SOCIAL JUSTICE IRELAND

working to build a just society

# Budget 2016
## Analysis & Critique

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**CONTENTS:**




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# 5th Regressive Budget in a Row Favours Better-off

### Fifth regressive Budget in a row

Budget 2016 was the fifth regressive Budget in a row. While it was not as regressive as in previous years and contained some gain for everyone, there was much more for the better off and far less for poor and vulnerable people.

While single unemployed people will gain €95 a year, single people earning €75,000 will gain almost ten times as much i.e. €902. In the case of couples, the unemployed will gain €157 a year while a couple with two earners on €125,000 a year will gain nine times as much i.e. an extra €1,408 a year (cf. pp. 8-9)

### Rich-poor gap widens

Budget 2016 widened the rich-poor gap by €506 a year. This measures the gap between the disposable income of a single unemployed person and a single person on €50,000 per annum. If compared with people on higher salaries the rich-poor gap has widened even more (cf. p.9)

The rich/poor gap has widened by €1,003 in two years as a result of this government's budget decisions.

### Minimum wage increase very positive

The Budget 2016 announcement of an increase of 50 cent per hour to the statutory national minimum wage is a welcome development. This increase will ensure that a full-time worker on the minimum wage will receive an additional €1,014 per annum in gross pay.

However, the new hourly minimum wage rate of €9.15 is more than 25% below the living wage of €11.50 per hour.

### Deprivation and exclusion

It is important to remember that in Ireland in 2015:

- Over 376,000 people are living in consistent poverty, double the figure in 2008, according to the latest CSO statistics.
- 1.4 million people are experiencing deprivation, an increase of 128% since 2008.
- Overall, nearly 700,000 people are still at risk of poverty, of which 211,000 are children.
- Approximately, one in 6 children and one in 10 people aged over 65 are at risk of poverty.

Budget 2016 decided to give people in poverty its lowest priority and, instead, gave the major part of available resources to the better-off.

### Three false assumptions on taxation

There are three false assumptions on taxation underpinning Budget 2016. It is untrue to claim that:

- Ireland's total tax-take is high;
- poor people pay no tax; and

**Welcome**

- The increase in the minimum wage.
- Restoration of respite care grant
- Adopting the OECD BEPS proposals.
- Home care tax credit

**Regret**

- Failure to raise all social welfare rates by €6.50 a week to regain half of what had been lost in the rising cost of living.
- Failure to introduce a sugar-sweetened drinks tax
- The generosity towards corporations versus the harsh approach to the less well-off
- Insufficient investment

# Major challenge on democratic accountability

• €70,000 a year is middle-income.

**Total tax-take too low**

Despite significant increases in the tax-take from households (both directly and indirectly) since the outset of the recession, the scale of collapse in Ireland's tax revenues has been dramatic. In Budget 2016 Government allocated half of all available resources to tax cuts. *Social Justice Ireland* believes that cuts in taxation should be financed by other tax increases applied in a fair manner.

As a policy objective, Ireland should collect a level of taxation capable of adequately supporting the country's economic, social and infrastructural requirements. The current low-tax model is not sustainable and the current set of Government projections for taxation revenue is unrealistic.

*Social Justice Ireland* believes that over the next few years policy should focus on increasing Ireland's tax-take to 34.9 per cent of GDP, a figure defined by Eurostat as 'low-tax'.

**Poor people pay a higher proportion of their gross income in tax**

The often-repeated claim that poor people pay little or no tax is one of the major falsehoods on which bad policy decision-making is based. In fact people with less money spend far more of their money on things that are subject to indirect tax - primarily VAT and excise duties.

A 2014 study by Dr Micheál Collins of the Nevin Institute based on CSO statistics shows that the poorest 10 per cent of households (with average gross income of €10,000) pay just over 30 per cent of their gross income in total tax (indirect and direct). The richest 10 per cent (with an average gross income of €155,000) pay just under 30 per cent in tax (direct and indirect). Government's claim to fairness when it proposes to reduce the top tax rate is false. The repeated emphasis on the marginal tax rate is a means of hiding the fact that Government is intent on continuing to support the better-off at the expense of the poor and vulnerable.

**Middle income is €25,000 - €40,000**

Government constantly describes people on 'middle income' as those earning between €32,800 and €70,000 and declares that its policies favour this group. Revenue statistics however show that based on tax units the middle-income range is between €25,000 and €40,000. Tax units earning €50,000 are in the top quarter of earners. This provides further proof of the fact that despite the 'spin' put on the story, Government policy is clearly focused on supporting the better-off. This choice should change.

**Knowledge Development Box**

The harsh approach to the less well-off lies in stark contrast to the extremely generous approach of Government to multi-national companies. The latest manifestation of this is the Knowledge Development Box (page 15).

**Investment too low**

Both the Budget and the recent Capital Investment Plan 2016-2021 outline commitments to enhanced public capital investment in the years to come.

While these improvements are welcome, they offer limited progress given the scale of underinvestment in the economy over the past eight years and the notable capital investment deficits that persist.

**Long-range approach missing**

Ireland is currently facing major challenges on issues such as health, childcare, housing, homelessness, poverty and rural decline. Budget 2016 will make very little impact on these major issues.

Instead it will widen the poverty gap and deepen divisions in Irish society. Budget 2016 was a missed opportunity.

## Oireachtas denied access to essential information

In its first Budget this Government claimed they were going to follow a new model based on "transparency, openness and clear structural planning". *Social Justice Ireland* welcomed that commitment.

However, what has emerged in the years since then is an extremely secretive process which excludes Oireachtas members and Oireachtas Committees as well as most Government ministers.

In practice this process, among other things, means that members of the Dáil and Seanad do not have access to essential information on which they can make informed judgements on the Budget and the choices Government has made.

It also fails to harness the experience, knowledge and research of a wide range of groups (with the exception of insiders such as the Financial Services Industry).

How can Oireachtas members have an informed discussion on the budget when so much of its content is opaque and its basic numbers are not clear?

But that is not all. There has also been a total failure to honour commitments to measure the impact of the budget to ensure it is poverty-proofed.

As *Social Justice Ireland* consistently shows it is possible to measure the impact of various proposals in advance of their implementation. Government, however, publishes very limited information showing the impact of its Budget decisions.

***How can Oireachtas members have an informed discussion on the budget when so much of its content is opaque and its basic numbers are not clear?***

# 5th Regressive Budget in a Row

Budget 2016 is the fifth regressive Budget in a row to be delivered by this Government.

Although the Budget attempted to give something to every household in the country, its measures disproportionately favour those on higher incomes.

The Budget's income tax changes favour those who earn more (see our analysis on pages 6, 8-10, 14-15), while its failure to deliver any significant increases in social welfare payments means it will further widen the divides in Irish society. This regressive impact is compounded by the limited progress planned to address the deficits in public services which have emerged during the last seven years.

The regressive nature of Budget 2016 follows that of ***Budget 2015*** (e.g. income tax cuts which favoured the well off and flat rate water charges), ***Budget 2014*** (e.g. doubling of property tax, cuts to household benefits package, cuts to youth welfare payments and increases in prescription charges for medical card holders), ***Budget 2013*** (e.g. abolition of PRSI allowance, cuts to child benefit and increases in prescription charges for medical card holders) and ***Budget 2012*** (e.g. increase in standard VAT rate from 21% to 23%, cuts to 3rd and 4th child benefit payments, cuts to fuel allowance).

Budgets 2012, 2013 and 2014 also orientated their adjustments towards cuts in public services, further increasing their regressive impact.

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

# Welfare: a limited priority in Budget 2016

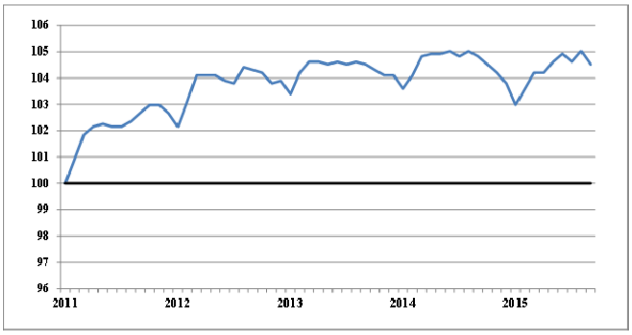
We regret that Budget 2016 failed to deliver an increase in the minimum social welfare payment - which remains at €188 per week.

As we detailed in our pre-Budget document, *Budget Choices*, this payment has remained at this level since January 2011 and since then inflation has eroded its value. As Chart 3.1 shows, prices have risen by over 4.5% since then — implying that those dependent on social welfare have fallen further behind. The restoration of the Christmas bonus will provide only an extra €1.81 per week to a jobseeker (on top of 90 cent last year).

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

The failure to make some move on restoring the buying power of minimum social welfare payments in this Budget is both a concern and a regret.

**Chart 3.1: Price Changes Jan 2011-Sept 2015** (index = 100 for Jan 2011)




# Minimum Wage Increase and the Living Wage

The Budget 2016 announcement of an increase of 50 cent per hour to the statutory national minimum wage is a welcome development. This increase will ensure that a full-time worker on the minimum wage will receive an additional €1,014 per annum in gross pay (€708 net).

***while the increase is a welcome development, the new rate of €9.15 is more than 25% below the living wage of €11.50 per hour***

Addressing low pay, which is experienced by at least one in every five workers, remains a key challenge for Irish society. As we have continuously highlighted, the annual poverty figures show that more than 80,000 people in employment are living in poverty (the working poor). Improvements in the low pay rates received by many employees offer an important method by which these levels of poverty and exclusion can be reduced.

However, the new hourly minimum wage rate of €9.15 is more than 25% below the living wage of €11.50 per hour.

In principle, a living wage is intended to establish an hourly wage rate that should provide employees with sufficient income to achieve an agreed acceptable minimum standard of living. In that sense it is an income floor; representing a figure which allows employees to afford the essentials of life.

Paying low paid employees a Living Wage offers the prospect of significantly benefiting the living standards of these employees. *Social Justice Ireland* has supported the emergence of this concept over the past few years and we hope to see this new benchmark adopted across many sectors of society in the years to come.

