB which allows for the issuance of Government debt at historically low rates, indicates the significant fiscal capacity available to the State.

This is a very different environment than 2008 - 2014, when the State faced an unsympathetic ECB and higher budget deficits (including the once-off costs of recapitalising the banking system). *Social Justice Ireland* welcomes the fact that the lessons of a decade ago have been learned and the approach we advocated at that time is now being followed.

Inadequate Covid-19 response

The Covid-19 public health measures rely on the State supporting the incomes of workers and viability of firms to ensure that both are in a position to comply with the measures and, for workers and owners alike, to live with dignity. This was the key to addressing the first wave of the virus.

As we face the necessity to return to tougher public health restrictions, many people are not receiving sufficient support through adequate income payments and public services.

The choices made by Government in Budget 2021 mean that vulnerable people will see their standard of living fall and they will slip even further behind the rest of society. This is not acceptable.

Increased investment welcome

Social Justice Ireland welcomes the increased expenditure on core capital programmes by €1.6 billion next year. *Social Justice Ireland* has strongly argued that investment is essential to secure economic development; to protect communities; to keep unemployment low; to ensure critical infrastructure deficits are addressed; and to tackle climate change at the level required.

Borrowing cheaply for needed investment always makes good fiscal sense, but it makes sense now more than ever. However, these added resources come with some policy challenges. Government will need to use these resources strategically in the current health crisis, to ensure they deliver additional output rather than additional costs. (cf. page 3).

CHNs rollout will see primary care in rightful place at last

In its report on the Irish Healthcare system in 2019 the OECD found it to be hospital-centric, with significant capacity constraints in primary and secondary care. The global pandemic proved the accuracy of that assessment. Budget 2021 allocated an additional €3.7bn for current expenditure.

While recognising the significant additional resources provided in response to the COVID Pandemic it is essential that the resources are deployed in a way which delivers the transformation of the health service in line with Sláintecare.

Especially welcome to *Social Justice Ireland,* given our promotion of primary care in recent decades, was the allocation of an additional €150m to support the redesign of care pathways to make care more accessible in the community, including the development of Community Health Networks and specialist integrated care teams. (cf. p. 16)

No progress towards just taxation

Social Justice Ireland believes that Budget 2021 was an opportunity for Government to reform some aspects of the current taxation system in the interests of enhancing fairness and sustainability. While we acknowledged that 2021 was unlikely to be a year of major taxation initiatives, we believed it to be an opportunity to make some overdue changes which would boost fairness and provide some additional revenue. Unfortunately, the package of measures announced have made almost no progress in that direction. (p.4)

C & V Sector funding gap ignored

Budget 2021 also failed to take the most important initiative required to acknowledge the key role the Community and Voluntary sector played in addressing the challenge of Covid19, replacing the huge level of funding taken away after the last crash more than a decade ago and never restored—the only example of such failure to restore Budget cuts.

Conclusion

All budgets are value-based documents. They represent how a government intends to meet their objectives. To be socially progressive it should have ensured that nobody was left behind. This it failed to do.

Post-Covid Ireland requires a new social contract and a new social dialogue. While Budget 2021 took many welcome initiatives, it did not do nearly enough to move towards these outcomes.

Budget 2021 must be judged by the degree to which it protects people from poverty, equips people and businesses to confront Covid-19 and Brexit, and addresses the climate and environmental crisis.

Covid-19 and Budget 2021

Budget 2021 has been framed in the context of one of the most uncertain periods in the history of the state. As the Minister for Finance indicated in his speech, the outlook for the next year is hard to predict.

The nature and extent of the Covid-19 public health emergency remains impossible to determine and the details of the Budget's expenditure planning documents, and taxation projections, suggests an expectation that this uncertainty will continue throughout much of 2021. Furthermore, the possibility of a hard-Brexit remains on the horizon.

Social Justice Ireland has long argued for the adoption of counter-cyclical fiscal policies. Consequently, we welcome that Budget 2021 is based on a large fiscal deficit with those resources used to prop up the economy and society in what would otherwise be a period of extensive austerity. The pandemic has highlighted a key issues that have been a focus of our work for many years, including:

- The importance of the welfare system in providing a safety net for all
- The inadequacy of most rates of core welfare payments
- The challenges faced by low paid workers and their families
- The opening divides between those in stable employment and those with precarious jobs
- The underfunding of our health and social care systems

While Budget 2021 has made some welcome commitments to help many groups and sectors in Irish society, it is a concern that policy is frequently designed for those sectors with the loudest voices. This is a crisis with very uneven socio-economic effects and we cannot afford to leave the weakest in our society fall further behind.

Regret as Core Welfare Left Behind

Social Justice Ireland regrets that Budget 2021 failed to provide any increase in weekly core social welfare rates. For the second year in a row, the weekly Jobseekers payment has been left at €203.

We argued in our pre-budget submission, *Budget Choices*, that this Budget should:

- commit to converging core social welfare rates to a level equivalent to 27.5% of average weekly earnings; and
- commence this process with an increase of between €7 and €10 per week in 2021.

The Budget's failure to make such a commitment, and commence progress towards that benchmark, is a regret. In 2020 the updated value of 27.5 per cent of average weekly earnings equals €221 implying a shortfall of €18 between current minimum social welfare rates (€203) and this threshold. This gap is now likely to widen further in 2021.

Among the many lessons over recent months, the Covid-19 crisis has highlighted the importance of the social safety net that is our social welfare system. For many, the experience has also illustrated the substantial challenges of life on a low income; even when that income is considerably higher than the value of core social welfare payments that many welfare dependent individuals and households struggle with persistently.

A lesson from past experiences of economic stagnation and recovery is that the weakest in our society get left behind unless welfare increases keep track with increases elsewhere. Benchmarking minimum rates of social welfare payments to movements in average earnings is therefore an important policy priority.

Extra Capital Investment is Welcome

Social Justice Ireland welcomes that Budget 2021 has included an additional €1.6 billion for capital investment. It bring spending in this area to almost €10 billion in 2021.

During the last economic crisis Ireland's austerity approach led to insufficient investment in social services, such as childcare and education, and in infrastructure such as social housing, public transport and rural broadband. Consequently, we have strongly argued for a renewed focus on capital investment on this occasion. Investment is essential :

- to secure economic development;
- to protect communities (e.g. Community Healthcare Networks);
- to keep unemployment as low as possible (e.g. such as a substantial state-led childcare programme);
- to ensure critical infrastructure deficits are addressed; and
- to tackle climate change at the level required, and ensure that the transition to a low-carbon economy is just and fair.

Borrowing cheaply for needed investment always makes good fiscal sense, but it makes sense now more than ever. If we look at the current economic crisis as being a situation to be managed over several years, or maybe even several decades, competent management of the stabilisation phase over the short term will ultimately minimise the long-term economic damage, and therefore minimise any overall fiscal adjustment that might be needed. Budget 2021's approach to stimulating the economy with increased capital investment is therefore necessary and appropriate at this time.

However, these added resources come with some policy challenges. Government will need to use these resources strategically in the current health crisis climate, to ensure they deliver additional output rather than additional costs.

Hard Brexit Threat for Low Income Households

The possibility of Britain and the EU failing to reach a negotiated comprehensive trade agreement over the next few weeks has been appropriately highlighted as a key context for Budget 2021. Although the potential for a hard-Brexit has been overshadowed by the challenges of Coivd-19 during recent months, the potential for sudden and significant changes in economic activity and living standards from January 1st 2021 remains a major threat.

While we welcome the allocation of resources in the Budget to prepare various sectors for whatever form of Brexit arises in just over two months time, we regret the continued lack of focus on the impact that this event will have on the living costs and living standards of low income households.

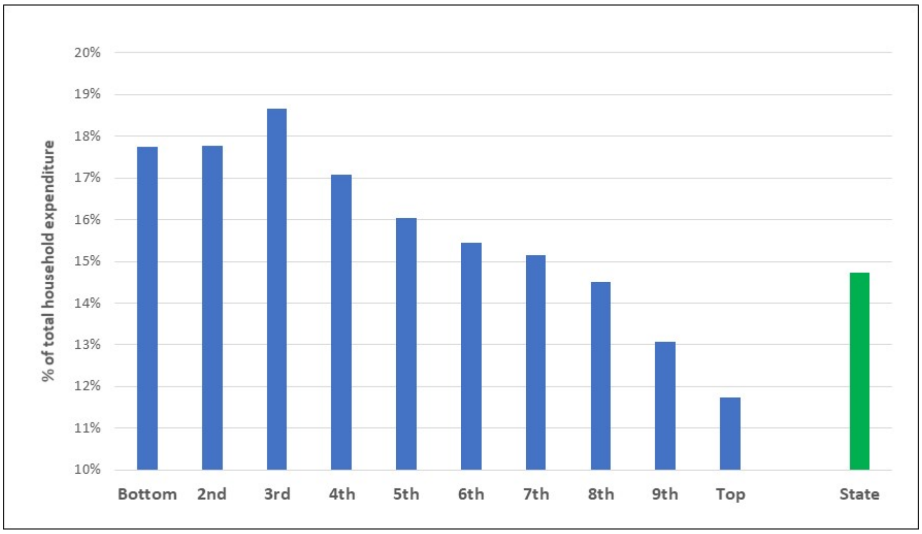
An ESRI report, from March 2018, highlighted the dependence of the Irish consumers on imports from other states. In particular, it noted the concentration of UK imports on household expenditure in areas such as food. In the context of a hard–Brexit, where World Trade Organisation tariffs would automatically apply to imports from the UK, it found that consumer prices would rise by between 2% and 3.1% and this would raise the cost of living for average Irish households by between €892 and €1,360 a year.

However, the report also noted that these increases would be "very unevenly distributed across households" with lower income households, who spend a higher proportion of their income, being most exposed.

Among the products identified as most prone to price increases, food expenditure was highlighted as the expenditure category most exposed. It would experience some of the heaviest post-Brexit tariffs and the current structure of the Irish food market (supermarkets and food outlets) is one that is very exposed to imports from the UK.

Chart 4.1 uses data from the CSO's Household Budget Survey to illustrate the exposure of households across the income distribution to changes in food prices. It shows the proportion of total household expenditure on food. On average, Irish households spend 14.7% of their total expenditure on food. However, food represents a much larger proportion of all spending among the households in the bottom 40% of the income distribution standing at between 17% and 19% of total expenditure. A sudden increase in consumer food prices will hit these households hardest. They are also the households with the lowest capacity to absorb such impacts on their living costs.

Chart 4.1: Percentage of Total Expenditure spent on Food, by income decile



Source: CSO Household Budget Survey

A sudden increase in consumer food prices will hit lower income households hardest

Social Justice Ireland believes that Government needs to widen its consideration of those who would be impacted by a hard-Brexit. Should it happen in a few weeks time, low income households will need supports to absorb the living cost increases they will inevitably face.

Tax: Reform Opportunity Missed

Social Justice Ireland believes that Budget 2021 was an opportunity for Government to reform some aspects of the current taxation system in the interests of enhancing fairness and sustainability. While we acknowledged that 2021 was unlikely to be a year of major taxation initiatives, we believed it to be an opportunity to make some overdue changes which would boost fairness and provide some additional revenue. Unfortunately, the package of measures announced have made almost no progress in that direction.

