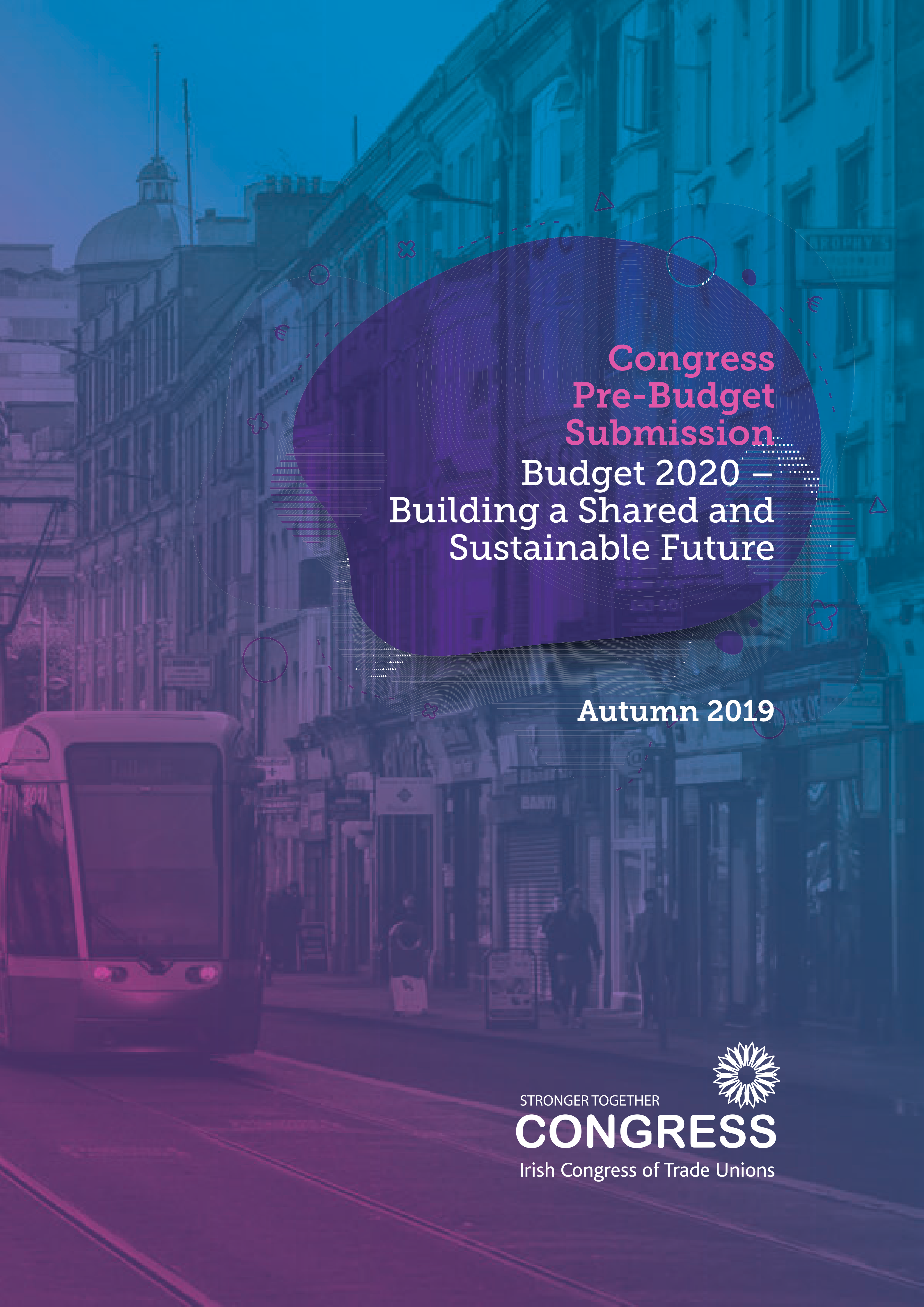

Congress Pre-Budget Submission

Budget 2020 – Building a Shared and Sustainable Future

Autumn 2019

STRONGER TOGETHER

CONGRESS

Irish Congress of Trade Unions

How to raise New Revenue of €970m

Reforms to Capital Acquisitions Tax and to the system of Tax Expenditures
€100m

Raise Excise tax on diesel
€165m

Raise employers' PRSI to 13.75% on excess of incomes above €100,000 and raise PRSI contributions for Class S contributors
€225m

Introduce tax on packaging and single -use plastics
€10m

Introduce a tax on Net Wealth
€375m

Raise on-line betting tax
€20m

Raise Excise tax on tobacco
€50m

Reintroduce tax relief for trade union subscriptions
-€25m

Raise VRT and Motor Tax on the most environmentally damaging cars
€50m

New Expenditure €2.97b

€2.97b

Funding for provision of A rated public and affordable housing (1st year)

€830m

Health: Implementation of health reforms, increase investment in primary and community health, and to implement Sláintecare

€600m

Offset the loss of the transition pension

€25m

Education/children: Increase social investment in early years care and education (ECCE) and in education

€500m

Increase social welfare payments, including reform of eligibility thresholds for the Working Family Payment (formerly Family Income Supplement).