# The Socio-Economic Context of Budget 2016

| Table 4.1: Ireland's Social and Economic Context - Budget 2016 | | | |
|---|---|---|---|
| **Population** | | **Taxation** | |
| Population 2011 Census | 4,588,252 | Tax as % GDP in 2000 | 31.7% |
| Population 2016 * | 4.691m | Tax as % GDP in 2006 | 32.6% |
| Population 2021* / 2041* | 4.901m/5.701m | Tax as % GDP in 2015 | 29.4%* |
| **Income Levels** | | Value of top 30 tax reliefs per annum | €17 billion |
| Average Gross Household Income (2013)** | €1,041.47 per week | **Labour Market** | |
| Average Disposable H-hold € (2013)** | €786.86 per week | Labour Force 2015 (Q2 2015) | 2,169,900 |
| **Poverty and Inequality** | | Employment (Q2 2015) /rate (ILO Basis) | 1,958,700/62% |
| Poverty line 1 Adult (week / year) | €208.65/ €10,850 | Unemployment Q2 2015 /rate (ILO Basis) | 211,200/9.7% |
| Poverty line 2 Adults (week / year) | €345/ €17,940 | Long-term Unemployment (Q2 2015) /rate | 118,600/5.5% |
| Poverty line 1 Adult + 1 Child (week / year) | €277.50/ €14,430 | Youth Unemployment (Q2 2015)/rate | 38,300/20.7% |
| Poverty line 2 A + 2 Children (week / year) | €484.07/ €25,172 | Live Register (September 2015) | 337,300 |
| % of pop. living in poverty (number) ** | 15.2% (687,151) | Minimum Wage (per hour / 39hr week) | €9.15/ €356.85 |
| % of children living in poverty ** | 17.9% (218,000) | Net Migration (year to April 2015) | -11,600 |
| % of pop. in deprivation 2007/2013 | 11.8%/30.5% | Net Migration Irish Nationals (2008-2015) | -143,200 |
| Gini coefficient (2011) | 30.8 | No of workers on the Minimum Wage | 75,000 |
| Gini coefficient (2013) | 30.0 | Living Wage (per hour / 39hr week) | €11.50 / €448.50 |
| Ratio of bottom 20% to top 20% (2013) | 4.5 | % of employees on less than Living Wage | 25% |
| **Social Welfare Rates** | | **Inflation**** | |
| Jobseekers Benefit personal rate/ Increase for qualified adult | €188.00/ €124.80 | CSO annual CPI inflation rate (yr. to September2015) | -0.3% |
| Jobseekers Allowance Maximum Personal Rate aged 26 and over/aged 25/aged18-24 | €188.00/€144/€100 | CPI excluding mortgage interest (yr. to August 2015) | +0.2% |
| Old Age Pension: contributory/non-contributory | €233.30 / €222.00 | **Literacy & Environment** | |
| Child Benefit: | €140 flat rate for all children | Illiteracy rate of adult population (2013 Data) | 17.9% |
| **Housing** | | % Waste Landfilled (2012) | 38.2% |
| LA Housing Waiting list – households | 89,872 | Greenhouse Gas Emissions v. Kyoto target | -2.7% |
| LA Housing Waiting list – persons | approx. 225,000 | **Overseas Aid** | |
| % on LA housing waiting list for 2 years + | 60% | ODA as % GDP: 1999/2005/2008 | 0.30/0.40/0.54 |
| Homelessness (census 2011) | 3,808 | ODA as % GNP: 2011 /2013/2015 | 0.47/0.43/0.35 |

**Sources:** Department of Finance Stability Programme Update, Collins (2013),Department of Finance and Department of Public Expenditure and Reform Budget Documentation and various publications from Eurostat, Central Bank, ESRI,CSO, CSO QNHS, CSO Census 2011,Department of Environment Community and Local Government Housing Statistics, OECD Literacy Survey, CSO Environment Indicators 2014, Department of Social Protection Rates of Payments and various other Government Departments and Agencies, **Note:** * = projection; ** = CSO SILC data;

# Budget 2016 — Key Numbers, Data & Trends

To accompany Budget 2016 the Departments of Finance and Public Expenditure and Reform have published a series of documents detailing the changes announced in the Budget. Throughout this *Analysis and Critique* document we examine various aspects of these changes.

The table below brings together the key figures from the published Budget documents. It presents the Department of Finance's expectations of National Income next year, and for the next three years. It outlines expectation in terms of GDP growth to 2018.

It outlines the projected exchequer budgetary position over that period. Expectations of future changes to employment, unemployment and inflation are detailed.

The table also includes details on the taxation system following the implementation of the Budgetary changes.

The table also details Government projections in terms of inflation, the labour market and the size of budgetary adjustments. Finally, the table outlines the Department of Finance's calculations regarding the full year cost of the tax and social welfare changes announced in the Budget.

**Table 5.1: The Budget in Numbers - Key Data from Budget 2016**

| | | | |
|---|---|---|---|
| **National Income** | | **Inflation and the Labour Market** | |
| GDP in 2016 (€m) | 223,125 | Inflation in 2016 (HICP) | 1.2% |
| GDP in 2017 (€m) | 233,575 | Inflation 2016-2018 (HICP average) | 1.5% |
| GDP in 2018 (€m) | 244,025 | Unemployment rate in 2016 | 8.3% |
| GDP growth in 2016 | 4.3% | Employment growth in 2016 | 2.4% |
| GDP growth in 2017 | 3.5% | Unemployment rate 2016-2018(average) | 7.7% |
| GDP growth 2016-2018 (average) | 3.7% | Employment growth 2016-2018 (average) | 2.1% |
| **Exchequer Budgetary Position** | | **Taxation** | |
| Current Budget Balance, 2016 (€m) | €475 | Income Taxation - lower rate | 20% |
| Net Capital Investment,2016(€m) | €4,575 | Income Taxation - higher rate | 40% |
| Net Capital Investment,2017(€m) | €4,785 | %Tax on €25,000 income (single / 2 earners) | 13.5%/1.0% |
| Net Capital Investment,2018(€m) | €5,055 | %Tax on €60,000 income (single / 2 earners) | 31.6%/16.1% |
| General Government Balance, 2016 (€m) | -€2,755 | %Tax on €100,000 income (single / 2 earners) | 39.5%/28% |
| General Government Balance, 2016 (%GDP) | -1.2% | Corporation Tax Rate | 12.5% |
| Current Budget Balance 2017 (€m) | -€120 | Capital Gains Tax Rate | 20%**/ 33% |
| Current Budget Balance 2018(€m) | €3,480 | Universal Social Charge Incomes of €13,000 or less are exempt. Otherwise; €0 to €12,012 @ 1.0%/€12,012 to €18,668 @ 3.0%/€18,668 to €70,044 @ 5.5%/ €70,044 to €100,000 @8%/PAYE income in excess of €100,000 @ 8%/Self-employed income in excess of €100,000 @ 11%* | |
| Net Capital Investment 2016-2018 (Av) (€m) | €4,403 | **Size of Budgetary Changes** | |
| Underlying General Government Balance 2016-2018(Av) (€m) | -€1,166 | Size of Budgetary adjustment (€m) | 1,535 |
| Interest on National Debt 2016 (€m) | 6,583 | Yield in 2016 of Tax changes (€m) | -690 |
| Interest on National Debt 2017 (€m) | 6,714 | Value in 2016 of Expenditure changes (€m) | 770 |
| Debt to GDP ratio 2016 (%) | 92.8% | Compliance measures | 75 |
| Debt to GDP ratio 2017 (%) | 90.3% | Full year cost of new Social Welfare Measures | 251 |

Sources: Minister's speech and various tables throughout Budgetary publications.*Medical card holders and individuals aged 70 years and over whose aggregate income does not exceed €60,000 will now pay a maximum rate of 3% USC. Note: **This rate of CGT applies to the disposal, in whole or in part, of a business up to an overall limit of €1 million in chargeable gains

# Income Tax Changes - Fairer Choices Missed

***If fairness was a priority, then there were fairer options costing the same amount open to Government***

The Budget included an income tax package with a full year cost of €847m (€75m on income tax reductions and €772m on USC reductions). As we show elsewhere in this document (see pages 8-9) these changes are unfair and provide larger gains to those on higher incomes compared to those on lower incomes. For example, a single person earning €20,000 gains €493 per annum while a single person on €75,000 gains €400 more (€902 per annum).

For the same commitment of resources that the Government allocated to reforming the USC (€772m) Government could have chosen a much fairer set of alternatives. These include:

- Refunding the unused proportion of PAYE and personal tax credits to those who are active in the labour market but earn insufficient income to use up all these tax credits (i.e. introduce a system of refundable tax credits): ***full year cost of €140m***
- Increase the personal tax credit for all earners by €280 per annum: ***full year cost of €615m***

Our costings for these measures are based on a previous *Social Justice Ireland* study on refundable tax credits (see p10 of our pre-Budget document *Budget Choices*) and the recently released Revenue Commissioners *Ready Reckoner for Budget 2016*. The costing of the €280 per annum increase in the personal tax credit also assumes a commensurate increase in the married persons, widowed persons and lone parent credit.

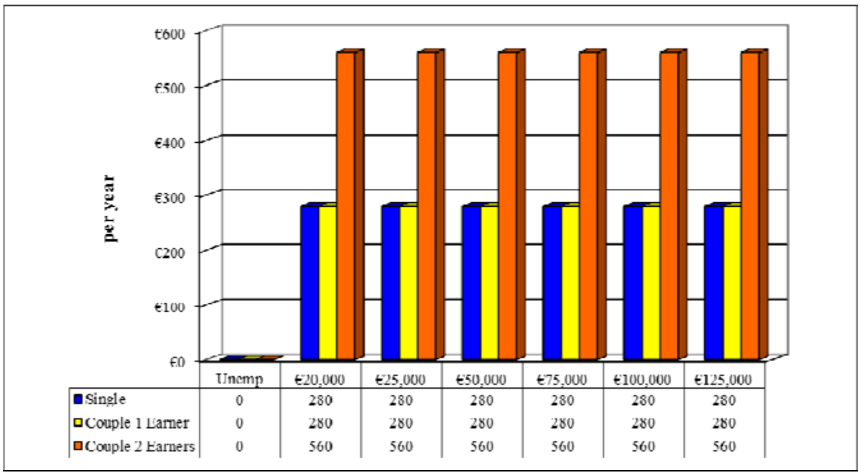
The annual cost of this increase according to the Revenue Commissioners is €615m; and to ensure our estimates are conservative, we assume the other €17m is allocated to those not currently factored into Revenue's estimates who would receive an increase in their tax credit refund.

The distributive impact of this alternative policy choice is outlined in Chart 6.1. It provides an increase of €280 per annum to all single earners and couples with one earner. Couples with two earners gain twice this amount, €560 per annum. In contrast to the Budget outcomes (see p8-9) a single person earning €25,000 gains €280 per annum while a similar person on €75,000 gains the same. Below €16,500 single earners experience further gains due to a refund of unused tax credits.

As the chart shows, a fairer tax package could have delivered the same amount of income gains to all single earners above €16,500. Proportionally, such a gain is greater for lower income earners reflecting a more progressive distribution of budget income tax resources.

As our analysis shows, the Government could have chosen a fairer and more equitable income tax package in this Budget. We regret that Government ignored this option.

**Chart 6.1: Distributive Effects of an Alternative Income Tax Package**




## Corporation Tax Changes

Budget 2016 included a number of reforms and initiatives relating to corporation tax. These include (see full review p14-15):

- Adopting the OECD's BEPS proposals and making the necessary reforms to integrate them into Irish taxation laws.
- Introducing a new Knowledge Development Box where firms can avail of a lower rate of corporation tax for certain specified activities (see p15).

While we welcome the Government's adoption of the OECD BEPS measures, it remains a concern that a core focus of policy in this area is to identify new methods for firms to shift more activity to situations where they have to pay less tax on the substantial profits they earn. The new Knowledge Development Box serves as an example (see p15).

*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. Irrespective of the new initiatives and schemes being created for firms, *Social Justice Ireland* believes that serious reform in this area is long overdue. Data from Eurostat estimate an implicit corporate tax rate on business income of between 6% and 8.6% although it is likely to be as low as 3% for many large corporations while Small and Medium Enterprises (SMEs) pay close to 12.5% for the most part.

We regret that Budget 2016 did not adopt our proposal to introduce a minimum effective tax rate of 6% for corporations. Such a measure would generate an additional €1 billion of tax revenue for the state and greatly enhance fairness in our society.