In his Budget speech, the Minister for Finance indicated that he would shortly establish a new Commission on Taxation and Welfare and we welcome this initiative. We look forward to engaging with the Commission in the months ahead. Taxation plays a key role in shaping Irish society through funding public services, supporting economic activity and redistributing resources to enhance the fairness of society. *Social Justice Ireland* also welcomes the linking of taxation and welfare together as part of the remit of the Commission; as we have pointed out for some time, both systems should be integrated so that public policy can more effectively achieve its objective and enhance the outcomes and living standards of all in Irish society.

As the relevant chapter in our annual socio-economic review *Social Justice Matters 2020* (available on our website) details, we believe that the key policy priorities in the area of taxation are: (i) increase the overall tax-take; (ii) adopt policies to broaden the tax base; and (iii) develop a fairer taxation system. Overall, our views are driven by principles of fairness, sustainability and the need for structural reform and we look forward to sharing them with the new Commission.

Privatising Public Housing

Local Authorities spent over €185 million on emergency homelessness accommodation last year—over €507,000 per day and an increase of 26 per cent on 2018. This is compared to less than €10 million for homelessness prevention and tenancy sustainment, similar to the previous year. The increased allocation of €22 million to homelessness services is, of course, to be welcomed, however it fails to tackle the cause of the problem. Further, investment in ensuring that homeless are accurately counted, is needed to verify the real scale of the problem and design preventative solutions, rather than increasing expenditure dealing with the consequences of inadequate housing policy.

In Budget 2021, the Government announced its intention to build 9,500 social housing units next year. This target is too low considering less than 10 per cent (725 units) of this year's target was built by Local Authorities and Approved Housing Bodies in the first half of the year (including Regeneration, PPP and voids) and the target for 2021 under Rebuilding Ireland was 8,907 builds.

The provision of social housing solutions remains reliant on the private rented sector. Estimated spending by Local Authorities on the Housing Assistance Payment (HAP), Rental Accommodation Scheme (RAS) and Leasing for 2020 was €1.015 billion. *Social Justice Ireland* is disappointed that this Government seeks to continue the previous Government's strategy, allocating €2.4 billion for an additional 15,000 HAP and 800 RAS tenancies.

The emphasis on 'social housing solutions' to replace real social housing leaves 133,000 households (including those on the social housing waiting lists, those in receipt of HAP, those living in Direct Provision, those in over-crowded accommodation and those seeking refuge from domestic violence) without secure accommodation.

Social Justice Ireland welcomes the increase in funding for rental inspections. However we regret the lack of action on affordability or tenant protections. Protections introduced in the wake of Covid-19 were either reversed or reduced in subsequent months, while the Standardised Average Rent nationally in Q2 2020 was 20 per cent higher than in Q4 2007. In addition, more than one in three renters (34.4%) experienced enforced deprivation in 2019.

Affordability, both in rents and purchase prices, continues to be an issue. The average price of a property in the year to July 2020 was €295,825, with averages by county ranging from €120,232 to €607,667. The slow-down in sales since March, and consequent reduction in asking prices, demonstrates the pro-cyclical nature of the private housing market, making it unsuitable for social or genuinely affordable housing in the longer term.

Residential completions decreased by over 32 per cent in the year to Q2 2020. This contraction of supply comes after years of underactivity in the sector. While we await details of the Affordable Purchase Shared Equity Scheme, we question the use of the Local Infrastructure Housing Activation Fund as a mechanism for providing affordable housing, as associated average market costs range from €180,000 to €510,000 and discounts vary greatly.

Social Justice Ireland regrets the missed opportunity in Budget 2021 to invest in local and regional small-scale developments, such as over-the-shop conversions and improvements to existing structures. This would not only have provided affordable homes, but created local employment and stimulated local economies.

Help to Buy

Social Justice Ireland regrets the extension of the Help to Buy Scheme in Budget 2021. This Scheme was introduced to provide support for first time buyers saving for a deposit on a newly built home, thereby also stimulating activity in the construction sector. Originally set to expire in 2019, Budget 2020 extended the Scheme to 2021, notwithstanding considerable cost overruns.

Data available from Revenue show that the total value of approved claims as of 30 September 2020 was €310.7 million, with a further €10.2m pending. Between August 2019 and end-September 2020, the cost was €104.3 million.

The aim of the scheme was to allow first time buyers reach the 10 per cent deposit required under the Central Bank's macroprudential rules. Up to September 2020, almost 41 per cent had a loan to value of less than 85 per cent, meaning they already had the necessary deposit.

Properties purchased with the support of the Scheme were also more likely to be more expensive, with 66.3 per cent of Scheme claimants purchasing a property for €226,000-€375,000, compared to just 31.3 per cent of all sales registered on the Residential Property Price Register.

Help to Buy artificially stimulated the property market by providing a benefit to those who need it least.

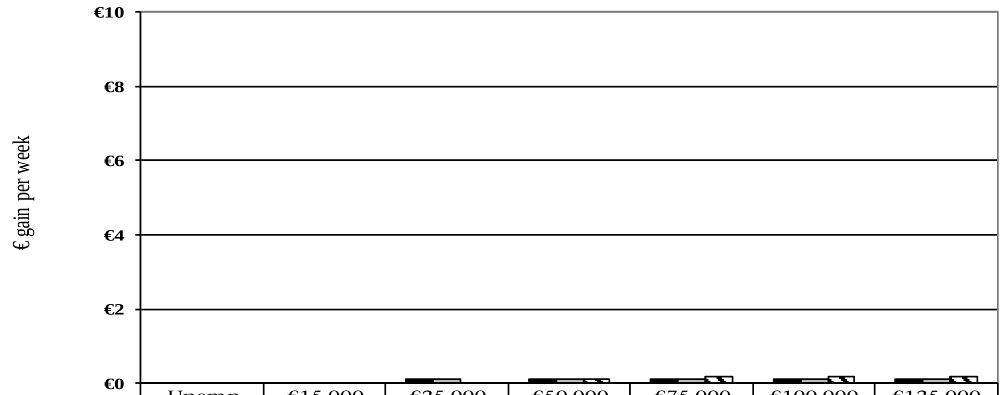
Retrofitting Homes

According to the latest Domestic BER data from the CSO, 230,604 homes have an energy efficiency rating of F or G, the two least efficient ratings. These properties are more likely to be older, and reliant on peat, coal and other fossil fuels. As older dwellings are more likely to have higher carbon dioxide emissions (by a factor of 9.7 when comparing the oldest dwellings to the newest), they also pose the most significant health risk to inhabitants.

The latest deprivation indicators see an increase in the proportion of the population who were forced to go without heat in the previous year due to inability to afford it to 8.6 per cent—some 423,079 people and an increase of almost 54,000 on the previous year. The number of people unable to keep their house adequately warm in 2019 was 243,893, an increase of over 27,000 on 2018. The Fuel Allowance alone is insufficient to adequately address this need. It needs a targeted response.

Social Justice Ireland welcomes the €65 million allocation for deep retrofitting of social housing stock, and the additional funding for the National Home Retrofit Scheme. However we regret the lack of detail of any supports for individual homeowners to increase the energy efficiency of their homes and reduce their household bills without front-loading the associated costs. This should be addressed as part of the Just Transition plan.

Chart 6.1: Impact of Income Tax and Headline Welfare Payment Changes from Budget 2021



	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	0.00	0.00	0.10	0.10	0.10	0.10	0.10
Couple 1 Earner*	0.00	0.00	0.10	0.10	0.10	0.10	0.10
Couple 2 Earners*	0.00	0.00	0.00	0.10	0.19	0.19	0.19

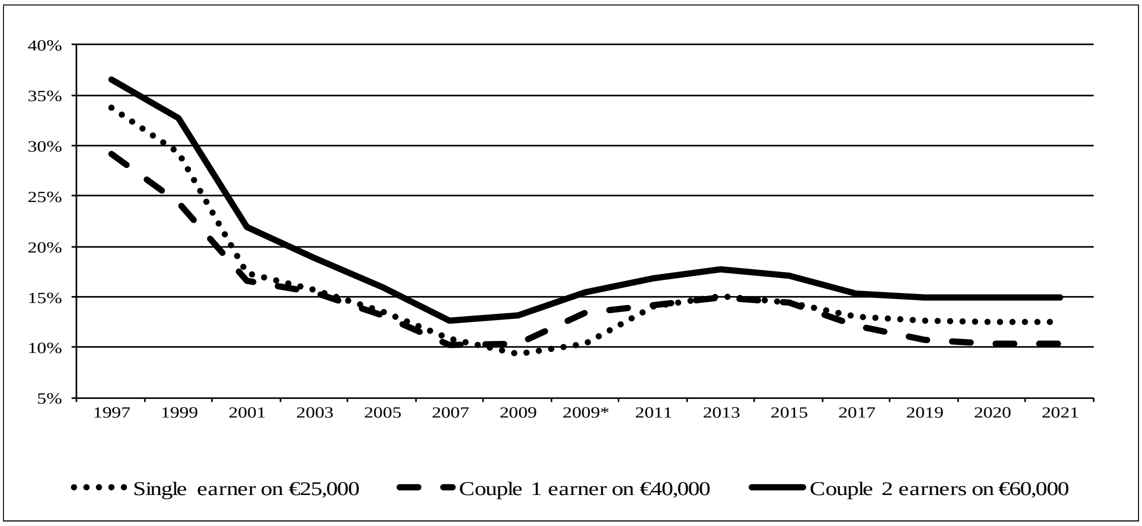
Notes: * Except in case of the unemployed where there is no earner. Unemployed aged 26 years plus. All other earners have PAYE income. Couple with 2 earners are assumed to have a 65%/35% income division.

Table 6.1: Effective Tax Rates following Budget's 2000/ 2008/ 2021

Income Level	Single Person	Couple 1 Earner	Couple 2 Earners
€15,000	13.9% / 0.0% / 0.8%	2.5% / 0.0% / 0.8%	0.8% / 0.0% / 0.0%
€20,000	13.9% / 4.4% / 6.9%	8.3% / 2.7% / 3.4%	6.1% / 0.0% / 0.0%
€25,000	24.0% / 8.3% / 12.5%	12.3% / 2.9% / 5.7%	11.0% / 0.0% / 0.6%
€30,000	28.4% / 12.9% / 15.2%	15.0% / 5.1% / 6.2%	14.6% / 1.7% / 1.9%
€40,000	33.3% / 18.6% / 20.9%	20.2% / 9.4% / 10.4%	17.5% / 3.6% / 7.6%
€60,000	37.7% / 27.5% / 30.1%	29.0% /19.8% / 21.7%	28.0% /12.2% / 14.9%
€100,000	41.1% / 33.8% / 38.5%	35.9% /29.2% / 33.4%	35.9% /23.8% / 26.4%
€120,000	41.9% / 35.4% / 40.7%	37.6% /31.6% / 36.5%	37.7% /27.2% / 30.3%

Notes: Total of income tax (including USC), levies and PRSI as a % total income. Couples assume: 65%/35% income division. PAYE earners.

Chart 6.2: Effective Tax Rates in Ireland, 1997-2021



Notes: Total of income tax (including USC), levies and PRSI as a % total income. Couples assume: 65%/35% income division. PAYE earners.