€335m

Climate Emergency and Just Transition (1st year): greater funding for retrofitting; public transport; R&D/innovation funds for green technology, and funds to support workers transitioning to a low carbon economy.

€400m

Increase Overseas Development Aid

€120m

Introduce a Brexit Adjustment Assistance Fund (a once-off payment contingent on the occurrence of Brexit)[1]

€160m

1 As a once-off payment, this measure would not affect the structural deficit in future years.

Congress Pre-Budget Submission

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August 2019

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Irish Congress of Trade Unions

Contents

Foreword

Ireland has a number of emerging challenges as we approach a new decade – these include Brexit; climate chaos; precarious work and inequality; housing and homelessness emergencies; a two-tier health system; the fiscal implications of a growing and ageing population, and the fragility of an industrial strategy based on tax-sensitive US multinationals. In particular, the risk of a no-deal Brexit has increased since the start of this year and may now take place at the end of October.

Now is the time to invest in our people, our public services, and our infrastructure. A substantial increase in productive investment is the only way we can ensure our future prosperity in a sustainable and inclusive way.

The Irish Congress of Trade Unions (Congress) advocates for a radical progressive vision for Ireland's economy and society. In this document, we outline a series of proposals for Budget 2020 that will start us on the journey to realising that vision.

We will need to invest more in a wide range of different areas including in public housing, in healthcare, in childcare and education, in clean and renewable energy, and in public transport. Congress in particular has called for a major, local authority-led public housing programme involving the construction of at least 10,000 new homes annually as part of the phased introduction of a cost rental model that provides stable affordable tenure to all who need and want it. Public housing policy must address the twin goals of making affordable and secure rental accommodation available to a significant share of the population, and increasing the stock of homes in well-designed, sustainable neighbourhoods, particularly for people on lower incomes.

Achieving these goals means abandoning populist attempts to cut taxes – such policies will help overheat the economy and will actually harm workers in the long run. Indeed, we propose new taxes on capital, particularly on wealth, in order to raise money for productive social and economic investment.

Congress's pre-budget submission will help ensure that workers, particularly those on low pay and the National Minimum Wage (NMW), and their families, receive a fairer share of the economic expansion now taking place, and ensure support for the people who suffered more than most during the crisis so they can live in a flourishing life of dignity.

Patricia King
GENERAL SECRETARY, CONGRESS

1. Fiscal Context and Congress Position

The short-term outlook for the Irish economy is broadly positive, although there are significant concerns in relation to Brexit and the health of the global economy. The Department of Finance[1] projects that the Irish economy (real GDP) will grow by 3.9% in 2019 and then by 3.3% in 2020. The Nevin Economic Research Institute (NERI) agrees with the generally positive outlook, and projects marginally stronger growth in both years (4% and 3.4%).[2] There is an expectation that the cyclical upswing in the economy will persist over the short-term, with higher levels of private consumption and particularly strong growth in construction related investment. However, the lack of clarity in relation to Brexit means that much more uncertainty than usual hangs over the economic outlook.

Employment increased by over 81,000 on an annual basis in the first quarter of 2019 and the NERI forecasts further strong employment growth over the next year. The seasonally adjusted unemployment was 4.5% in June and the rate should decline down to around 4% over the next 18 months. As the labour market tightens, we should see increasingly strong growth in average hourly earnings. While average hourly earnings increased by just 2.3% annually in the first quarter of 2019, the NERI projects growth of between 3% and 3.5% over the next 12 months.

The public finances are steadily improving. The Department of Finance projects a budgetary surplus of 0.2% of GDP in 2019 and, perhaps more significantly, a structural surplus of 0.1%.[3] The implication is that the public finances are now in a structurally sustainable position, notwithstanding Ireland's still high public debt ratio. The average interest on the Government debt is a sustainable 2.3%.