## Capital Investment too low

Both the Budget and the recent Capital Investment Plan 2016-2021 outline commitments to enhanced public capital investment in the years to come.

While these improvements are welcome, they offer limited progress given the scale of underinvestment in the economy over the past eight years and the notable capital investment deficits that persist.

***there is a need for a socially orientated investment stimulus***

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

Budget 2016 has made some progress with initiatives in some of these areas. However, it is clear that further resources and policy commitments are required. Given the deficits in provision, and the long-term benefits these investments would deliver, it remains a regret that to date these are not forthcoming.

## Homeless Crisis

Homelessness has become a crisis in Ireland. The most recent figures (August 2015) show that 3,372 adults and 1,496 children were using emergency accommodation - a total of 4,868 people. When rough sleepers are included the number in need of emergency services is far in excess of 5,000.

This, however, is only the tip of the iceberg as there are more than 90,000 *households* on waiting lists for social housing. The shortage of social accommodation means many more are in danger of becoming homeless because they are unable to keep pace with the increase in rents but do not have access to social housing.

Yet Budget 2016 has not provided resources on the scale required to eliminate this blight on Irish society. An additional €17m has been provided to address homelessness bringing the total available in 2016 to €70m.

The rent limits for the Homeless HAP Pilot have been raised in order to allow significant numbers of homeless families in Dublin to move out of hotel and emergency accommodation and find homes.

These initiatives are welcome as is the funding to provide 500 modular housing units for homeless families included in the Capital Plan. However, Ireland is a long, long way from solving its homeless crisis.

# Social Housing

Budget 2016 has provided in excess of €811 million for housing: €379 million from current expenditure (+€69 million on 2015) and €432 million allocated from capital expenditure (+€56 million on 2015).

The Department of Environment in its press release has indicated that both capital and current funding will allow for the delivery of 17,000 units under a variety of measures. This includes the use of the Rental Accommodation Scheme (RAS), the expansion of the Housing Assistance Payment scheme as well as the provision of Local Authority housing through construction programmes and refurbishment of voids. These are welcome. Funding of €17 million is being made available for the mortgage to rent scheme, along with €10 million to fund an Affordable Renting pilot.

The Minister for Finance also indicated that NAMA is aiming to deliver 20,000 residential units on a commercial basis before the end of 2020. 90 per cent of these are to be in the greater Dublin area and 75 per cent will be houses, predominantly starter homes. Demographic pressures and changing household structures will ensure demand remains high over the medium and long term.

*Social Justice Ireland* recognises the necessity for an increase in the supply of housing units, however, there also needs to be an adequate supply of housing for those on low incomes. The level of investment and output fails to recognise the scale of Ireland's housing crisis, and fails to address an increasingly unstable rental market within large urban areas.

There are almost 90,000 households on the social housing waiting list, representing over 230,000 people. Lack of supply in large urban centres, along with increasing rents and limited access to affordable housing have resulted in a growth in the numbers of homeless, most notably families.

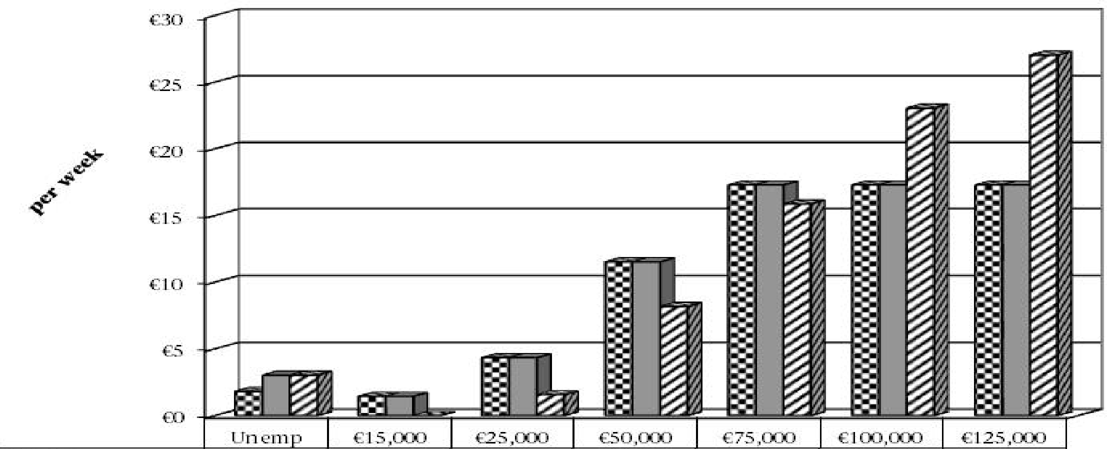
Additionally, while the number of mortgage accounts for principal dwelling houses (PDH) in arrears has fallen, there were still a total of 98,137 (13 per cent) of accounts in arrears at end June 2015. The number of accounts in arrears over 90 days at end-June was 70,299, of these, 38,041 accounts were in arrears of over 720 days.

Giving consideration to this context, *Social Justice Ireland* has recommended that the Government fully resource the Social Housing Strategy as a matter of urgency. It is clear that the scale of this strategy needs to be expanded if it is to effectively eliminate housing waiting lists and provide for future demands within this housing sector.

*Social Justice Ireland* also recognises the difficulty in financing this level of provision, and consequently, for some time has argued that there is need for a new off-balance sheet mechanism which would increase the supply of social housing. One possibility is the utilisation of NAMA which has expertise in developing such a mechanism.

Social Justice Ireland regrets that NAMA wasn't given greater responsibility in Budget 2016 to deliver social housing. Without a more ambitious approach, Ireland's housing challenges will not be addressed adequately.

### Chart 8.1: Impact of Tax and Headline Welfare Payment Changes from Budget 2016



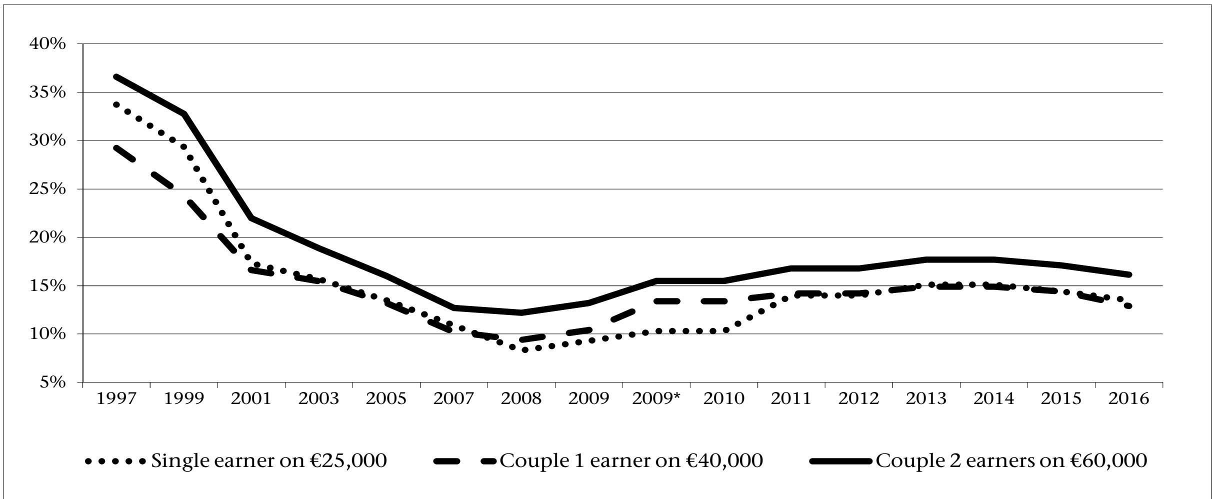

| | Unemp | €15,000 | €25,000 | €50,000 | €75,000 | €100,000 | €125,000 |
|---|---|---|---|---|---|---|---|
| Single | 1.82 | 1.44 | 4.34 | 11.53 | 17.29 | 17.29 | 17.29 |
| Couple 1 Earner* | 3.02 | 1.44 | 4.34 | 11.53 | 17.29 | 17.29 | 17.29 |
| Couple 2 Earners* | 3.02 | 0.00 | 1.56 | 8.17 | 15.87 | 23.06 | 27.02 |

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

| Table 8.1: Effective Tax Rates following Budgets 2000/ 2008/ 2016 | | | |
|---|---|---|---|
| **Income Level** | **Single Person** | **Couple 1 Earner** | **Couple 2 Earners** |
| €15,000 | 13.9% / 0.0% / 1.5% | 2.5% / 0.0% / 1.5% | 0.8% / 0.0% / 0.0% |
| €20,000 | 13.9% / 4.4% / 7.8% | 8.3% / 2.7% / 4.3% | 6.1% / 0.0% / 0.7% |
| €25,000 | 24.0% / 8.3% / 13.5% | 12.3% / 2.9% / 6.7% | 11.0% / 0.0% / 1.0% |
| €30,000 | 28.4% / 12.9% / 16.1% | 15.0% / 5.1% / 7.3% | 14.6% / 1.7% / 3.8% |
| €40,000 | 33.3% / 18.6% / 22.6% | 20.2% / 9.4% / 12.9% | 17.5% / 3.6% / 8.3% |
| €60,000 | 37.7% / 27.5% / 31.6% | 29.0% / 19.8% / 24.1% | 28.0% / 12.2% / 16.1 % |
| €100,000 | 41.1% / 33.8% / 39.5% | 35.9% / 29.2% / 35.0% | 35.9% / 23.8% / 28.0% |
| €120,000 | 41.9% / 35.4% / 41.6% | 37.6% / 31.6% / 37.9% | 37.7% / 27.2% / 31.7% |

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

### Chart 8.2: Effective Tax Rates in Ireland, 1997-2016




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

# Budget Widens Rich-Poor Gap by €506 a year

When assessing the change in people's incomes following any Budget, it is important that tax changes be included as well as changes to basic social welfare payments. In our calculations we have not included any changes to 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 8.1 (page 8) sets out the implications of the Budget announcements on various household groupings in 2016.

**Single people** who are unemployed will benefit from the Christmas bonus increase which equates to €1.82 a week (€95 a year). Those on €25,000 a year will see an increase of €4.34 a week (€226 a year) in their take-home pay while those on €50,000 will be €11.53 a week (€601 a year) better off in the coming year and those on €75,000 a year will be €17.29 a week (€902 a year) better-off.

**Couples with one income** on €25,000 a year will be €4.34 a week (€226 a year) better-off while those on €50,000 will be €11.53 a week (€601 a year) better off.

**Couples with two incomes** on €25,000 a year will be €1.56 a week (€81 a year) better off while those on €50,000 will be €8.17 a week (€426 a year) better-off in the coming year.

The impact of Budget 2016 on the distribution of income in Ireland can be further assessed by examining the rich-poor gap. This measures the gap between the disposable income of a single unemployed person and a single person on €50,000 per annum. Budget 2016 has widened the rich-poor gap by €9.71 per week (€506 a year).

# Effective Tax Rates after Budget 2016

Central to a thorough understanding of income taxation in Ireland are effective tax rates. These rates as calculated by comparing the total amount of income tax a person pays with their pre-tax income. For example, a person earning €50,000 who pays €10,000 in taxation (after all their credits and allowances) will have an effective tax rate of 20 per cent. Calculating the scale of income taxation in this way provides a more accurate reflection of the burden of income taxation faced by earners.