Income Gains from Budget 2021

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 other welfare allowances and secondary benefits as these payments do not flow to all households. Similarly, we have not included changes to other taxes (including indirect taxes and property taxes) as these are also experienced differently by households. Chart 6.1 (p6) demonstrates that there is little change arising from Budget 2021 announcements on the various household groupings we track on an annual basis.

While there are only slight changes to take home levels of income as a direct result of Budget changes, comparisons between incomes in 2020 and 2021 will highlight the emergence of a divide between many employees receiving pay increases and welfare dependent households whose incomes will have stood still.

The latest CSO earnings and labour costs data demonstrate increases in annual average weekly and hourly earnings among employees over the past year. Similarly, national wage agreements have delivered a 2% increase in gross pay to all public servants from October 1st. It is a concern that the relative position of most welfare dependent households will slip backwards in 2021.

Some lower income earners may also benefit from the increase in the minimum wage. This is not factored into these calculations as most lower income earners earn more than the minimum hourly rate and therefore will not definitely benefit from the 10c per hour increase in the minimum wage (p9).

Effective Income Tax Rates after Budget 2021

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 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 scale of income taxation faced by earners.

Following Budget 2021 we have calculated effective tax rates for a single person, a single income couple and a couple with two earners. Table 6.1 (p6) 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 2021, for a single person with an income of €15,000 the effective income tax rate will be 0.8%, rising to 12.5% of an income of €25,000 and 40.7% of an income of €120,000. A single income couple will have an effective income tax rate of 0.8% at an income of €15,000, rising to 5.7% at an income of €25,000, 21.7% at an income of €60,000 and 36.5% at an income of €120,000. In the case of a couple where both are earning and their combined income is €40,000 their effective income tax rate is 7.6%, rising to 30.3% for combined earnings of €120,000.

As chart 6.2 (p6) shows, despite increases during the last economic crisis, effective income tax rates have decreased considerably over the past two decades for all earners.

Ireland's Overall Tax Take Remains Inadequate

Data accompanying Budget 2021 outlines Government's plans for taxation and spending over this year and next. Over that period, on the basis that the assumptions made by Government occur, overall tax receipts will climb from €77.6bn in 2020 to €81.4bn in 2021.

While the current pandemic means that Budget 2021 has been framed in a period of unprecedented uncertainty, and that current levels of national taxation income are supressed, it is a regret that it did not provide a more strategic perspective on the long-term direction of fiscal policy; particularly as it is the first Budget from a new Government.

Social Justice Ireland believes that over the next few years policy should focus on increasing Ireland's tax take. Simply, an increase in Ireland's overall level of taxation is unavoidable in the years to come; even to maintain pre-pandemic levels of public services and supports more revenue will need to be collected. Consequently, an increase in the tax take is a question of how, rather than if, and we believe it should be of a scale appropriate to maintain current public service provisions while providing the resources to build a better society.

In other publications we have outlined the details of our proposal for a national tax take target set on a per-capita basis; an approach which minimises some of the distortionary effects that have emerged in recent years. The target is as follows:

Ireland's overall level of taxation should reach a level equivalent to €15,000 per capita in 2017 terms. This target should increase each year in line with growth in GNI*.

As a policy objective, Ireland should remain a low-tax economy, but not one incapable of adequately supporting necessary economic, social and infrastructural requirements. We regret that Budget 2021 made limited progress on this issue.

Carbon Tax and Just Transition

Social Justice Ireland welcomes the Budget 2021 decision to increase the carbon tax from €26 per tonne to €33.50 per tonne and that Government signalled the pathway to a carbon tax of €100 per tonne by 2030 and enshrined this into the finance bill. Furthermore we welcome the commitment to invest the carbon tax revenue into residential and community energy efficiency, limited social protection measures and sustainable agriculture programmes.

Collectively, these developments reflect an overdue engagement by Government with the unsustainability of our current systems, one reflected in the wide gap between today's levels of greenhouse gas emissions and the much lower target Ireland had committed to achieve by next year. Despite progress made in Budget 2021 there remain significant areas of concern.

Issues around renewable energy subsidies and energy poverty were not sufficiently addressed in Budget 2021. Too often subsidies are only taken up by those who can afford to make the necessary investments. Incentives and tax structures must look at short and long term costs of different population segments and eliminating energy poverty and protecting people from energy poverty should be a key pillar of any Just Transition platform.

While Budget 2021 did increase the fuel allowance and allocated €100m to residential and community energy efficiency, this is not enough to address the problem of energy poverty and compensation strategies could be more comprehensive. The increased allocation to the Warmer Homes Scheme and National Retrofit Programme, while welcome, are insufficient on their own. We regret the lack of investment in community energy advisors and community energy programmes. It is also disappointing that Budget 2021 did not contain a commitment to review the subsidising of fossil fuels by the Exchequer and to phase out those tax breaks and subsidies which are environmentally damaging An estimated €4 billion per annum in taxation was forgone through potentially environmentally damaging subsidies between 2012-2016. These subsidies undermine much of the impact of other environmental taxation measures. A far more productive use of these funds would be to invest them in the people, households, communities and regions that will be most affected by climate adaptation.

Social Justice Ireland has highlighted the importance of investing in a just transition using the additional resources generated from these carbon tax increases. In today's terms the additional tax revenue will total more than €1 billion per annum by 2030. This revenue should be invested in a comprehensive mitigation and transition strategy.

At a minimum such a programme should contain: (i) retraining and support for those communities who will be most impacted by the loss of employment; (ii) support and investment in the circular economy and bio-economy with regional strategies and targets; (iii) investment in the deep retrofitting of homes and community facilities; (iv) investment in renewable energy schemes and in community energy advisors and community energy programmes; (v) policies to eliminate energy poverty; and (vi) investment in a quality, accessible and well-connected public transport network. One of the fundamental principles of a Just Transition it to leave no people, communities, economic sectors or regions behind. While Budget 2021 contains some welcome measures, it is regrettable it does not do more to invest in a mitigation and transition strategy.

Limited Budget Proofing

Over a number of years successive Governments have promised to introduce a more extensive system to review the impact of annual Budgets on different portions of society, in particular those who are most disadvantaged. Similarly, this has been a recurring theme among opposition parties. Unfortunately, Budget 2021 had made limited progress in delivering on these ambitions. The documentation accompanying the Budget provides some insights into the expected impacts for some groups and areas. However, for example, it fails to offer:

- An estimate of the impact of the Budget on the numbers in poverty and deprivation in 2021 (poverty proofing).
- An estimate of the impact of the Budget on child poverty in 2021 (poverty proofing).
- An estimate of the impact of the Budget on gender equality and the gender pay gap in 2021 (gender proofing).
- An estimate of the impact of the Budget on the pathway to achieving Ireland's environmental targets in 2021 (climate proofing).

What is a concern, is that Budgetary policy has been predominantly designed without substantial and detailed consideration of these impacts. Future Budgets need to address this persistent policy design deficit.

Youth Unemployment

As reflected in both Budget speeches, the emergence of large scale youth unemployment has been one of the most pronounced non-healthcare aspects of the Covid-19 pandemic. The combined effect of job losses, limited post-education opportunities and no options to emigrate has resulted in large numbers of young people becoming, and remaining, unemployed.

The latest monthly unemployment data from the CSO report that for September of this year there were between 46,000 and 92,000 young people aged 15-24 years experiencing unemployment. The lower figure represents those unemployed as traditionally measured; the upper figure adds in those not working and in receipt of the Pandemic Unemployment Payment (PUP). In percentage terms the youth unemployment rate ranges from 18.5% to 36.5% of the youth labour force. This contrasts with the unemployment rate for those aged 25-64 years which ranges from 3.8% to 12%.

Given the sustained nature of the current health crisis, it seems likely that these youth unemployment figures will remain high for the remainder of this year and much of 2021. The Budget includes welcome measures to assist young people to continue in education or seek more training. However, their scale is limited when compared to the size of the youth unemployment problem.

Corporation Tax

Social Justice Ireland believes that the issue of corporate tax contributions is principally one of fairness. Profitable firms with substantial income should make a contribution to society rather than pursue various schemes and methods to avoid these contributions. It is clear that the international context for corporate taxation is changing and while it is welcome that Budget 2021 acknowledged this, we regret that it did not commence the long overdue reforms needed in this area.

In our pre-Budget submission *Budget Choices* we called for the introduction a minimum effective corporate tax rate of 6%. We believe that this would represent a step towards a fairer taxation system, would generate an extra €1bn per annum, and would only impact a small number of firms - a 2017 C&AG report found that among the top 100 corporate tax payers, 8 had a 0% or less rate, 5 paid between 0% and 1%, 1 paid between 1% and 5%, 7 paid between 5% and 10%, while the rest paid over 10%.

Minimum Wage & Low Pay

Social Justice Ireland regrets that Budget 2021 only increased the minimum wage by 10c per hour. Although this increase was as recommended by the Low Pay Commission, it contrasts with recent increases in pay across many other parts of the labour force. The Covid-19 crisis has highlighted how much we as a society rely on the work of those on the lowest earnings. Addressing low pay, which is experienced by at least 1 in 5 workers, remains a key challenge for Irish society. In 2021 the hourly minimum wage will be €2.10 below the living wage. The Living Wage provides a benchmark for minimum living standards for workers

Chart 9.1 The Low Pay Gap

Older People

The advent of Covid-19 led to Government introducing age-related restrictions on movement and home visits. These restrictions led to a reported increase in calls to frontline services for support with social isolation and negative emotions. Loneliness and social isolation are both associated with a poor overall quality of life. There was also a reported increase in the number of older people deferring medical attention in the early months of Covid-19. Homecare supports in this context are essential. At the end of September 2020, 7,819 older people were awaiting funding for home support. While the additional 5 million hours provided in Budget 2021 is to be welcomed, resources have not kept pace with population or dependency growth and, in the context of Covid-19, more is likely to be needed.

Budget 2021 has also failed to address the increasing number of older people in poverty. The increase to the living alone allowance is welcome, however *Social Justice Ireland* regrets the lack of increase in the State pension or of any ambition towards pension reform.

Disability: no progress

Disability is strongly associated with poverty in Ireland. Among people who are unable to work due to illness or disability more than one in three (35.4%) live on an income below the poverty line. Among those who are able to work many people with a disability are unemployed; a classification where more than four in ten are in poverty (see page 19). Research from the National Disability Authority and the Workplace Relations Commission highlights the challenges people with disabilities have in finding employment and remaining in a job given the daily challenges many face.

We welcome the additional €100m for disability health services in Budget 2021. We regret that there was no increase in the Disability Allowance and we also regret that the Budget did not introduce a cost of disability payment despite Government commissioning work on this issue in Budget 2019. If people with a disability are to be equal participants in society, the extra costs generated by their disability should not be borne by them alone. Progress on this issue is long overdue.

Sustainability, the Environment and Rural Communities

Overall, while Budget 2021 contains welcome measures on environment, not enough has been done in terms of tackling energy poverty and generating sufficient funding for a Just Transition. We welcome the €286m allocation to retrofitting (see p5), the increased investment in greenways, walking and cycling infrastructure and skills development for our future green economy. We regret there was no move to introduce a levy on single use coffee cup or to introduce a commercial air transport tax. There was also no progress on examining subsidies that the CSO has highlighted as potentially environmentally damaging (see p8). At the very least Budget 2021 should have committed to reporting to the Oireachtas on this.

The continued support for Rural Regeneration and Renewal Programmes in Budget 2021 is welcome as is the allocation of €5m funding for digital hubs and the €132m for the National Broadband Plan. Overall these measures are insufficient to meet the challenges that rural areas face including a potentially prolonged period of unemployment, lower incomes and changing demographics. We regret that Budget 2021 did not resource a major regional development and transition programme focussed on adapting not only to Covid-19 and the impact of Brexit, but also on the challenges to rural and regional economies of reducing our emissions and adapting to new technologies. Such a programme would have ensured that sufficient investment was made in areas such as rural transport and in particular broadband which is crucial to support diversifying the rural economy. Without this investment it is difficult to see how rural communities will meet these challenges.

Taxation

The Context

- Taxation plays a key role in shaping Irish society through funding public services, supporting economic activity and redistributing resources to enhance the fairness of society.
- Ireland's overall tax take is significantly below the tax take of most of our peer countries. *Social Justice Ireland's* has argued consistently that the tax take per capita should be increased, while still leaving Ireland in the bottom half in relation to our EU-15 peers .
- While the context for short-term fiscal policy is unprecedented, Ireland needs an increased tax take in the long-term to address important deficits, including in housing, health, education, environment, transport and broadband.
- Broadening the tax base will form an important part of this process. This can be done through limiting the availability of tax expenditures for both individuals and corporations, and reforming land, capital and environmental taxes.
- Among our headline taxation asks in Budget 2021 were:

⇒ The introduction of Refundable Tax Credits;

⇒ A Minimum Effective Rate of Corporation Tax of 6 per cent;

⇒ An increase in the Carbon Tax by €7.50 per tonne;

⇒ The standard-rating of all discretionary tax expenditures;

⇒ An increase from 33% to 35% of both CGT and CAT.

⇒ A Windfall Gains Tax on re-zoned land, restoration of the NPPR charge on second homes, and implementation of a Site Value Tax.

The Budget

Income tax

- Increase in Earned Income Credit of €150 to €1,650.
- Increase in Dependent Relative Credit of €175 to €245.

The full-year cost of Income Tax changes : €30.4m.

USC

- Increase in 2% ceiling band to €20,687.

The full-year cost is €7m.

Employers PRSI

- Increase in weekly income threshold for higher rate of Employer PRSI by €4 to €398.

The full-year cost is €3.7m.

Housing

- Help to Buy additional measures extended to end-2021.

The full-year cost is €43m.

Climate and Environment

- Increase in Carbon Tax of €7.50 to €33,50 per tonne.
- Detailed changes to VRT and Motor Tax to better reflect emissions,

The full-year cost is €146m.

VAT

- Temporary reduction of VAT for Tourism and Hospitality from 13.5% to 9%.
- Increase in Farmers' Flat Rate Addition of 0.2% to 5.6%.

The full-year cost of VAT changes is €348m.

Tobacco Products

- Increase of 50c on pack of 20 cigarettes. - full-year cost is €57m.

Film Relief

- Enhancement to Section 481 - full-year cost is €2m.

Our Response

Social Justice Ireland welcomes:

- The increase in Carbon Tax with the money raised to be used to finance climate action measures;
- The confirmation of plans to increase the Carbon Tax on an annual basis until 2030 when it will reach the agreed all party target of €100 per tonne;
- The adjustment of the USC rates to accommodate the increase in the minimum wage;
- Confirmation of the intention to establish a Commission on Taxation and Welfare;
- Confirmation that the Commission will review 'all existing tax measures and expenditures';
- The recognition that there is significant change ahead for Ireland's corporation tax regime; and
- The increase in the Dependent Relative Credit.

However, *Social Justice Ireland* regrets that the Budget did not:

- Acknowledge that Ireland's overall tax take remains inadequate to support the nations long-term economic, social and infrastructural requirements;
- Adopt a new revenue target for the taxation system and signal that its achievement will form part of the development of Government policy in this area over the remainder of this Government. *Social Justice Ireland* have suggested a target of €15,000 per capita in 2017 terms;
- Commence reforms to the corporate tax system, so that all firms pay a minimum effective tax rate of 6%; and
- Failure to standardise all tax expenditures.

Education

The Context

- Ireland is facing significant demographic pressures at all levels of the education system and the future resourcing of higher education remains a key challenge.
- Covid-19 has exposed persistent underinvestment in reducing class sizes at primary and second level.
- This will require significant and sustainable capital and current expenditure on education at all levels in the medium and long term.
- This increased investment is required to meet both current and future demand and to address persistent under funding within the education system. It must be focussed on protecting and promoting quality services.
- The benefits of investing in education, to the individual, to the economy and to society, far outweigh any initial outlay of resources.
- The achievement of pupils in schools with concentrations of pupils from disadvantaged backgrounds is still well below that of other schools despite steady improvements since 2007
- Consecutive studies show Ireland has spent just 0.1 per cent of GDP on pre-primary education compared to an OECD average which has increased from 0.5 to 0.8 per cent.
- Ireland's lifelong learning participation rate is slowly improving; however, there are challenges engaging those with lower skills .
- Less than half of the adult population has at least basic digital skills and only 28 per cent of people have digital skills above a basic level.

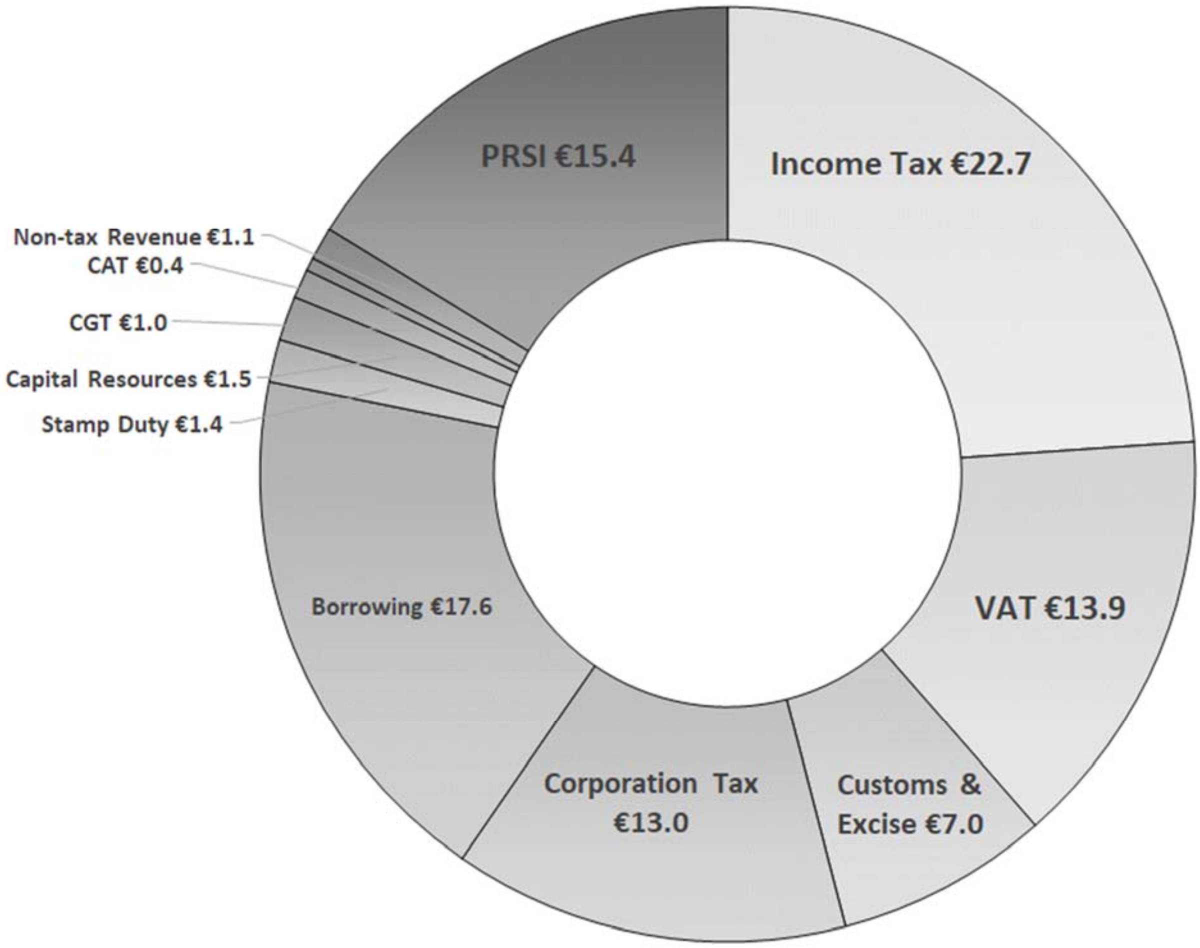
The Budget

- 990 additional SNAs and 403 additional special needs teaching posts.
- 80 additional occupational, speech and language therapists and 30 NEPS.
- 662 additional teaching posts:
  - ⇒ 268 to meet demographic pressures,
  - ⇒ 307 to reduce primary level PTR by one point to 25:1;
  - ⇒ 87 extra primary level teachers for schools at risk of losing a teacher.
- A €5.5m extension of the Hot School Meals Programme to reach up to 35,000 additional children.
- Continues to meet the cost of two years ECCE .
- An increase in the SUSI grant for postgraduate students from €1,500 to €3,500 and an adjustment to income eligibility for this grant.
- 10,000 additional upskilling and reskilling opportunities including:
  - ⇒ 2,000 Skills to Compete places for those who have lost their jobs as result of Covid-19;
  - ⇒ 5,000 extra Skillnet Ireland places including climate upskilling;
  - ⇒ 1,600 Skills and Advance places for upskilling and reskilling in vulnerable sectors;
  - ⇒ 1,500 places on a retrofitting apprenticeship scheme.
- Provides an additional 5,000 places in the higher education sector to accommodate demographic pressure and demand pressure from Calculated Grade LC2020.
- 1,500 extra Springboard places.
- An additional €20m to ensure third-level students impacted by Covid-19 have access to necessary SUSI supports.

Our Response

- We welcome the continued funding of two years ECCE, but regret that overall investment in this area still does not meet OECD average.
- We welcome the additional allocation for Special Needs education and the continued rollout of the School Inclusion model.
- We welcome the expansion of the Hot School Meal programme.
- We regret that there are not additional supports for DEIS schools. Covid-19 has had a devastating impact on our education system, and in particular on disadvantaged students. Additional resources are required to ensure that gap between DEIS and non-DEIS schools does not widen as a result of Covid -19.
- We welcome the additional mainstream teaching posts at primary and second level and a commitment to reducing the PTR by one point.
- We regret that Government did not set a target of keeping average class sizes below 20 in Budget 2021.
- We welcome the increase in the SUSI grant for postgraduate students but regret that this was not extended to part-time students.
- We regret that the long-term resourcing challenge facing the further and higher education sector was not addressed in the Budget.
- We welcome the additional investment in upskilling and reskilling, and in particular the focus on vulnerable sectors and on retrofitting and climate upskilling.
- We regret that there was not a particular focus on Community Education and the role it can play in addressing the adult skills challenge at a regional level.