Following Budget 2016 we have calculated effective tax rates for a single person, a single income couple and a couple both earners. Table 8.1 (p8) presents the results of this analysis. For comparative purposes, it also presents the effective tax rates which existed for people with the same income levels in 2000 and 2008.

In 2016, for a single person with an income of €15,000 the effective tax rate will be 1.5%, rising to 13.5% at an income of €25,000 and 41.6% at an income of €120,000. A single income couple will have an effective tax rate of 1.5% at an income of €15,000, rising to 6.7% at an income of €25,000, 24.1% at an income of €60,000 and 37.9% at an income of €120,000. In the case of a couple where both are earning and where their combined income is €40,000 their effective tax rate is 8.36%, rising to 31.72% for combined earnings of €120,000.

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

# Low Overall Tax-Take is not Sustainable

Data accompanying Budget 2016 outlines Government's plans for taxation and spending over the next six years (to 2021). Over that period, assuming the policies signalled by Government are followed, overall tax receipts will climb from €61.8bn in 2015 (29.4% of GDP) to €78.6bn in 2021 (28.5% of GDP).

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

The most recent EU data (for 2013 - published June 2015) shows that average EU tax levels are at 40% of GDP. Ireland's rate remains around 30% of GDP; within the EU only Latvia, Bulgaria, Romania and Lithuania collect a lower proportion of GDP in taxation.

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

In our pre-Budget policy briefing *Budget Choices* document we showed that over the next five years, the Tax Gap, the difference between this benchmark and the planned level of overall taxation by Government is an average of €4.1bn per annum. This is the scale of additional revenue that Ireland should be collecting.

As a policy objective, Ireland should remain a low-tax economy, but not one incapable of adequately supporting necessary economic, social and infrastructural requirements. Judged in that manner the current low tax model is not sustainable and we regret that Budget 2016 did not take greater steps to address this.

# Impact of Tax & Benefit Changes, 2011-2016

Budget 2016 marks the fifth and final Budget of the current Government. On this page we track the cumulative impact of changes to income taxation and welfare over the Government's five Budgets since 2011.

At the outset it is important to stress that our analysis does not take account of other budgetary changes, most particularly to indirect taxes (VAT), other charges (such as prescription and water charges) and property taxes. Similarly, it does not capture the impact of changes to the provision of public services – changes which, as we note elsewhere in this document, have been severe given the scale of the expenditure reductions introduced. As the impact of these measures differs between households it is impossible to quantify precise household impacts and include them here. However, as we have demonstrated in previous editions of our *Budget Analysis and Critique*, these changes have been predominantly regressive – impacting hardest on households with the lowest incomes.

The households we examine are spread across all areas of society and capture those with a job, families with children, those unemployed and pensioner households. Within those households which have income from a job, we include workers on the minimum wage, on the living wage, workers on average earnings and multiples of this benchmark, and families with incomes ranging from €25,000 to €200,000. In the case of working households, the analysis is focused on PAYE earners only and therefore does not capture the changes in Budget 2016 targeted at the self-employed. The analysis complements our assessments of the current Budget on pages 8 and 9.

Over the years examined (2011-2016) all household types recorded increases in their disposable income (after taxes and welfare payments). However, the gains have been skewed towards those with the highest incomes.

***Budget by Budget these choices, whether cuts or increases, have favoured the better-off***

Among households with jobs (see chart 10.2), the gains experienced over the past five years range from €4.53 per week (for single parent households on €25,000 and single earners on €25,000) to twelve times as much, €54.97 per week, for couples with 2 earners and an income of €200,000. Overall, across these households the main gains have flowed to those on the highest incomes.

Among households dependent on welfare, the gains have ranged from €4.63 per week (to single unemployed individuals) to €14 per week to pensioner couples - see chart 10.1.

Our analysis points towards the choices and priorities the Government has made. Budget by Budget these choices, whether cuts or increases, have favoured the better-off in our society.

**Chart 10.1 Cumulative Impact on Welfare Dependent Households , 2011-2016**

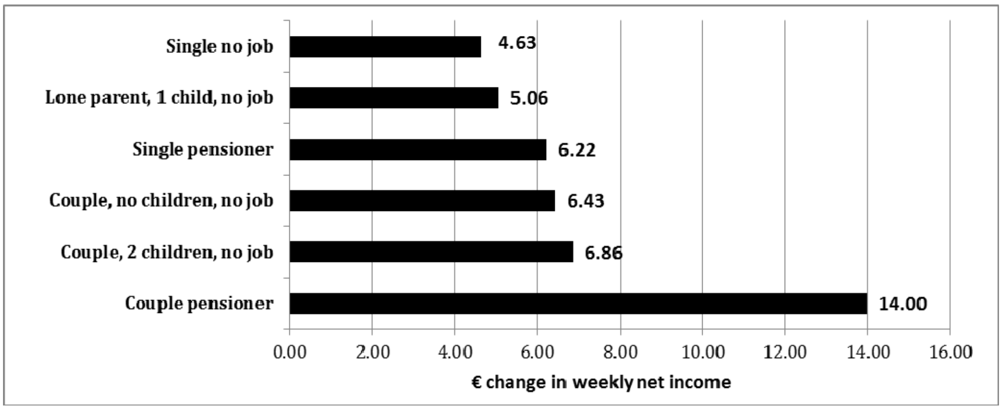
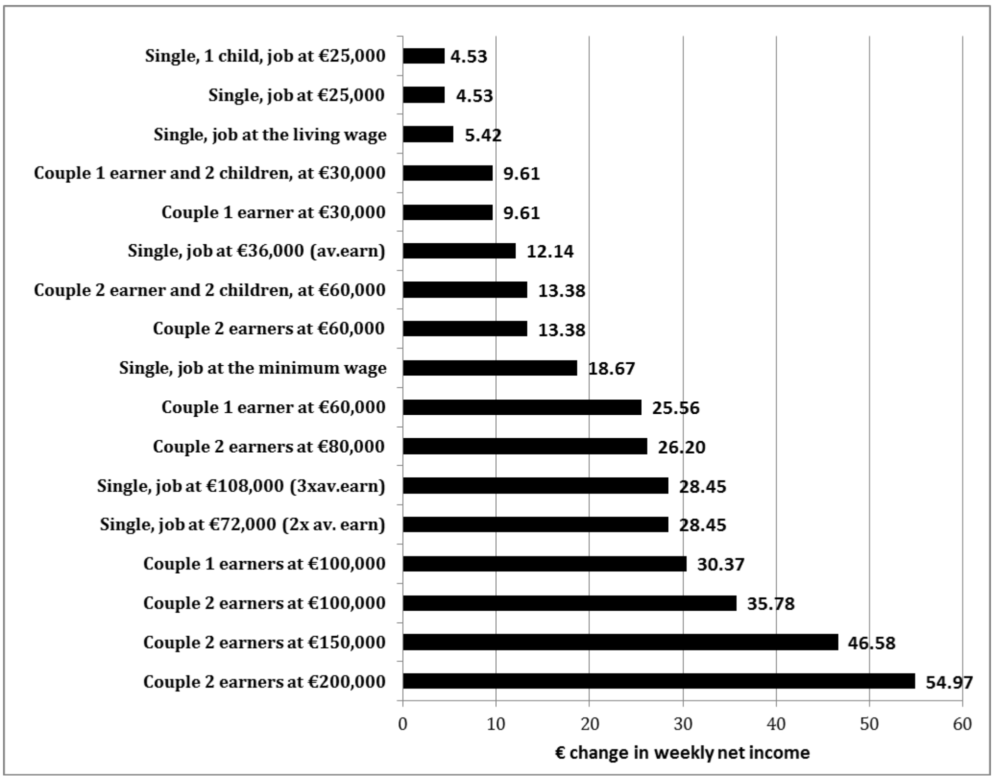



**Chart 10.2 Cumulative Impacts on Households with Jobs, 2011-2016**



# The Labour Force, Job Creation and Emigration

This years Budget has pointed towards job creation, a recovery in employment and falls in unemployment as key indicators of the recovery. Certainly, these measures reflect significant progress given where Ireland was a few years ago and are most welcome.

However, it is worth considering the recovery in the context of the starting point for the recent recession - 2007. Table 11.1 compares where things were then and now using a number of key labour market measures.

Relative to 2007, participation rates remain almost 4% lower with nearly 74,000 less people in the labour force. Employment, though recovering, remains 177,000 below 2007 levels with there being 240,000 less jobs today. Similarly, unemployment is falling but is still 100,000 higher than in 2007. Over the period, emigration has returned and overall more people are leaving the county than arriving.

**Table 11.1: Labour Force Data, 2007 and 2015 compared** (Q2 each year)

| | 2007 | 2015 | Change |
|---|---|---|---|
| Labour Force | 2,243,600 | 2,169,900 | - 73,700 |
| Participation rate | 64.1% | 60.2% | -3.9% |
| Employment | 2,136,100 | 1,958,700 | - 177,400 |
| Full-time | 1,751,900 | 1,508,100 | - 243,800 |
| Part-time | 384,200 | 450,600 | + 66,400 |
| Unemployment | 107,500 | 211,200 | + 103,700 |
| Net Migration | + 104,800 | -11,600 | - 116,400 |
| Emigration | 46,300 | 80,900 | + 34,600 |

# Children - Little Progress in Key Area

There are 211,000 children at risk of **poverty** in Ireland. Of these, nearly 140,000 – or one in 8 of all children living in Ireland – are living in consistent poverty. A total of 440,000 children are living in households experiencing deprivation. Budget 2016 offers little to rectify this .

Budget 2016 gave €5 a month increase in child benefit. There was also a small adjustment in Family Income Supplement (FIS).

This will go nowhere near to doing what is required to eliminate child poverty – which should be a major objective of Government.

**Childcare** is a critically important issue. Budget 2016 allocated €85m in new funding to support the development of a multi-annual programme in this area.

- Initiatives include an additional €47m to fund the expansion of the free pre-school programme so children can start pre-school at age three (cf. p. 19); €15m allocated to provide supports to enable children with disabilities participate fully in this pre-school programme; provided an additional 8,000 childcare places on the Community Childcare Subvention programme; and €3m capital fund to support childcare providers.

We welcome these developments and trust they are simply the first steps towards securing quality childcare.

- Budget also introduced a 2-week paternity leave. We welcome the paternity initiative as an incremental movement towards providing 26 additional weeks of paid parental leave in the first 12 months of a child's life as recommended by the Inter-Departmental Group on the Future Investment in Childcare in Ireland.

# Older People and Budget 2016

By 2031 almost one million people in Ireland will be over 65 with 136,000 being over 85. The latter who have the greatest healthcare needs, are growing by some 4% annually. It is disappointing that Government did not use Budget 2016 as an opportunity to start planning for this ageing of the population that will result in a steady increase in older people and people with disabilities accessing services.

The years ahead will see rising levels of disability and long-term ill-health. Planning and investment is required to address both the demographic growth from 2015 onwards and the deficits which have worsened since 2008 It requires health promotion measures and action to facilitate the full participation of people with disabilities – including older disabled people - in social life. It also requires a comprehensive approach that would include integrated services across the areas of GP care, public health nursing, home care supports, acute hospital care, rehabilitation and long-term care.