Main Sources of Government Revenue - Budget 2021 €bn



Source: Data on pages 12 and 13 of this document are from various Budget documents published by the Department of Finance and the Department of Public Expenditure and Reform. The diagrams outline the main areas of income and expenditure for the coming year.

Year-to-year Revenue Changes, €bn

Here we compared the expected revenue from last years Budget to that proposed on this occasion. The comparison is not perfect as it does not capture unexpected increases or decreases in revenue during the current year or during next year. However it does provide an insight into the direction of policy choices and their outcomes.

Income Tax ↓ €1.2bn

VAT ↓ €1.6bn

Corporation Tax ↑ €2.5bn

PRSI ↑ €2.1bn

Key Government Revenue Sources in 2021

Income tax = 24% of all revenue

VAT = 15% of all revenue

Corporation tax = 14% of all revenue

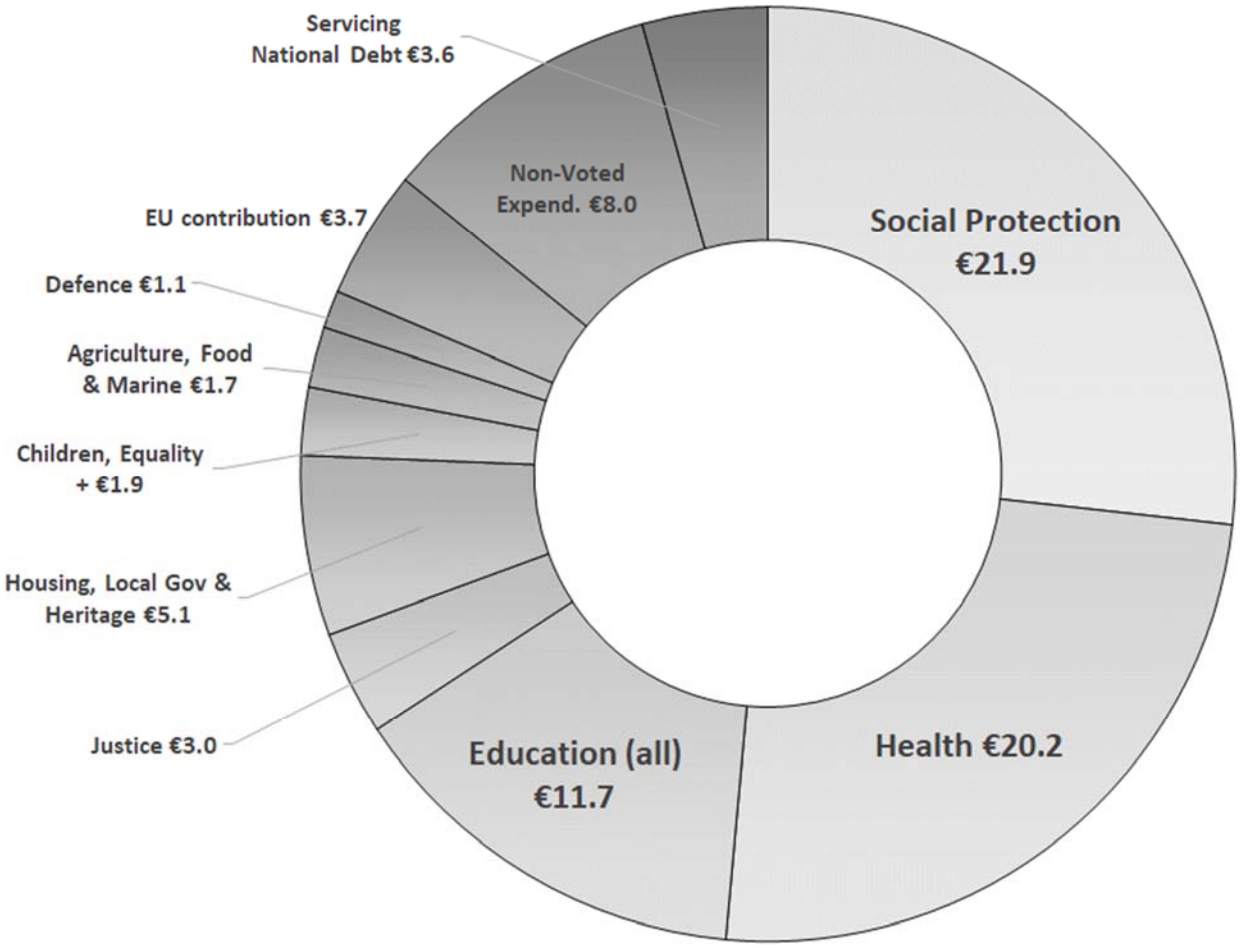
Social Insurance = 16% of all revenue

Main Revenue Changes for 2021

- Increased the carbon tax by €7.50 per tonne.
- Temporarily reduced VAT for the Tourism and Hospitality sector from 13.5% to 9%.
- Increased excise duty on cigarettes and other tobacco products.

See page 10 for further details and our response

Main Sources of Government Expenditure - Budget 2021 €bn



Source: Data on pages 12 and 13 of this document are from various Budget documents published by the Department of Finance and the Department of Public Expenditure and Reform. The diagrams outline the main areas of income and expenditure for the coming year.

Year-to-year Expenditure Changes €bn

Here we compared the current expenditure allocations from last years Budget to those proposed for a number of the main areas of expenditure on this occasion. The comparison is not perfect as there may be overspends and underspends within various Budgets during the current year or during next year.

Social Protection ↑ €0.8bn

Health ↑ €1.9bn

Education (combined) ↑ €0.4bn

Debt Servicing ↓ €1.1bn

Notable Expenditure Developments for 2021

- The **Social Protection** budget includes an increase in the Living Alone Allowance of €5 from and an increase in the Qualified Child Allowance.
- The **Health** budget in 2021 includes investment in older people services, home support hours, Sláintecare and mental health.
- The **Education** budget in 2021 includes increased funding for Special Needs Assistants and additional teaching posts at primary and second level.
- There is funding for an additional 10,000 upskilling and reskilling places in the **Further and Higher Education** budget.
- **Debt servicing** costs will amount to €3.6bn in 2021.

Each of these areas of expenditure, and others, are analysed in more detail throughout this document.

Social Protection

The Context

- The persistence of high rates of poverty and income inequality in Ireland requires greater attention than it receives. Data on Ireland's income distribution, from recent SILC surveys, show that:

⇒ 14% of the population, approximately 690,000 people, were 'at risk of poverty' in 2018;

⇒ Children are the age group most likely to be poor, with 16.5% of children (or 202,000 children) 'at risk of poverty' in 2018;

⇒ 17.8% of the population was experiencing deprivation in 2019.

- Without the social welfare system 40.9 per cent of the Irish population would have been living in poverty in 2018. This suggests a deeply unequal distribution of direct/market income.
- National Reform Programme targets to reduce consistent poverty to 2 per cent and lift 70,000+ children from consistent poverty by 2020 failed by wide margins.
- A lesson from past experiences of economic recovery and growth is that the most vulnerable in our society get left behind unless welfare increases keep track with increases elsewhere in the economy. While welfare increased by 8 per cent over the last four years, wages increased by double that rate.
- Budget 2020 ignored social welfare recipients, an action that the ESRI asserted would increase poverty, all other things being equal.
- *Social Justice Ireland* called for government to benchmark social welfare rates to 27.5 of average weekly earnings, and suggests increasing core social welfare rates by €7 per week over the next 3 years, or by €10 per week over the next 2 years.

The Budget

- Left core social welfare rates unchanged for the second year (Budget 2020, Budget 2021).

⇒ Adjusted Qualified Child Increase by €2 to €38 weekly for children under 12, and by €5 to €45 weekly for children aged 12 to 18.

⇒ Increased the Living Alone Allowance by €5 to €19 per week.

- Extended parental leave from work by 3 weeks to 5 weeks for parents of children under 1year.
- Increased the income thresholds for the Working Family Payment by €10 for families with up to and including 3 children.
- Increased the earnings disregard for the Disability Allowance by €20 to €140 weekly.
- Removed the €425 Earnings Threshold on the One-Parent Family Payment, but retained the means test.
- Extended the Christmas bonus to those who have been in receipt of social-welfare payments or the Pandemic Unemployment Payment for the 4 months, instead of 15 months, preceding December.
- Increased the Fuel Allowance from €686 to €784 annually, to cover a period of 28 weeks.
- Increased the Carers' Support Grant by €150 to €1,850 annually.
- Reduced the number of waiting days to receive Illness Benefit from 6 days to 3 days.
- Did not increase the Back to School Clothing and Footwear Allowance.
- Invested a total of €225m in the International Protection system, with a commitment to improving living conditions within the Direct Provision system.

Our Response

- *Social Justice Ireland* deeply regrets that core social welfare rates have not increased for two consecutive years.

⇒ Past experiences of economic recovery show that the weakest in our society are left behind when welfare rates do not keep pace with other trends in society.

- We welcome measures to reduce child poverty, namely the increases to QCI payments, recognising the additional costs associated with having an older child.
- We regret that there has been no movement towards introducing a universal state pension.

⇒ However, we welcome the targeted increase for pensioners living alone.

- *Social Justice Ireland* regrets the failure to introduce a Cost of Disability payment, while acknowledging the benefit of increasing the earnings disregard for those with a disability in employment.

⇒ We regret that the Domiciliary Care Allowance was not increased, and recipients are still not entitled to use the Free Travel Scheme.

- We note that there were no steps taken to equalise Jobseekers rates for those aged 18-24, even though young people were disproportionately affected by unemployment during the Covid-19 pandemic.
- We regret the failure to address the immediate risk of poverty in Direct Provision by not increasing the adult weekly allowance, and by not extending child benefit to children in the system. However, we welcome the commitment to ending Direct Provision and look forward to the publication of the Day Report.

Work, Unemployment, Job Creation

The Context

- While Ireland's headline employment trends over the last few years have been broadly positive, Covid-19 has changed everything.
- The Covid-19-Adjusted Unemployment Rate was 28.2 per cent in April, but had fallen to 14.7 per cent by September. The equivalent Youth Unemployment Rate was 52.8 per cent in April, though this has also fallen. While much of this unprecedented growth in unemployment is temporary, many tens of thousands of jobs will be lost permanently, presenting a huge challenge for government.
- The long-term impact on employment will have sectoral, regional and age-related dimensions. This must be taken into account to ensure young people and regions already falling behind economically do not suffer disproportionately.
- With a need for investment to tackle Ireland's infrastructure deficits - particularly in housing, transport, and improving sustainability - and to promote employment, the rationale for borrowing to invest is overwhelming.
- Even before the Covid-induced recession, Ireland had low labour market participation rates and unacceptably high instances of low paid employment. Ireland's instance of low-pay is among the highest in the OECD. More than 100,000 people are living in poverty despite having jobs.
- The Minimum Wage is 18 per cent below the Living Wage.
- Ensuring sufficient resources for training and up-skilling of those unemployed and at risk of becoming unemployed (particularly on a long-term basis) should be a crucial part of the policy response to Covid-19 and Brexit.

The Budget

- Allocated €1.1 billion to the Department of Business, Enterprise and Innovation.
- Confirmed an increase of 10c per hour in the National Minimum Wage, from €10.10 to €10.20.
- Increased the Earned Income Tax Credit (availed of by the self-employed) by €150 to €1,650 per annum. It is now equal to the Employee Tax Credit (which was formerly known as the PAYE Credit).
- Allocated €2 billion to a Credit Guarantee Scheme.
- Announced the extension of the Pandemic Unemployment Payment and the Employment Wage Support Scheme to the end of March 2021, and also acknowledged that a similar scheme will be needed for the remainder of the year.
- Created over 10,000 upskilling and reskilling opportunities through SOLAS and Skillnet Ireland, including through the *Skills to Advance* and *Skills to Compete* programmes.
- 1,500 of those places will focus on retrofitting, supporting employment in the green economy.
- Created 4,000 new apprentices, which will be provided under the Apprenticeship Incentivisation Scheme.
- Reduced the VAT rate for the hospitality sector from 13.5 per cent to 9 per cent.
- Allocated €55 million for a tourism and business support scheme, and €5 million for a product development scheme
- Forecast an average unemployment rate of 10.3 per cent in 2021. Government expects a net increase of 150,000 jobs next year.

Our Response

- *Social Justice Ireland* welcomes the counter-cyclical nature of Budget 2021 and the increased capital expenditure; something badly needed given the projected employment numbers for next year.
- We consider it very unfortunate that Government has chosen to increase the National Minimum Wage (NMW) by only 10 cents. It is now €10.20 per hour. Given that the Living Wage is €12.30 per hour, and the Programme for Government commits to equalising the two, this is very disappointing.
- The increase in the Earned Income Tax Credit for self-employed people raises the need for a discussion around PRSI rates for this group, given the expansion of social insurance benefits in recent years.
- We welcome the extension of the Pandemic Unemployment Payment and the Employment Wage Support Scheme, as well as the indications that government understands there can be no 'cliff-edge' on these payment schemes.
- We welcome the 4,000 new apprenticeship places, and the focus on retrofitting-related reskilling opportunities which ties in well with our climate targets.
- Budget 2021 does not contain enough to deal with the the sectoral, regional and age-related dimensions of the employment crisis. While it includes welcome measures to assist young people to continue in education or seek more training, their scale is limited when compared to the size of the youth unemployment problem.
- We welcome the fact that the VAT reduction for the hospitality sector has been time-limited; it is set to expire at the end of 2021. We hope more focused sectoral supports are forthcoming.

Healthcare

The Context

- Ireland's health system ranked 22nd out of 35 countries in the 2019 Health Consumer Powerhouse report and on the issue of accessibility, ranked *worst*.
- People with low incomes are less likely to see a doctor because access to preventative services is concentrated among the better off.
- The occupancy rate for acute care, hospital beds is 20 % points higher than the OECD average.
- By comparison with OECD countries, the share of the Irish population delaying or going without care is comparatively high (> 30%).
- More than 600,000 people were awaiting outpatient appointments in July 2020, with more than 1 in 5 waiting for 18 months or more.
- Ireland is the only EU health system that doesn't offer universal coverage of primary care.
- In 2017, almost one in three households, where at least one person had a medical examination or treatment in the last 12 months, reported that the costs were a financial burden.
- Mental Health has been persistently underfunded, this is a particular concern for children and adolescents, with 2,486 children on the waiting list for CAMHS in June.
- Almost 20 % of children requiring inpatient support for mental health admitted to adult units.
- Disability services, PA supports and carer supports have not yet recovered from successive cuts following the previous downturn.
- Higher Covid-19 rates are experienced in some of the most disadvantaged communities.

The Budget

- Allocated €22.1bn (current & capital) {Pay & Pensions, €10.5bn; Non-Pay, €10.7bn; Capital €1bn}.
- The allocation for current expenditure was €21.1bn representing an additional €3.7bn consisting of

⇒ €180m Demographic changes

⇒ €80m Carryover, Budget 2020: plus €123mfor Central Pay Agreement and €5m Extra Brexit allocation.

⇒ €1,751m ExtraCovid-19 allocation

⇒ €1,491m Additional Resources

- Details include:

⇒ €467m Increased capacity adding 66 Critical Care Beds; 1,146 Acute Beds, 135 Sub Acute Beds, 1,250 community incl 600 new rehab Beds.

⇒ €425m for enhanced community and Social Care Services including 5 million additional Home Care hours and establishment of Home Care Office .

⇒ €150m Enhanced Community, social and primary care incl. development of Community Healthcare Networks and specialist Integrated Care Teams for Older People and Chronic Disease Management, expanding dementia advisor network

⇒ €38m for Mental Health Services

⇒ €147m for national strategies in line with Sláintecare.

⇒ €100m Disability Services.

⇒ Reductions in Drug repayment scheme threshold , prescription charges increase in income limits for over 70's Medical Card eligibility.

⇒ €210m Access to Care Fund and €30m NTPF.

⇒ €50m new drugs and €58m e-Health technology.

⇒ €53m for Public Health, Healthy Ireland, Homelessness and the National Drug Strategy.

Our Response

- Social Justice Ireland welcomes many of these initiatives, including the commitment to community care and Sláintecare.
- We welcome the extra 5 million hours for home support.
- We also welcome €100m for disability services in line with transforming lives programme and the UN convention on the rights of people with disabilities.
- We have long argued for a more community based approach and we acknowledge the additional €150m to support the development of Community Healthcare Networks and Specialist Integrated Care Teams for Older People and Chronic Disease in line with Sláintecare.
- The significant additional acute and community bed capacity in response to the COVID pandemic is acknowledged, not only additional critical care beds, but rehabilitation beds in the community.
- Recognition of the needs of vulnerable homeless people and those with drug addiction is welcomed.
- We welcome the increase in income limits to qualify for Medical Cards.
- The emphasis on ensuring safety of staff and their patients through adequate PPE stock is welcome, in particular the investment in indigenous manufacturing and supply.
- We welcome the reduced prescriptions charges and Drugs Repayment Scheme threshold.
- While recognising the significant additional resource provided in response to the COVID Pandemic it is essential that the resource is deployed in a way which delivers the transformation of the health service in line with Sláintecare.

Public Finances 2019 —2021

Below we outline the government finances for 2021 and the preceding 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, State Owned Companies (e.g. ESB) and the National Lottery. Collectively these give a figure for the total income expected by the government. Expenditure includes interest payments on the national debt, contributions to the European Union, and the costs associated with the day-to-day running of 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 by 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 measure is used by the European Central Bank and other institutions when assessing compliance with the Stability & Growth Pact.

Rounding may impact on totals	**2019**	**2020**	**2021**
CURRENT BUDGET	€m	€m	€m
Expenditure			
Gross Voted Current Expenditure	60,090	77,225	77,695
Non-Voted (Central Fund) Expenditure	7,395	7,750	8,040
Gross Current Expenditure	**68,025**	**84,975**	**85,735**
less Receipts and Balances	13,270	15,375	15,465
Net Current Expenditure	**54,755**	**69,600**	**70,270**
Receipts			
Tax Revenue	59,315	56,695	60,390
Non-Tax Revenue	3,345	2,700	1,085
Net Current Revenue	**62,660**	**59,395**	**61,475**
CURRENT BUDGET BALANCE	**7,905**	**-10,205**	**-8,795**
CAPITAL BUDGET			
Expenditure			
Gross Voted Capital Expenditure	7,365	9,845	10,120
Non-Voted Capital Expenditure	1,710	1,390	1,195
Gross Capital Expenditure	**9,075**	**11,235**	**11,320**
less Capital Receipts	45	30	40
Net Capital Expenditure	**9,030**	**11,205**	**11,280**
Capital Resources	**1,770**	**4,715**	**2,435**
CAPITAL BUDGET BALANCE	**-7,260**	**-6,490**	**-8,845**
Includes Recovery Fund			3,400
EXCHEQUER BALANCE	**645**	**-16,695**	**-17,640**
GENERAL GOVT BALANCE	**1,850**	**-21,620**	**-20,485**
*% of GNI**	0.9%	-10.7%	-9.8%

Overseas Aid

Budget 2021 allocated €867m to Ireland's Official Development Assistance (ODA) programme; an increase of approximately €30m on the amount pledged in Budget 2020.

Approximately €571m was allocated through the Department of Foreign Affairs and Trade. Another €159m was through the EU Development Cooperation Budget Share, with the rest allocated through other government departments; notably Finance (€62m) and Agriculture, Food and the Marine (€28m).

In our *Budget Choices 2021* briefing, *Social Justice Ireland* urged Government to make a commitment to increase the aid budget over the five years to 2025 in order to reach 0.70 per cent of national income. We estimate that the increase in ODA in Budget 2021 will bring the total ODA allocation to 0.42 per cent of projected GNI* in 2021, up from approximately 0.41 per cent in 2020. So while welcoming the small increase of €30m, *Social Justice Ireland* is disappointed that this will not result in any significant improvement in Ireland's ODA in terms of national income.

Though Ireland faces a number of significant challenges, it is important to remember that those in much poorer countries face a far worse situation. Our Key Partner countries on overseas development lack the well-developed welfare and health systems we have in Ireland, and this pandemic will affect developing countries far worse than it will affect us.

At uncertain economic times, it is important that policymakers remember to protect the vulnerable and ODA plays a major role in this. This is particularly so given that the recipients of Irish ODA tend to live in some of the countries who experience the worst effects of climate change—an area is which Ireland is a prime offender.

It is worth pointing out that many other countries have taken a leadership role in moving towards the UN-agreed 0.7 per cent target for developed countries, and Ireland's record in this regard has historically been very poor. Our pre-recession peak (reached in 2008) was 0.59 per cent.

Ireland is regularly commended by the OECD Development Assistance Committee Peer Review for the effectiveness of our aid programme. We can be justifiably proud of our record of providing high quality, untied, grant-based aid. However, we still lack a strategy for reaching the 0.7 per cent target and *Social Justice Ireland* calls on government to develop such a roadmap with a view to reaching this target.

We also support the call for the permanent cancellation of all external debt payments due from developing countries, with no penalties, and the provision of additional emergency finance that does not create more debt. Currently, more than 60 countries spend more on debt financing than they do on healthcare. Ireland should use its considerable international influence to ensure this debt cancellation happens.