Whilst Government increased the State Pension (contributory and non-contributory) by €3 per week, the fuel allowance by €2.50 per week and restored the Christmas Bonus by 50% in Budget 2016, this will do little to make up for the losses in income for older people which has been reduced by cuts to the household benefits package, the fuel allowance, the abolition of the telephone allowance, removal of the bereavement grant and increased prescription charges.

*Social Justice Ireland* regrets Government did not take the opportunity in Budget 2016 to increase investment to address the problems older people face in accessing appropriate healthcare, having access to suitable accommodation, being supported to remain in their communities or to introduce a universal pension. Adequate resources have not been provided for residential and home care supports and older people's services.

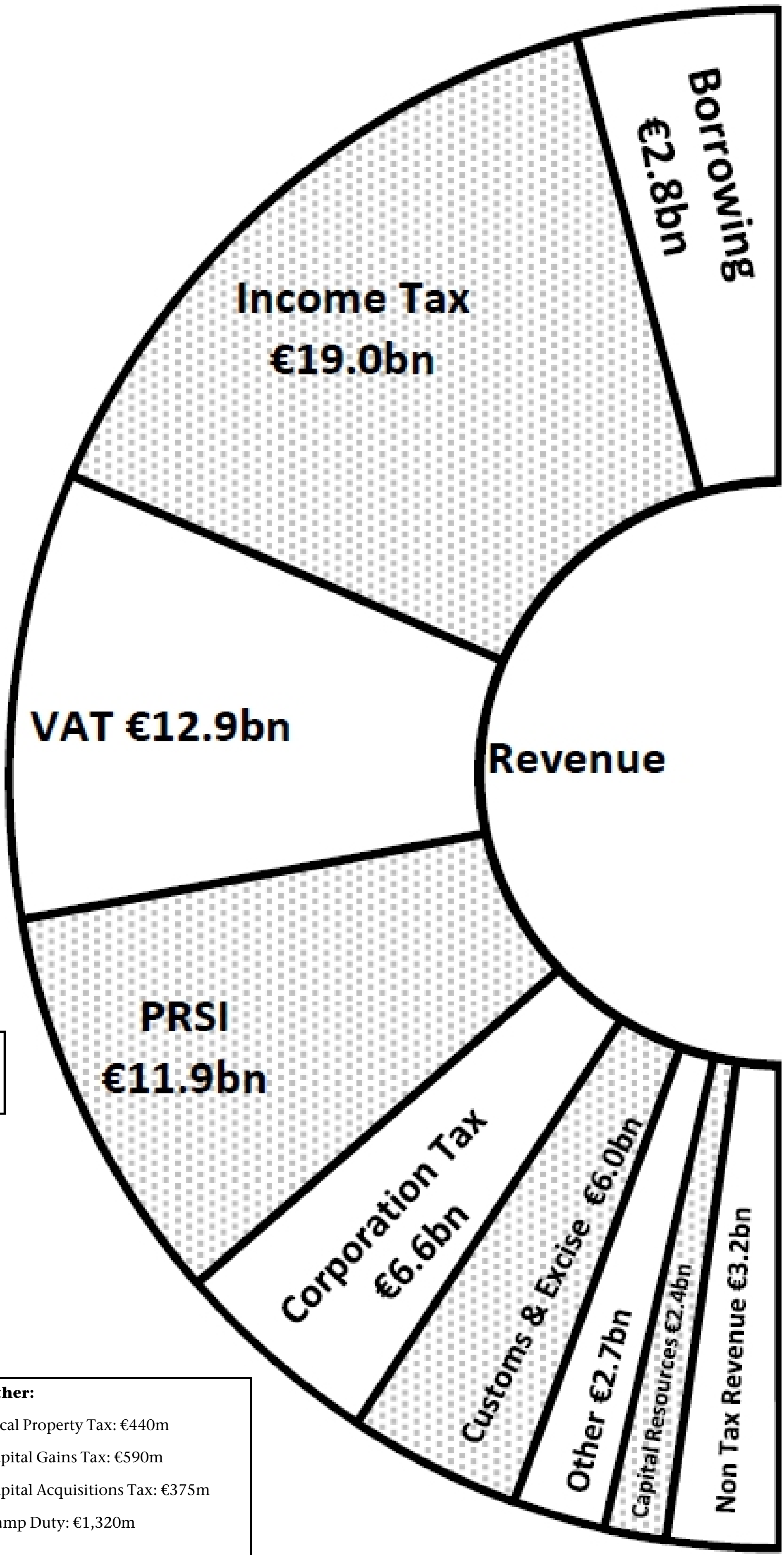
# Main Areas of Government Revenue — Budget 2016

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

Income tax accounts for 42% of tax revenue.

The 9% VAT rate for the hospitality and tourism sector was maintained in Budget 2016.

Corporation tax accounts for 14% of tax revenue.




**Other:**

Local Property Tax: €440m

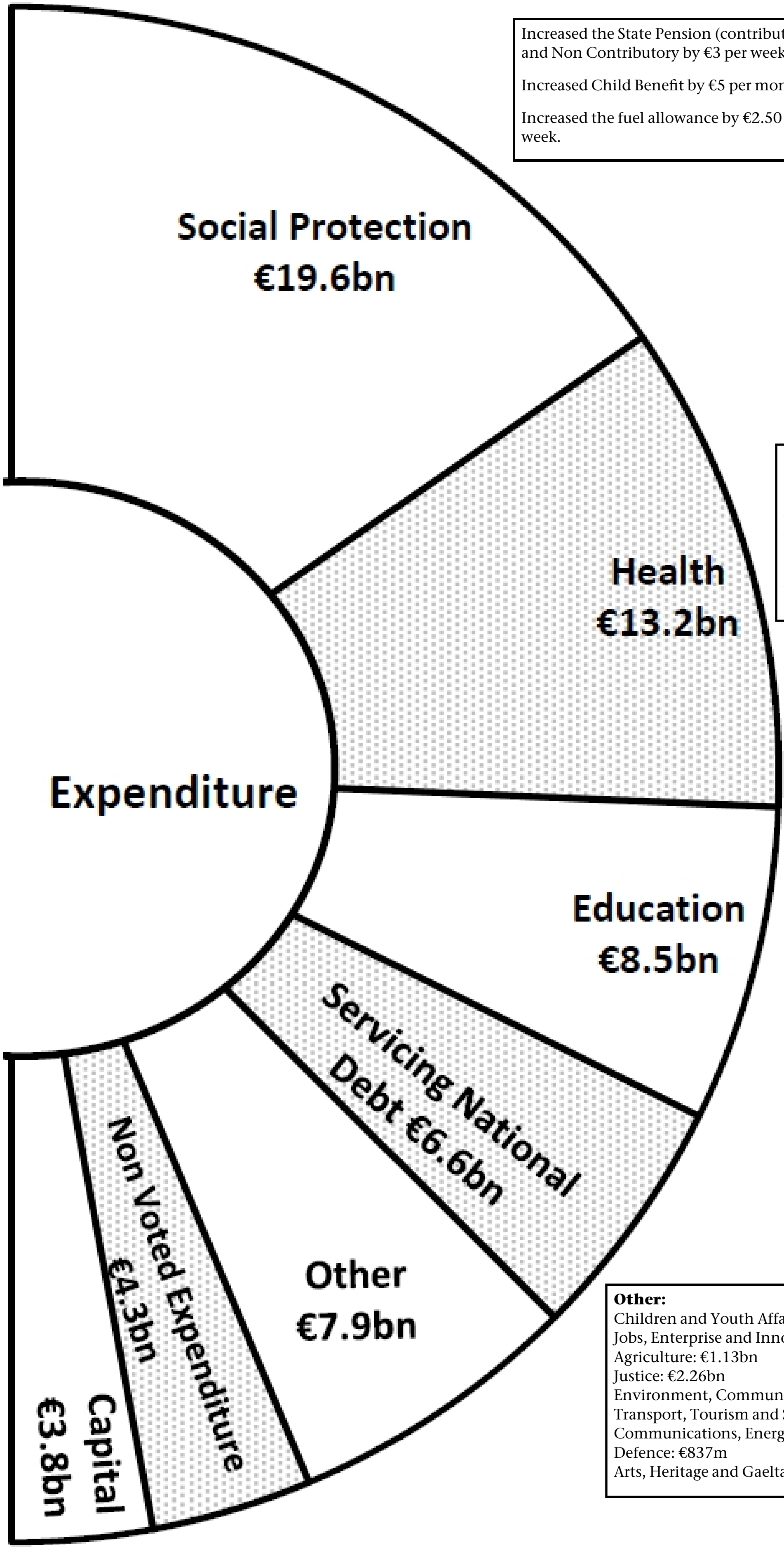
Capital Gains Tax: €590m

Capital Acquisitions Tax: €375m

Stamp Duty: €1,320m

# Main Areas of Government Expenditure — Budget 2016

**Exchequer Pay and Pensions Bill for 2016 is €18.3 billion**




Increased the State Pension (contributory and Non Contributory by €3 per week.

Increased Child Benefit by €5 per month.

Increased the fuel allowance by €2.50 per week.

Introduced Free GP care for aged 6-12 (subject to contract negotiation).

Allocated additional funding for Speech and Language Therapy.

Extra ambulance staff and more community first responder teams.

Allocated funding for an extra 2,260 posts.

Allocated €10.5m for new apprenticeships.

Allocated €3m to the National Literacy and Numeracy Strategy.

**Other:**
Children and Youth Affairs : €1.12bn
Jobs, Enterprise and Innovation: €297m
Agriculture: €1.13bn
Justice: €2.26bn
Environment, Community & Local Government: €957m
Transport, Tourism and Sport €722m
Communications, Energy & Natural Resources: €325m
Defence: €837m
Arts, Heritage and Gaeltacht: €234m

# Taxation

## The Context

- Ireland's tax take is one of the lowest in the EU at 30.9% of GDP. It has been falling as a percentage of GDP since 2007.
- National tax receipts have fallen by €10bn since 2007 despite the significant increase in the tax take from households (both directly and indirectly).
- Our low overall tax take is not sustainable and not adequate to support necessary economic, social and infrastructural requirements.
- Government decisions to raise or reduce overall taxation revenue needs to be linked to the demands on its resources.
- Government must plan to have sufficient revenue to pay for servicing the national debt incurred in rescuing the banks and related costs together with meeting the costs of providing services at the level people expect and planning for demographic changes.
- Ireland should raise its total tax take towards 34.9% of GDP over a number of years. This would raise the required revenue to balance the budget while providing agreed services .
- The 'Tax Gap', the difference between the Eurostat benchmark of a low-tax country and the planned overall level of taxation by Government is an average of over €11bn over the next four years.
- An increase in the tax take should be attained by reforming the tax base so that Ireland's taxation system becomes fairer.
- This would involve shifting taxation towards wealth, ensuring those who benefit most from Ireland's economic system contribute the most, in the most efficient manner.

## The Budget

**USC**

Bands and rates changed to:

Incomes up to €13,000, exempt. Otherwise

€0 - €12,012: 1%

€12,013 - €18,668: 3%

€18,669 – €70,044: 5.5%

€70,045 – €100,000: 8%

Above €100,000: PAYE: 8%: Self-employed:11%.

Medical card holders and those over 70 whose income is €60,000 or less have a maximum USC rate of 3%.

Full-year cost of USC changes: €772m.

**Income Tax**

Carers: Increased Home Carer Tax Credit to €1,000. Increased Home Carer income threshold to €7,200. Full-year cost: €14m.

Self-employed: Introduced Earned Income Credit of €550. Full-year cost: €61m.

**PRSI**

Employee's PRSI: Introduced PRSI relief of a maximum of €12 per week for low earners (earning between €352.01 p/week and €424 p/week). Full-year cost: €17m.

Employer's PRSI: Increased weekly threshold to €376.01 at which liability for PRSI increases from 8.5% to 10.75%. Full-year cost: €7m.

**Excise Duties**

Tobacco Products: Increased excise duty on packet of 20 cigarettes by 50 cents with pro-rata increases on other tobacco products. Full-year yield: €61.4m.

Motor tax for large vehicles: Reduced rates for vehicles above 4,000kgs. Full-year cost: €43m.

**Other Income Tax**

Employment and Investment Incentive: Commenced changes previously announced in Budget 2015. Extended the scheme to include expansion works to nursing homes. Full-year cost: €3m.

**Home Renovation Incentive Scheme:**

Extended until end 2016. Full-year cost: €19m.

**Agri-Taxation:**

Extended various reliefs including General Stock Relief, Stock Relief for Young Trained Farmers. Full-year cost: €13m.

**Farm Succession:**

New transfer partnership model introduced (subject to EU State Aid approval). Full-year cost: €10m.

**Woodlands:**

Profits/gains from occupation of woodlands removed from high-earners' restriction. Full-year cost: €1m.

**Capital Taxes**
**Capital Acquisitions Tax:**

Increased tax-free threshold to €280,000 on gifts/inheritances from parents to children. Full-year cost: €33m.

**Capital Gains Tax:**

Reduced CGT rate to 20% on disposals of business (subject to an overall limit of €1m in chargeable gains). Full-year cost: €27m.

**Corporation Tax**

Knowledge Development Box: Introduced new rate of 6.25% on profits attributable to patents and copyrighted software which are the result of qualifying R&D carried out in Ireland. Full-year cost: €50m.

Start-up Relief: Extended relief (from trading income and certain capital gains) for new start-ups commencing trade over the next three years. Full-year cost: €6m.

Film Relief: Increased cap on eligible expenditure to €70m (subject to EU State Aid approval). Full-year cost: €10m.

**Stamp Duty**

Debit/ATM Cards: Changed from annual charge on ATM and combined ATM and debit cards to 12c withdrawal fee from Jan 2016 capped at same level. No Cost.

**Other Measures**

Increased Taxation compliance activities. Full-year yield €75m.

# Taxation

## Our Response

In Budget Choices, published in June 2015, *Social Justice Ireland* asked Government, amongst other things, to:

- Increase the PAYE tax credit and introduce refundable tax credits;
- Standard rate the tax break to 20% for all discretionary tax reliefs, including for pension contributions;
- Tax empty houses / undeveloped land;
- Reform the R&D tax credit and introduce a minimum effective tax rate of at least 6% on corporation profits made here.

Instead, Budget changes in relation to the USC mean that the more you earn the more you benefit (up to €70,000). As a result of Budget 2016, a person on Jobseeker's Allowance will gain €95 per annum while someone earning €75,000 will gain ten times that figure.

Relief for personal pension contributions will continue at the higher rate (and benefit higher earners) and Government ignored *Social Justice Ireland's* proposal for a universal pension that would achieve universal coverage. In the face of a housing crisis, empty houses and undeveloped land remain untaxed.

*Social Justice Ireland* welcomes the increase in the Home Carer tax credit - however, this credit should have been made refundable to benefit those carers on very low incomes; we also welcome the introduction of an Earned Income Credit for the self-employed as an equality measure.

The proposed introduction of country-by-country reporting to the authorities by large international companies is a potentially positive move. However, the information should be made public.

## Property Tax Reforms

*Social Justice Ireland* has long argued for a broad taxation base. Over the past few years the creation of a residential property tax represented a significant step in broadening Ireland's tax base and building a more stable and sustainable basis for funding redistribution, public services and local government.

An important part of the proper functioning of any residential property tax is that it is rebased on a regular basis - so that the tax levied is closely connected to the current value of the property.

A rebasing of the tax was due in 2016, but Budget 2016 has postponed this until 2019. We note this postponement with some concern. The sustainability of this important element of the taxation system is directly linked to it being relevant and up-to-date. Consequently, it is important that the next Government clearly indicate that a rebasing will occur in the near future.

## Knowledge Box Tax Break

The Budget included a new tax incentive for companies that will come into being on 1 January 2016 with a corporate tax rate of 6.25%.

Up to now tax relief for R&D has been available as a 25% refundable tax credit based on *expenditure* on R&D with this broadly defined. The big change is that relief will now be available based on *income* which can be attributed to Intellectual Property (IP) assets, while, remarkably, it appears that the existing reliefs based on R&D *expenditure* will continue to apply. Therefore, companies will be able to avail of a reduced tax rate (6.25%) on profits which can be assigned to the Knowledge Development Box and also avail of the existing R&D tax credit, which will be subtracted directly from these tax 'liabilities'. This means that companies will be able to further reduce their payments of Corporation Tax below even the reduced rate of 6.25% with a resulting loss of tax revenue for the Exchequer.

## Debt: costs & write-off

Low interest rates and the improvement in the public finances have begun to assist in stabilising Ireland's debt burden. However, despite this the Budget reveals that in 2016 Ireland's gross national debt will be 97% of GDP (€203.8bn); General government expenditure on paying interest on the national debt will be €6,585m; and Government is set to borrow €2,765m in 2016 - therefore the equivalent of all of this borrowing plus €3,820m in tax revenues will be used to service debt.

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

## Universal pension overdue

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

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

Unfortunately, Government chose not to take up such a progressive approach in Budget 2016. A universal pension is a very desirable goal and should be put in place.

# Social Protection

## The Context

- One in seven or 15.2% of people are at risk of poverty (CSO SILC 2014). The consistent poverty rate is 8.2%.
- Almost one third of the population (30.5%) experiences two or more enforced types of deprivation. Households with one adult and one or more children have the highest deprivation rates (63.2%). People living in poor accommodation and people with a disability also have very high deprivation rates (above 50%).
- By age group, children (0-17) continue to have the highest risk of poverty with 218,521children (17.9%) in this category. Children also have the highest deprivation rate (37.3%) and the highest consistent poverty rate (11.7%).
- The at risk of poverty rate in rural areas (19.3%) is over 6.7 percentage points higher than urban areas (12.6%). The at risk of poverty rate in the Border, Midland and Western region is 21.4%.
- Without social welfare payments 49.8% of Ireland's population would be at risk of poverty; (up from 43% in 2008). This increase over time demonstrates the increasing dependence of individuals on social transfers to remain above the poverty threshold.
- The basic social welfare rate for a single person is almost €20 a week below the poverty line.
- Households with the lowest incomes, including those living below the poverty line and those just above it, experienced the highest levels of financial stress before and during the recession. This highlights the cumulative impacts of cuts to income and services on these households.

## The Budget

- Maintained primary social welfare rates at current weekly levels, with the exception of the State Pensions.
- Increased the State Contributory and Non-Contributory Pension by €3.00 per week,
- This is accompanied by an increase of €2.00 per week for dependents under 66 and €2.70 per week for dependents over 66.
- Raised Child Benefit by €5.00 per month per child from €135.00 to €140.00, an annual increase of €60.00 in Child Benefit.
- Further restored the Christmas Bonus, bringing the payment from 25% to 75% of the standard weekly payment, for long-term social welfare recipients.
- Increased the Fuel Allowance by €2.50 per week to €22.50, and maintained the number of weeks paid at 26, amounting to an annual increase of €65.00.
- Restored the Respite Care Grant (now Carer's Support Grant) to €1,700 per year, the 2012 level, reversing the reduction to €1,375 introduced in 2013.
- Announced the introduction of two weeks paid Paternity Benefit for fathers, from September 2016, the benefit will be €230 per week.
- Adjusted Family Income Supplement thresholds upwards by €5.00 for each of the first two children in a household.
- Increased top-up payments for Community Employment, Job Initiative, JobBridge, Tús, Rural Social Scheme and Gateway by €2.50 per week.
- Increased the income disregard from €60 to €90 for Lone parent families transitioning from One Parent Family Payment to Jobseeker's Transitional Payment.

## Our Response

- Budget 2016 has again maintained primary social welfare at current rates, despite inflation eroding the value of vital supports such as Jobseeker's Benefit, Jobseeker's Allowance, and the One-Parent Family Payment.
- Primary social welfare rates were brought down to their current levels by 2011, and the failure to increase these payments in line with inflation since 2011 is in effect a cut of 4.5% in the real value of the payments.
- The €5 increase to child benefit while welcome is inadequate to address the costs of childcare for families.
- The first increase in the State Pension rates since 2009 is welcome. However it fails to address the impact of inflation on pensioner households, the inadequacy of the Living Alone Allowance, and the needs of other sectors of society most at risk of poverty and deprivation; the unemployed, one parent families, children, people with a disability, etc.
- The adjustment to the Fuel Allowance is inadequate, as it does not address ongoing price inflation in household energy, 21% from 2009.
- The further restoration of the Christmas Bonus is welcome. The additional 50% brings the payment to 75% of a standard weekly payment; it will provide an additional €94 per annum to a single working age long term social welfare recipient.
- *Social Justice Ireland* believes that Budget 2016 has failed to address the needs of those most at risk of poverty and facing the highest levels of deprivation.

# Work, Unemployment, Job Creation

## The Context

- Employment rose by 3% (57,100) in the year to Q2 2015. The numbers classified as self-employed have increased by 3.7% to 327,500. The unemployment rate is 9.8% (CSO, QNHS Q2 2015).
- The growth in employment is welcome, but it is uneven. The unemployment rate in Dublin is 8.1% and in the Mid-East is 8.7%. However in the South East it is 12.6% and the Midlands unemployment rate is 12.5%
- The long term unemployment rate is 5.5% accounting for 56.1% of the total number unemployed. Long-term unemployment is now a structural problem. The rate of unemployment among young people aged 20-24 is 22.4%.
- 65,616 people are engaged in Labour Market Activation Programmes
- In Q2 2015 the negative demographic effect (outward migration) contributed 6,300 to the overall decline in the labour force. This negative demographic effect is exclusively concentrated in the 20-24 and 25-34 age groups. The number classified as being in the potential additional labour force was 39,500 in Q2, 2015.
- Part-time underemployment now accounts for 26.5% of all part-time employment.
- The 2013 CSO SILC study (2015) shows that 15.7% of adults living below the poverty line have a job. 5.6% of all employees in Ireland (c75,000 people) earn the minimum wage.
- Net emigration among Irish nationals in April 2015 was 23,200 giving a cumulative total of over 146,200 in the six years since end-April 2009.