SOCIAL WELFARE: Social Insurance weekly rates in 2021

PERSONAL AND QUALIFIED ADULT RATES	Present Rate	New Rate	Change
	€	€	€
Jobseekers Benefit			
Personal rate	203.00	203.00	0.00
Person with qualified adult	337.70	337.70	0.00
State Pension (Contributory)			
Personal rate	248.30	248.30	0.00
Person with qualified adult (under 66)	413.70	413.70	0.00
Person with qualified adult (66 or over)	470.80	470.80	0.00
Personal rate (aged 80 or over)	258.30	258.30	0.00
Person (aged 80 or over) with qualified adult (under 66)	423.70	423.70	0.00
Person (aged 80 or over) with qualified adult (66 or over)	480.80	480.80	0.00
Widow's/Widower's Contributory Pension			
Personal rate (under 66)	208.50	208.50	0.00
Personal rate (66 - 79)	248.30	248.30	0.00
Personal rate (80 or over)	258.30	258.30	0.00
Invalidity Pension:			
Personal rate	208.50	208.50	0.00
Person with qualified adult	357.40	357.40	0.00
Carer's Benefit			
Personal rate (caring for one person)	220.00	220.00	0.00
Maternity Benefit			
Personal rate	245.00	245.00	0.00
Occupational Injuries Benefit - Death Benefit Pension			
Personal rate (under 66)	233.50	233.50	0.00
Personal rate (66 - 79)	252.70	252.70	0.00
Personal rate (80 or over)	262.70	262.70	0.00
Occupational Injuries Benefit - Disablement Benefit			
Personal rate (maximum)	234.00	234.00	0.00
Illness Benefit			
Personal rate	203.00	203.00	0.00
Person with qualified adult	337.70	337.70	0.00
Injury Benefit/Health and Safety Benefit			
Personal rate	203.00	203.00	0.00
Person with qualified adult	337.70	337.70	0.00
Guardian's Payment (Contributory)			
Personal rate	186.00	186.00	0.00
Increases for a qualified child			
All schemes in respect of children under 12	36.00	38.00	2.00
All schemes in respect of children over 12	40.00	45.00	5.00
Child Benefit			
Rate per child (all children)	140.00	140.00	0.00
Living Alone Allowance (All Relevant Schemes)	14.00	19.00	5.00

SOCIAL WELFARE: Social Assistance weekly rates in 2021

	Present Rate	New Rate	Change
	€	€	€
Jobseeker's Allowance			
Personal rate (18 to 24 years)	112.70	112.70	0.00
Person with qualified adult	225.40	225.40	0.00
Personal rate (25 years and over)	203.00	203.00	0.00
Person with qualified adult	337.70	337.70	0.00
State Pension (Non-Contributory)			
Personal rate	237.00	237.00	0.00
Person with qualified adult (under 66)	393.60	393.60	0.00
Personal rate (aged 80 or over)	247.00	247.00	0.00
Person (aged 80 or over) with qualified adult (under 66)	403.60	403.60	0.00
Widow(er)'s Non-Contributory Pension	203.00	203.00	0.00
Carer's Allowance			
Aged under 66 (caring for one person)	219.00	219.00	0.00
Aged 66 or over (caring for one person)	257.00	257.00	0.00
Disability Allowance			
Personal rate	203.00	203.00	0.00
Person with qualified adult	337.70	337.70	0.00
Farm Assist			
Personal rate	203.00	203.00	0.00
Person with qualified adult	337.70	337.70	0.00
Guardian's Payment (Non-Contributory)	186.00	186.00	0.00
Living Alone Allowance (All Relevant Schemes)	14.00	19.00	5.00
One-Parent Family Payment			
Personal rate with one qualified child (up to age 18)	239.00	241.00	2.00
Increases for a qualified child			
All schemes in respect of children under 12	36.00	38.00	2.00
All schemes in respect of children over 12	40.00	45.00	5.00

Ireland's 2020 Poverty Targets - Missed

Life on a low income is the norm for a large proportion of our society. One in every seven people in Ireland lives with an income below the poverty line (14 per cent of the population). As highlighted in our most recent *Poverty Focus* briefing, this corresponds to approximately 680,000 people.

Poverty impacts hardest on those experiencing it in their day-to-day lives. It limits their options and opportunities, and narrows their focus to week-to-week survival and the unavoidable trade-offs of living on inadequate incomes. However, as a recent report by UCD academic Dr. Micheál Collins for the Society of St. Vincent de Paul showed, poverty also imposes costs on society. The report found that each year the state spends €4.5bn dealing with the causes and consequences of poverty; money that could be used in many other ways if we succeeded in eliminating poverty.

2020 marks a year when a number of recent poverty-related targets were to have been met. Sadly, none of these will be achieved this year.

The *National Reform Programme 2012 Update for Ireland* had a poverty target to reduce the numbers experiencing consistent poverty to 4 per cent by 2016 and to 2 per cent or less by 2020. The 2016 target was missed (the rate was 8.2 per cent) and the most recent data, for 2018, indicate that 5.6 per cent of the population (about 270,000) experience both poverty and deprivation. There is nothing to suggest that the rate will fall anywhere near 2 per cent in 2020.

This year is also when Europe is supposed to meet the Europe 2020 Strategy targets including the objective of lifting at least 20 million people out of being at risk of poverty or exclusion compared to the situation in 2008. To date there has been limited progress towards this benchmark with latest data (for 2018) from Eurostat indicating that just 27,000 people have been removed in Ireland and 5.8m people across the EU. Again, this target will be missed in 2020.

The Socio-Economic Context of Budget 2021

Table 20.1: Ireland's Social and Economic Context - Budget 2021			
Population		**Housing and Homelessness**	
Population (April 2010 / 2020)	4.55 / 4.98 million	Current Social Housing Waiting List	68,693 households
% of population older than 65 in 2016/2036	13.3% / 20.6%	Approximate number of households in need of sustainable housing	133,000
% of population older than 80 in 2016/2036	1.5% / 3.2%	Homeless adults (Dec 2014 / Aug 2020)	2,858 / 6,082
Net migration (year to April 2019 / year to April 2020)	33,700 / 28,900	Homeless children (Dec 2014 / Aug 2019)	880 / 2,620
Net migration (year to April 2019 / year to April 2020) of Irish nationals	-2,100 / 500	Adult/child homelessness (% change since December 2014)	+213% / +298%
Income, Poverty and Inequality **(all 2018 figures are from CSO SILC. All 2020 numbers are calculations by *Social Justice Ireland*)**		**Labour Market** **(all figures Q2 2020, unless otherwise stated)**	
Average Equivalised Disposable Income in 2018	€26,766	Labour Force (Number / change in previous12 months)	2.34mill / -89,600
Median Equivalised Disposable Income in 2018	€22,872	Employment (Number / % change in previous12 months)	2.22 mill / -77,600
Poverty line 2018, based on 60% of the Median Disposable Income (week/year)	€263 / €13,723	Unemployment (Number / %)	126,200 / 5.4%
Projected 2020 poverty line, 1 Adult (week/year)	€285 / €14,843	Covid-19 adjusted Unemployment Rate	14.7%
Projected 2020 poverty line, 2 Adults (week/year)	€472 / €24,639	Youth Unemployment Rate (2019 / 2020)	15.7% / 16.6%
Projected 2020 poverty line, 1 Adult + 1 Child (week/year)	€378 / €19,741	% of workers earning the Minimum Wage (or less)	122,800 / 6.4%
Projected 2020 poverty line, 2 Adults + 2 Children (wk/yr)	€660 / €34,436	National Minimum Wage 2020 (per hour / 39 hr week)	€10.10/ €394
Living in poverty in 2018 (% / people)	14% / 690,000	Living Wage (per hour / 39 hr week)	€12.30 / €480
Children in poverty in 2018 (% / people)	16.7% / 202,000	**Social Welfare**	
Experiencing deprivation in 2019 (%/ people)	17.8% / 886,000	Jobseekers Benefit: Personal rate / Increase for qualified adult	€203 / €134.70
Poverty rate in 2018 (Urban vs Rural)	13.6% vs 14.8%	Jobseekers Allowance: Maximum Personal Rate / Rate for those aged 18-24	€203 / €112.70
Deprivation rate in 2018 (Urban vs Rural)	15.9% vs 13.3%	State Pension: contributory / non-contrib	€248.30 / €237
Ratio of bottom 20% to top 20% in income share (2009/2018)	4.3 / 4.4	Child Benefit (flat rate for all children)	€140 per month
Gini coefficient 2009 / 2013 / 2018	29.3 / 31.8 / 29.7	Minimum Social Welfare Payment (1 adult)	€203
Median equivalised disposable income, Easter & Midland vs Northern and Western region)	€47,307 / €34,396 (2018)	Minimum Essential Standard of Living (MESL) amount—working age adult living alone (urban/rural)	€249 / €285 per week

Sources: CSO population projections; CSO SILC data; CSO Labour Force Survey; Department of Housing, Planning and Local Government; Housing Agency; NERI; Budget 2020 Comprehensive Expenditure Report; Central Bank; ESRI; Various other Government Departments and Agencies

Notes: * = projection; ** = CSO SILC data; ^ = latest available figure

Budget 2021 —Key Numbers, Data & Trends

To accompany Budget 2021, 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,* we have examined various aspects of these changes.

The table below brings together some of the key figures from the published Budget documents. It presents the Department of Finance's expectations of National Income this year and next year.

It outlines the Exchequer Budgetary Position in a number of areas, and outlines the projected Exchequer Budgetary Position over that period.

Expectations of future changes to employment, unemployment and inflation are also detailed.

Also included is information on the taxation system following the implementation of Budgetary changes (albeit there were very few this year), and details Government projections in inflation, the labour market, and the size of budgetary adjustments.

The table also outlines the size of the Department of Finance's budgetary changes, and examines the situation in relation to the size and burden of the national debt.

Table 21.1: The Budget in Numbers - Key Data from Budget 2021

National Income		**Inflation and the Labour Market**	
Nominal GDP/GNI* in 2019 (€ billion)	356.0 / 213.7	Inflation in 2020 / 2021 (%) (HICP)	-0.3 / +0.4
Nominal GDP/GNI* in 2020 (€ billion)	349.5 / 202.8	Total Employment (millions) (2019/20/21)	2.32 / 2.0 / 2.16
Nominal GDP/GNI* in 2021 (€ billion)	358.7 / 208.3	Unemployment rate (%) (2019/20/21)	5.0 / 15.9 / 10.3
Real GDP growth (%) 2019 / 2020 / 2021	5.6 / -2.4 / 1.7	Proj. employment growth (%) (2019/20/21)	2.9 / -13.7 / 7.6
Real GNP growth (%) 2019 / 2020 / 2021	3.4 / -2.9 / 1.6	**Taxation**	
Exchequer Budgetary Position		Income Taxation - lower rate / higher rate	20% / 40%
Current Budget Balance, 2021 (€m)	-8,795	Employer PRSI / Employee PRSI	12.05% / 4%
Capital Budget Balance, 2021 (€m)	-8,845	USC on incomes of €13,000 or less:	Exempt
Net Capital Expenditure, 2021 (€m)	11,280	USC, €0 - €12,012	0.5%
Government Expenditure Ceiling 2021 (€m)	87,815	USC, €12,012.01 - €20,687	2%
Government Expenditure Ceiling 2020 (€m) - as projected in the Budget 2020	71,395	USC, €20,687.01 - €70,044	4.5%
General Government Balance 2020 (€m)	-21,620	USC, €70,044.01 - €100,000	8%
General Government Balance 2021 (€m)	-20,485	USC, €100,000.01+ (PAYE / Self employed)	8% / 11%
General Govt Balance 2020/21 (% GNI*)	-10.7 / -9.8	Capital Gains Tax Rate	10%* / 33%
Change in personal consumption (2020/21)	-7.5% / 7.0%	**Size of Budgetary Changes in 2021**	
Change in modified domestic demand (2020 /21)	-3.2% / 2.6%	Tax Reductions (€m)	-430
National Debt as % of GDP / GNI* in 2021	66.6/ 114.7	Revenue Increases (€m)	165
Interest on National Debt 2019 (€m / % GDP)	4,455 / 1.3	Net Revenue Change (€m)	-265
Interest on National Debt 2020 (€m / % GDP)	3,850/ 1.1	New Current Expenditure Measures (€m)	6,295
Interest on National Debt 2021 (€m / % GDP)	3,555 / 1.0	New Capital Expenditure Measures (€m)	745

Sources: Various tables throughout Budgetary publications, and our own calculations. *This special CGT rate applies to new start-ups with a €10m cap on gains. **If you are aged 70 or over or a medical card holder aged under 70 and your aggregate income for the year is €60,000 or less you pay a reduced rate of USC.