## The Budget

- Allocated €495m for capital and €297.5m for current expenditure to the Department of Jobs, Enterprise and Innovation.
- Allocated €1.076m for Employment Supports such as Work Placement schemes, Back to Work and Back to Education Allowance, Working Family Dividend etc.
- Allocated €362m to the National Training Fund in the Department of Education and Skills.
- Increased the statutory minimum wage by €0.50c to €9.15 per hour.
- Increased the allowance payable to participants on CE, Tús, Gateway and similar schemes by €2.50 per week.
- Allocated an extra €10.5m to new apprenticeships in 25 new career sectors.
- Set an objective to create 48,000 new jobs in 2016.
- Outlined measures to stimulate job creation and entrepreneurship including:

⇒ €550 tax credit for the self-employed and business owners / managers.

⇒ "Knowledge Development Box" with a tax rate of 6.25% for income generated from R&D undertaken in Ireland.

⇒ Reduction in the rate of Capital Gains Tax from 33% to 20% for the disposal of a business up to an overall chargeable gain of €1m.

⇒ Extension of tax relief schemes including for startups, agriculture, film and aviation.

⇒ Increase in the threshold for the Employment and Investment Incentive Scheme to €5m annually with a lifetime maximum of €15m.

⇒ Retention of the 9% VAT rate for tourism-related activities.

## Our Response

- *Social Justice Ireland* welcomes the increase in the minimum wage to €9.15 per hour for adult workers. However this increase is still far from the "Living Wage" of €11.50 which is required for a full-time worker to have a minimum essential standard of living in Ireland.
- The Government's target of 8% unemployment at the end of 2016 would leave c174,000 people unemployed of whom 100,000 are likely to be unemployed for over a year. Addressing structural long term unemployment requires significant extra investment in training, education and reskilling which is not apparent in this Budget.
- While the Government's target of 48,000 new jobs in 2016 is welcome, it will do little to address the magnitude of the current crisis for people who are unemployed, engaged in Labour Market Activation Programmes or in the potential additional labour force (total 316,000 people).
- Social Justice Ireland welcomes the extra €10.5m for apprenticeships as a positive initiative that needs to be sustained to address youth unemployment in particular.
- The Budget details a number of new and extended tax breaks for business which it claims will promote entrepreneurship and job creation throughout the country and in all sectors. These incentives need to be carefully monitored and evaluated to ensure that they deliver the desired impact in a balanced regional distribution of sustainable quality jobs.
- The proposed Knowledge Box coupled with the retention of the R&D tax credit will result in a very low effective rate of Corporation tax for some large international companies; see page 15.

# Healthcare

## The Context

- Healthcare is a social right that every person should enjoy. People should be assured that care in their times of vulnerability is guaranteed. Universal access is needed to ensure that a social model of health can become a reality.
- Ireland is the only EU health system that does not offer universal coverage of primary care. In Ireland out-of-pocket spending on medical expenses as a share of household consumption is above the EU 28 average.
- Ireland spends 8.1 per cent of GDP on health. Approximately €4billion was cut from the Irish healthcare system between 2008 and 2014.
- Ireland's population is ageing. By 2031 there will be nearly 1 million people aged 65 and over living in Ireland.
- *Social Justice Ireland* is seriously concerned that there is no evidence that funding has been provided to address the ageing of the population.
- Since 2007 the number of home help hours delivered has decreased by 21% (2.5 million hours). The public bed stock capacity in hospitals has reduced by 29% since 2008.
- If the health of older people is to be addressed appropriately it is essential that they are supported in ways that enable them to live at home as long as possible. This requires the provision of and continued resourcing of community-based services which are adequate to meet their needs.
- Primary care teams should be staffed and resourced adequately to ensure everyone in Ireland can access healthcare in the most appropriate manner when needed.

## The Budget

- Increased the allocation to €13.175 billion.
- This is an increase of €880m (€600 of which is the supplementary budget for 2015) for current expenditure and €414 million for capital expenditure (extra 36m).
- Seeks efficiencies measures of €125 million in procurement, prescribing, and drug costs.
- Allocated €10m to the extension of GP care, including an extension of GP care without fees for all children aged 11 years and under, and including the asthma cycle of care. (subject to negotiations with the IMO).
- Allocated €8m to the expansion of Child Speech & Language Therapy within primary care under the Progressing Disability Services Programme for Children and Young People.
- Allocated funding for the National Maternity Strategy and more staff in maternity services.
- Allocated funding for extra ambulance service staff and more community first responder teams
- Allocated funding to provide extra Community First Responder teams - and increase the number of paramedics, especially in rural areas.
- Will continue to fund The Fair Deal nursing home scheme which is now on a demand-led basis, and approval will be within 4 weeks to everyone who needs it.

## Our Response

- *Social Justice Ireland* acknowledges a modest Budget increase in health service funding.
- However, given that there can be no supplementary health budget in 2016, we doubt that the existing level of service together with the new initiatives outlined in budget 2016 can be delivered within the present budget allocation. This is particularly true when one considers the requirements to meet HIQA's quality standards - services for older people and those with disabilities. It is also not clear that sufficient funding has been provided for demographic changes which will see a steady increase of older people and people with disabilities accessing services.
- We welcome the extension of GP care, to all children aged 11 years and under.
- We welcome the expansion of Child Speech & Language Therapy within primary care but we are concerned as to the availability of qualified staff to meet the need.
- While we welcome the commitment to the "A Vision for Change" we are concerned that no definite resources were identified to support this programme for mental health services.
- We welcome the support for The Fair Deal nursing home scheme, but we regret there was no support given to expand community based services to enable older people to live at home. There is a recognised need to be proactive in the prevention of obesity and related conditions yet this budget did nothing to address these issues.

# Education

## The Context

- There are over 1 million full-time students in the Irish education system. 28% of the population in Ireland are aged 0-19.
- Demographic pressures require a significant increase in expenditure on education. Government expenditure on education as a proportion of total government expenditure is the ninth lowest in Europe.
- By 2017 an additional 44,000 places will be needed at primary level and an additional 25,000 places will be needed at second level. The number of full-time students at third level is expected to rise continuously between 2015 and 2028.
- Ireland spends just 0.1 per cent of GDP on pre-primary education compared with an OECD average of 0.5 per cent of GDP. Continued underinvestment in early childhood education is a cause for concern and a long-term cost to the state.
- Almost 1 in 5 (18%) of the adult population (aged 16-65) scored at or below Level 1 in the OECD Survey of Adult Skills. These findings highlight the need to invest in adult education. Ireland has a participation rate of 10.7% in lifelong learning, far below the EU2020 target of 15%.
- One in ten 18-24 year olds are early school leavers. The unemployment rate for early school leavers is 37 per cent, almost twice that for other people in the same age cohort. This presents a major challenge for government that needs a long term policy response.
- Irish third level graduates enjoy the highest income return of all member states in the OECD, on average 64% more than those with a leaving certificate only.

## The Budget

- Budget 2016 allocated funding for an additional 2,260 posts:

⇒ Allocated 300 teachers to reduce staffing schedule in primary schools from 28:1 to 27:1.

⇒ Allocated 550 teachers to reduced staffing schedule at post-primary level from 19:1 to 18:7:1.

⇒ Allocated 810 teachers to meet demographic pressures at primary and post-primary level.

⇒ Allocated 600 extra resource teachers for special needs education.

- Allocated €10.5m to fund new types of apprenticeships and to facilitate increased registration on existing apprenticeship programmes.
- Provided €5m in capital funding to extend book rental schemes to all primary schools.
- Allocated €3m to support the National Literacy and Numeracy Strategy.
- Allocated an additional €2.5m to increase broadband provisions in post-primary schools.
- Allocated €8m to Junior cycle Reform.
- Allocated €1.5bn to support special education provision.
- Allocated €1.46bn to Higher Education and Student supports including:
  - €3m to the Student Assistance Fund to support disadvantaged students at third level;
  - €2m to assist the development of technological universities.
- Allocated €80m for a summer works scheme for schools to cover the period 2016 and 2017.
- Allocated €43m to implement the Lansdowne Road Agreement.

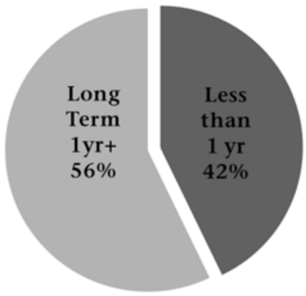
## Our Response

- *Social Justice Ireland* welcomes the increase in teaching posts at primary and post-primary level to meet demographics pressures and to take steps to reduce the staffing schedules.
- It is disappointing that consecutive cuts to capitation grants at all levels were not restored in Budget 2016.
- The lack of funding provided for lifelong learning is disappointing and short-sighted. It is important that resources are allocated to the continual upskilling of the labour force, particularly those in low skilled employment. This would have long term social and economic benefits.
- *Social Justice Ireland* is disappointed that no extra allocation in funding was made to adult literacy. 18% of Irish adults have significant literacy issues and are among those furthest from the labour market.
- It is important that demographic planning goes beyond primary and post-primary level. It is disappointing that no provision for adapting to demographic pressures that will be faced at third level has been made in Budget 2016. Student numbers at third level are expected to rise every year until 2028.
- The extension of the ECCE scheme is welcome. However it is important to make the distinction between early childhood care and education and quality and affordable childcare. ECCE , also known as the 'free pre-school' package is designed as an educational measure to better integrate the educational experience of young children. It is not to be confused with providing families with quality and affordable childcare.

## Long-term Unemployed

Ireland continues to have a long-term unemployment crisis. Based on the latest CSO numbers (quarter 2 2015), of all those unemployed, 56% are long-term unemployed. Budget 2016 has taken limited steps to address this crisis. A greater commitment to targeted training and reactivation focused exclusively on the long-term unemployed is needed and overdue.

**Composition of the Unemployed, by duration**




**Total Unemployed:**

211,200

**Less than 1 year:**

88,100

**More than 1 year:**

118,600

## Budget 2016 and Poverty

The poverty proofing of annual Budgets was once a formal part of the pre-Budget Government process but has disappeared in the context of both austerity and the general reduction in the quantity of information released on Budget day.

The latest incomes data from the CSO identifies those groups who are at highest risk of poverty in Ireland. These include the unemployed, those on home duties, those unable to work because of illness and disability and children. Overall, 15.2% of the population live on an incomes that is below the poverty line. Budget 2016 has taken limited steps to assist these groups. Indeed the skewed nature of its distribution of resources is likely to lead to higher rates of poverty in the years to come.

As a recovery emerges, current policy should not repeat the mistakes of the past and let those who are most vulnerable in society fall further behind.

## Sustainability

*Social Justice Ireland* is disappointed that Government hasn't taken the opportunity to begin to address issues relating to the environment and sustainability in Budget 2016.

While the €2m committed to the International Green Climate Fund is welcome it is disappointing that the full cost to the state on environmental subsidies has not been published. This would have ensured that the State is not funding harmful environmental practices and that consideration could be given to moving some of these subsidies to promote sustainable environmental practices and energy efficiency.

Government could have introduced an aggregates levy and removed the PSO levy for peat, and the savings and revenue generated could have been diverted to a nationwide programme to retrofit houses and community buildings to make them more energy efficient. This would help Ireland meet its Europe 2020 targets and show a real commitment to tackling harmful environmental practices.

## Rural and Regional

*Social Justice Ireland* is disappointed that Government has not taken the opportunity to implement a rural enterprise scheme. While the €30m allocation for the town and village renewal scheme, the IDA capital works as part of the 8 regional Action Plan for Jobs and the €3.7m allocation for REDZ pilot projects are welcome, a rural enterprise scheme would have ensured that entrepreneurs and start-ups in the regions would have access to finance and be supported in creating quality and sustainable jobs in rural areas.

The capital plan exchequer allocation to the National Broadband Plan of €275m is both unambitious and disappointing. The lack of broadband in rural areas continues to hinder job creation and the growth of SMEs. Government cannot claim to be serious about investing in rural Ireland and promoting job creation in the regions without an accompanying substantial and ambitious frontloaded allocation to the roll-out of the fibre broadband infrastructure to all rural business and premises.

## People with a Disability

People with a disability experience higher everyday costs of living because of their disability when compared to others in society. They also suffered disproportionately from the cumulative cuts in recent Budgets.

Apart from a half week Christmas bonus there was no improvement in their income in Budget 2016. Many people with disabilities depend on social welfare payments which have been static since 2011 although inflation is up 4.5% (cf. p. 3). Inequality will increase for this group. We welcome the restoration of the respite care grant and the €15m for early childhood education for children with disabilities. Overall we regret that Budget 2016 was unfair to people with disability.

## PPNs - Participation

Public Participation Networks (PPNs) are now active in every Local Authority (LA) area. These networks seek to promote active citizenship and wellbeing while also acting as the main link through which community, voluntary, social inclusion and environmental organisations connect with the LA. PPNs facilitate these organisations (several hundred at least in each LA) to take a formal role in the policy making and oversight activities of the LA's areas of responsibility. In addition they support networking and capacity building for voluntary organisations. Properly resourced, the PPNs will be key to developing a deliberative democracy process in Ireland. *Social Justice Ireland* regrets that a minimum annual budget of €115,000 per PPN has not been allocated in Budget 2016.

# Public Finances 2016— 2018

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

| *Rounding may impact on totals* | **2016** | **2017** | **2018** |
|---|---|---|---|
| **CURRENT BUDGET** | €m | €m | €m |
| **Expenditure** | | | |
| Gross Voted Current Expenditure | 51,475 | 52,195 | 52,815 |
| Non-Voted Current Expenditure | 9,810 | 9,585 | 9,765 |
| | **61,285** | **61,780** | **62,580** |
| less Receipts and Balances | 11,375 | 11,375 | 11,375 |
| Net Current Expenditure | **49,910** | **50,405** | **51,205** |
| **Receipts** | | | |
| Tax Revenue | 47,225 | 48,440 | 52,880 |
| Non-Tax Revenue | 3,160 | 1,845 | 1,805 |
| **Net Current Revenue** | **50,385** | **50,285** | **54,685** |
| **CURRENT BUDGET BALANCE** | **475** | **-120** | **3,480** |
| **CAPITAL BUDGET** | | | |
| **Expenditure** | | | |
| Gross Voted Capital | 3,780 | 3,970 | 4,230 |
| Non-Voted Expenditure | 1,095 | 1,115 | 1,125 |
| Gross Capital | **4,875** | **5,085** | **5,355** |
| less Receipts | 300 | 300 | 300 |
| Net Capital Expenditure | **4,575** | **4,785** | **5,055** |
| **Capital Resources** | **2,435** | **950** | **960** |
| **CAPITAL BUDGET BALANCE** | **-2,140** | **-3,835** | **-4,095** |
| **EXCHEQUER BALANCE** | -1,670 | -3,955 | -615 |
| **GENERAL GOVERNMENT BALANCE** | **-2,755** | **-1,265** | **-520** |
| *% of GDP* | -1.2% | -0.5% | -0.2% |

## SOCIAL WELFARE: Social Insurance changes January 2016

| PERSONAL AND QUALIFIED ADULT RATES | Present Rate | New Rate | Change |
|---|---|---|---|
| **State Pension (Contributory)** | € | € | € |
| (i) Under 80: | | | |
| Personal rate | 230.30 | 233.30 | +3.00 |
| Person with qualified adult under 66 | 383.80 | 388.80 | +5.00 |
| Person with qualified adult 66 or over | 436.60 | 442.30 | +5.70 |
| (ii) 80 or over: | | | |
| Personal rate | 240.30 | 243.30 | +3.00 |
| Person with qualified adult under 66 | 393.80 | 398.80 | +5.00 |
| Person with qualified adult 66 or over | 446.60 | 452.30 | +5.70 |
| **Widow's/Widower's Contributory Pension** | | | |
| (i) Under 66: | 193.50 | 193.50 | 0.00 |
| (ii) 66 and under 80: | 230.30 | 233.30 | +3.00 |
| (iii) 80 or over: | 240.30 | 243.30 | 3.00 |
| **Invalidity Pension:** | | | |
| Personal rate | 193.50 | 193.50 | 0.00 |
| Person with qualified adult | 331.60 | 331.60 | 0.00 |
| **Carer's Benefit** | | | |
| Personal rate | 205.00 | 205.00 | 0.00 |
| **Maternity Benefit** | | | |
| Personal rate | 230.00 | 230.00 | 0.00 |
| **Occupational Injuries Benefit - Death Benefit Pension** | | | |
| (i) Personal rate under 66 | 218.50 | 218.50 | 0.00 |
| (ii) Personal rate 66 and under 80 | 234.70 | 237.70 | +3.00 |
| (iii) Personal rate 80 or over | 244.70 | 247.70 | +3.00 |
| **Occupational Injuries Benefit - Disablement Benefit** | | | |
| Personal rate | 219.00 | 219.00 | 0.00 |
| **Illness/Jobseeker's Benefit** | | | |
| Personal rate | 188.00 | 188.00 | 0.00 |
| Person with qualified adult | 312.80 | 312.80 | 0.00 |
| **Injury Benefit/Health and Safety Benefit** | | | |
| Personal rate | 188.00 | 188.00 | 0.00 |
| Person with qualified adult | 312.80 | 312.80 | 0.00 |
| **Guardian's Payment (Contributory)** | | | |
| Personal rate | 161.00 | 161.00 | 0.00 |
| **Increases for a qualified child** | | | |
| All schemes in respect of all children | 29.80 | 29.80 | 0.00 |

## Changes to Child Benefit Rates coming into effect January 2016

| | Present Rate | New Rate | Change |
|---|---|---|---|
| **Child Benefit** | € | € | € |
| All Children | 135.00 | 140.00 | +5.00 |

## SOCIAL WELFARE: Social Assistance changes January 2016

| | Present Rate | New Rate | Change |
|---|---|---|---|
| **State Pension (Non-Contributory)** | € | € | € |
| (i) Under 80: | | | |
| Personal rate | 219.00 | 222.00 | +3.00 |
| Person with qualified adult under 66 | 363.70 | 368.70 | +5.00 |
| (ii) 80 or over: | | | |
| Personal rate | 229.00 | 232.00 | +3.00 |
| Person with qualified adult under 66 | 373.70 | 378.70 | +5.00 |
| **Widow(er)'s Non-Contributory Pension** | | | |
| Personal rate | 188.00 | 188.00 | 0.00 |
| **One-Parent Family Payment** | | | |
| Personal rate with one qualified child (not aged 18) | 217.80 | 217.80 | 0.00 |
| **Carer's Allowance** | | | |
| (i) Under 66 | 204.00 | 204.00 | 0.00 |
| (ii) 66 or over | 239.00 | 242.00 | +3.00 |
| **Disability Allowance** | | | |
| Personal rate | 188.00 | 188.00 | 0.00 |
| Person with qualified adult | 312.80 | 312.80 | 0.00 |
| **Pre-Retirement Allowance/Farm Assist** | | | |
| Personal rate | 188.00 | 188.00 | 0.00 |
| Person with qualified adult | 312.80 | 312.80 | 0.00 |
| **Guardian's Payment (Non-Contributory)** | | | |
| Personal rate | 161.00 | 161.00 | 0.00 |
| **Living Alone Allowance** | | | |
| Weekly | 9.00 | 9.00 | 0.00 |
| **Increases for a qualified child** | | | |
| All schemes in respect of all children | 29.80 | 29.80 | 0.00 |

### Changes in Maximum Weekly Rates of Jobseeker's Allowance January 2016

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

Details regarding maximum weekly rates of Supplementary Welfare Allowance January 2016 available in Comprehensive Expenditure Report 2016-2018 p106

# The Next Five Years - Guiding Vision and Policy

As Ireland faces into a General Election it is essential that a guiding vision and a policy framework for a just Ireland be at the core of the incoming Government's decisions and programmes.

*Social Justice Ireland* has long advocated a new guiding vision for Irish society; one based on the values of human dignity, equality, human rights, solidarity, sustainability and the pursuit of the common good.

These values must be central to a nation in which all men, women and children have what they require to live life with dignity and to fulfil their potential.

We believe these are the aspirations of the majority of Irish citizens.

We believe such a society is possible.

Below we present a policy framework that would produce such a society. *Full details available in Social Justice Ireland's Socio-Economic Review 2015*

**A Policy Framework for a Just Ireland**

| Macroeconomic Stability | Just Taxation | Decent services | Good Governance | Sustainability |
|---|---|---|---|---|
| Financial and fiscal stability and sustainable economic growth | Bring total tax-take to EU average | Secure services and social infrastructure | Deliberative democracy and enhance PPNs | Promote climate justice and protect the environment |
| Adequate investment programme | Increase taxes equitably and reduce income inequality | Combat unemployment and underemployment | Reform policy evaluation | Balanced regional development |
| Reduce Ireland's debt burden | Secure fair share of corporate profits for the State | Ensure seven Economic, Social and Cultural rights are achieved. | Social dialogue - engage all sectors in deliberative process | New indicators of progress and new Satellite National Accounts |

# Overseas Development Aid

Budget 2016 allocated €641m to Ireland's Official Development Assistance (ODA) programme which is an increase of €40m on 2015. While welcoming the increased allocation we are disappointed that a bigger step towards the 0.7% of GNP UN target has not been taken. The ODA budget was reduced by over 30% during the previous eight budgets and now stands at 0.34% of GNP. Our improved economic situation gives us an opportunity to reverse this trend.

That we did not move towards the UN target is disappointing in light of significant global events and the commitments Government made in recent months where Ireland was seen as playing an important role.

Last December the OECD Development Assistance Committee (DAC) Peer Review commended Ireland for its effectiveness in "promoting global public goods, such as peace, human rights and food security". Recognising this success, it urged Ireland to enhance its leadership role in this development work by moving towards the UN target for ODA of 0.7% of GNP.

Last month, An Taoiseach, Mr. Enda Kenny, TD addressing the UN Sustainable Development Summit said that "Ireland was honoured to play its part by co-facilitating the intergovernmental negotiations which led to the agreement. He went on to say "Ireland has been very clear on what was needed – an agreement galvanising action". He committed Ireland to "work to achieve the UN 0.7% target for development assistance".

*Social Justice Ireland* did expect that Government would move towards honouring this recent commitment in Budget 2016 by allocating a greater increase to the ODA budget that would take it closer to the UN target.

In our Budget Choices Briefing *Social Justice Ireland* urged Government to make a commitment to increase the aid budget over the next five years to reach the UN target by 2020.This would allow coherent forward planning for the aid receivers which would maximise the impact of the aid. In particular it would be a positive response to the OECD DAC and see Ireland use its influence and credibility in taking a greater leadership role in development assistance.

Consequently, Budget 2016 is a lost opportunity in this regard.

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

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