Acknowledging progress on policy proposals

We have been analysing and critiquing the Government's annual budget since 1988, outlining proposals in advance and providing detailed analysis when the Budget is announced. Since 2011 *Social Justice Ireland* has been presenting fully costed budgetary proposals which would help to deliver a fair and just society.

We have strongly advocated on economic and social issues and consistently highlighted fair and progressive options that are available to Government within the Budgetary process. Below we draw attention to some of the policy areas we have consistently highlighted in our budgetary proposals and where progress has been made. It is important to acknowledge progress on policy issues. It is equally important to highlight those policy areas that are not seeing adequate progress or investment. We will continue to present fully costed, fair and progressive budgetary proposals to Government.

Wellbeing Indicators

We have consistently advocated for the adoption of new indicators measuring both wellbeing and sustainability in society, to be used alongside measures of national income like GDP, GNP and GNI to measure progress. We welcome the publication of 'Wellbeing and Measurement of Broader Living standards in Ireland' as part of Budget 2021 and the commitment to develop a wellbeing budget framework.

Carbon tax

We proposed a €7.50 increase in carbon tax with the resulting revenue to be ringfenced for a Just Transition fund addressing areas such as fuel poverty and retrofitting. We welcome progress in Budget 2021 and the pathway for carbon tax out to 2030 in the Finance Bill, although we are still a considerable distance from a Just Transition.

Fiscal Stance

We welcome the counter-cyclical fiscal stance in Budget 2021 and the focus on expenditure and investment rather than deficits. Given the extraordinary economic and social circumstances as a result of Covid-19 and the potential impact of Brexit this counter-cyclical policy should remain a feature of future budgets.

Rural Programme

There has been some increased funding for rural programmes in recent Budgets which we welcome. We welcome the acknowledgement of the importance of digital hubs in Budget 2021 and the additional funding for the National Broadband Plan. We continue to highlight the need for significant and ongoing public investment in rural Ireland.

Retrofitting

We welcome the investment in retrofitting in Budget 2021 and the particular focus on social housing. We have consistently highlighted the need for our energy efficiency policies to focus on those in energy poverty, and that retrofitting social housing is one of the key elements of both meeting our emissions targets and addressing energy poverty. We look forward to seeing this policy being further resourced, developed and scaled up.

Commission on Taxation and Welfare

The establishment of the Commission on Taxation and Welfare is very welcome as is Government's acknowledgement that taxation and welfare are part of one system. A one system approach has the potential to make significant progress in this area.

Education and Training

We have consistently called for an expansion of the apprenticeship and traineeship scheme to meet future skills needs. We welcome the additional upskilling and reskilling places announced as part of Budget 2021 and in particular the focus on vulnerable sectors, retrofitting and climate action skills.

Home Care

While there has been some recent Budgetary improvements in this area we continue to highlight the need for significant increased investment in the area of home care and home support. The allocation of an additional 5m home support hours in Budget 2021 is welcome. Continued resourcing of home help and home care becomes more urgent given our growing and ageing population.

Overseas Development Assistance

We welcome that Government continues to fund Overseas Development Assistance. In these very difficult times it is vital that Ireland continues to play such an important role in assisting those in the developing world.

Primary Care

Given *Social Justice Ireland's* promotion of primary care in recent decades we particularly welcome the allocation of an additional €150m to primary care in Budget 2021 to support the redesign of care pathways to make care more accessible in the community including the development of community health networks.

Budget 2021: Participation and Community

The Programme for Government committed to “support and enable a strong community sector” (p.84). It is disappointing that this did not begin with Budget 2021, as the overall allocation to Community Development is reduced by 16 per cent. Key to the success of the Community Call, an initiative bringing local organisations together to support communities in each Local Authority area, were the Public Participation Networks (PPNs). The PPNs, with a network of almost 15,500 member organisations nationally, provide a range of supports to strengthen participation at local government level, bringing a community voice to local decision-making. The importance of this role was acknowledged in the Sustainable, Inclusive and Empowered Communities strategy, and while we welcome the continued funding of the PPNs in Budget 2021, we are disappointed to note that this was not increased to support their continued development.

Of interest to PPNs, their members, and to the wider communities in which they operate, are the allocations to programmes such as Health Ireland, Supports and Recreation Services and the Community Services Programme. These are just some of the key Budget lines which deliver important services to disadvantaged areas, such as social networks and education, meals on wheels, community childcare, supports for people with disabilities, community centres and so on. While these allocations are welcome, they represent a fraction of what is needed to sustain these community supports. In a broader community context, the following Budget lines may also be of interest to those involved in their communities. While *Social Justice Ireland* welcomes the increases in many of these areas, these are mostly small to moderate increases to a sector that has seen a reduction of approximately €500m in fundraising income this year.

Budget Line	Allocation 2021 (,000)	Change 2020/2021
Health (Physical and Mental)		
Healthy Ireland Fund	6,000	-
Drugs Initiative	7,487	-
Primary Care	3,578,400	+11%
Economy and Resources		
Jobs and Enterprise Development	609,246	-56%
Innovation	420,123	-
Skills Development	610,512	+3%
Higher Education	1,934,452	+3%
Social and Community Development		
Rural Development, Regional Affairs and Islands	177,614	+4%
Community Development	158,772	-16%
Sports and Recreation Services	170,433	-21%
Children and Family Support Programmes	912,479	+4%
Community Services Programme	49,000	+4%

Budget Line	Allocation 2021 (,000)	Change 2020/2021
Participation, Democracy and Good Governance		
Local Government	225,119	-71%
Standards in Public Office Commission	1,964	+4%
Charities Regulatory Authority	4,641	-
Gardaí (Working with Communities to Protect and Serve)	1,952,163	+3%
Values, Culture and Meaning		
Human Rights and Equality Commission	7,095	+4%
Arts and Culture	330,795	+32%
Heritage	139,167	+46%
Work on Poverty and Hunger Reduction (ODA)	571,014	+4%
Environment and Sustainability		
Natural Resources	26,187	+4%
Environment and Waste Management	124,031	+18%
Energy	349,897	+60%
Inland Fisheries	34,595	-1%

Ireland continues to lag on SDG progress

The 17 Sustainable Development Goals (SDGs), 174 targets and over 230 indicators are designed to refocus efforts towards policies that directly help people and communities in the long run. They aim to provide both a pathway out of poverty for about a billion people in the world, and a pathway to a sustainable future for all countries and peoples.

The social and economic response to the current crisis demands the type of thinking that led Ireland to have a crucial role in the development of the SDGs. While we have not performed as well we could in progressing the 2030 Agenda in recent years, Budget 2021 provided an opportunity to do better.

In the 2020 edition of *Social Justice Ireland’s* Sustainable Progress Index, Ireland ranked 10th of the EU15 in terms of progress towards the SDGs. Ireland scores well on SDGs relating to Quality Education (SDG 4) and Peace and Justice (SDG 16). However, Affordable and Clean Energy (SDG 7); Responsible Consumption and Production (SDG 12); Industry, Innovation and Infrastructure (SDG9); Climate Action (SDG13); and Life Below Water (SDG 14) all score in the bottom third and Ireland faces significant challenges in achieving the objectives of these SDGs. The remaining SDGS are in the middle (ranked 6-10), implying there is still scope for improvement. Going forward, it is critically important to continue to monitor all relevant indicators under SDG to track progress towards these goals.

Social Justice Ireland welcomes the publication of the *Wellbeing and Measurement of Broader Living Standards in Ireland* paper with Budget 2021 as a step towards the creation of wellbeing indicators for Ireland. Our Sustainable Progress Index provides a composite indicator of wellbeing as well as a series of policy recommendations on how Ireland could improve our progress towards delivering on the Sustainable Development Goals.

Opportunity to begin building new social contract missed

Budget 2021 was the first chance for this Government to show how seriously it is taking its commitment to the creation of a new social contract—an opportunity regrettably missed.

Covid-19 gave Budget 2021 unique context. The economic and fiscal disruption created by the pandemic-related restrictions and lockdown measures presented an unprecedented challenge in framing this budget. But the broad public desire for a new paradigm, the relaxation of the Stability & Growth Pact, and the low cost of borrowing also presented an opportunity.

In our *Budget Choices 2021* briefing, *Social Justice Ireland* called for a number of measures that would be key first steps towards building that new social contract. We regret that many important and achievable goals were ignored.

Among the most regrettable aspects:

- The continued absence of ring-fenced funding for Sláintecare infrastructure;
- The lack of acknowledgement of the need to benchmark core social welfare rates, with the most vulnerable in society being ignored for the second year in a row;
- The absence of a commitment to targeting 20 per cent of the housing stock to be social housing;
- The lack of movement towards creating a Cost of Disability payment;
- The refusal to fully equalise Jobseekers' rates for under 25s;
- The ignoring of the need for increased scrutiny of tax expenditures as part of the budgetary process.

The deficit in funding for the Community and Voluntary sector (estimated at circa €500m) was also largely ignored.

It is clear that the building of a new Ireland and the creation of a new social contract require balance between the economy, society and the environment. With Budget 2021, Government has chosen to focus on only the economy.

A vibrant economy is important, and supports for businesses are certainly needed, but the huge social and environmental challenges already faced before Covid-19 either remain or are being exacerbated by the pandemic.

Budget 2021 has not done enough to address the environmental and social challenges, instead focusing on the economy hoping the rest will follow. As we have pointed out for years, this simply does not work.

We need more investment in infrastructure and services to develop a thriving economy. We need just taxation to fund this. We need good governance to ensure people have a say in shaping the society they live in.

We also need to ensure that everything that is done is sustainable; environmentally, economically and socially. These issues must be resolved together.

We recently published *Building a New Social Contract – Policy Recommendations*, a comprehensive overview of what is needed as part of a new Social Contract appropriate for Ireland in the 21st century. While containing many positives, we regret that Budget 2021 has not moved us far in the direction of achieving this vision.

Some recent Publications from *Social Justice Ireland*

Budget Choices 2021 - (September 2020)

Building A New Social Contract - (September 2020)

A Rising Tide Failing to Lift All Boats - European Research Series (June 2020)

Poverty Focus (May 2020)

Policy Briefing - Ireland's Taxation System post-Covid-19 - (April 2020)

National Social Monitor - Spring Edition - (March 2020)

Social Justice Matters - Socio-Economic Review - (March 2020)

All of these publications are available on our website at www.socialjustice.ie

SOCIAL JUSTICE IRELAND

working to build a just society

Social Justice Ireland is an independent think tank and justice advocacy organisation that advances the lives of people and communities through providing independent social analysis and effective policy development to create a sustainable future for every member of society and for societies as a whole.

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Department of Rural and Community Development

An Roinn Forbartha Tuaithe agus Pobail

pobal government supporting communities

Rialtas na hÉireann Government of Ireland