Public Spending and the Public Finances

Ireland's level of public spending, as a percentage of GDP, is very low by European Union (EU) standards.[4] The difference is not as pronounced when using the CSO's variant output measure called modified GNI, or GNI*. Even so, comparing Ireland on this basis to the EU average suggests a public spending gap (i.e. an under-spend) of €5.6 billion in 2017.[5]

1 Department of Finance (2019) Stability Programme Update, April.
2 NERI (2019) Quarterly Economic Observer: Summer 2019, July.
3 The structural balance takes into account the cyclical position of the economy and is, at least in theory, an indicator of the sustainability of the fiscal position. We cannot observe the structural balance directly. Estimating it requires a methodology and series of judgement calls concerning the extent to which the economy is operating below its potential or overheating. The Department's estimate is consistent with that of an economy that is very marginally overheating by the end of 2019.
4 GDP based comparisons of public spending are problematic given the issues around the use of GDP as a measure of economic activity and fiscal capacity in Ireland.
5 See NERI (2019): Submission to Budgetary Oversight Committee, May 2019.

The NERI estimate that per capita public spending (excluding debt repayments) in Ireland was 2nd lowest (€15,791) within the EU's group of 10 rich 'peer countries', which includes Austria, Belgium, Denmark, Finland, France, Germany, the Netherlands, Sweden, and the UK, in 2018 and just 89.1% of the group's population weighted average (€17,725). The gap scaled to Ireland's population was €9.4 billion. Clearly, Ireland has a very low level of public spending per person compared to that of the other peer EU countries.

Furthermore, additional public spending is required each year in order to account for 'stand-still' costs related to changing prices and changing demographics such as ageing and population growth. The Irish Fiscal Advisory Council (IFAC)[6] estimate that such costs amount to €1.28 billion in 2019 and €1.47 billion in 2020.

Congress has repeatedly pointed out that the low level of spending in Ireland has significant negative implications for the future provision and quality of public services and infrastructure, and has similarly negative implications for the future sufficiency of welfare payments given the increasing demands of an ageing population.

Congress's position is that the level of public spending is manifestly inadequate when set within the context of the ongoing crises in housing and health, the cost of early years care and education, the chronic per-pupil underfunding of education, the underfunding of public transport, and the need to reverse austerity era cutbacks. Congress therefore proposes that all the remaining budgetary or 'net fiscal space' for 2020 should go towards increased public spending.

Table 1 Per capita public spending excluding interest payments in 2018, €bn

Rank	Country	Population (000's)	Total	Per Capita (€)
1	Denmark	5,794.0	149.8	25,851
2	Sweden	10,175.2	230.6	22,658
3	Finland	5,516.2	122.1	22,129
4	Austria	8,844.0	180.8	20,444
5	Belgium	11,405.0	225.8	19,800
6	France	66,977.0	1,278.5	19,088
7	Netherlands	17,232.0	319.1	18,518
8	Germany	82,885.0	1,454.6	17,550
9	Ireland (ROI)	4,860.7	76.8	15,791
10	United Kingdom	66,466.0	918.4	13,817
	Peer Weighted Average (PWA)			17,725
	ROI as % PWA			89.1
	Gap scaled to population (€bn)		9.4	

Sources: AMECO (2019), NERI calculations
Notes: Rounding affects totals.

6 Irish Fiscal Advisory Council (2018): Stand-still Scenario, May 2018.

Some economic commentators express the view that Ireland should take a cautious approach to its public finances in order to avoid overheating the economy and build up fiscal buffers against the next crisis. Given the chronic under-spending in Ireland relative to other high-income countries in Europe, it is Congress's view that if the Government wishes to avoid overheating in the economy then it should do so through raising taxes.

Irish receipts from taxes and social contributions on a per person basis were 2nd lowest amongst the group of 10 rich EU countries in 2017 – only the UK was lower. The notion that Irish people experience high taxes is clearly a myth.

The 2019 Summer Economic Statement (SES) set out an indicative nominal budgetary package amounting to €2.8 billion in 2020. The Department of Finance projects that such a package would lead to a budgetary surplus of 0.4% of GDP or €1.4 billion, in 2020. The Department projects that this would lead to a structural deficit of 0.1% of GDP given their expectation that the economy will be overheating.

Pre-commitments related to demography, budgetary carryovers, the public service agreement, capital spending, and funding reserves related to the National Broadband Plan and the National Children's Hospital, mean that the unallocated amount available for new spending under the Department's indicative scenario is €0.7 billion.[7]

Broad Proposals

Congress is proposing a number of measures on the revenue side:

- Reforms to capital taxation and to the system of tax expenditures sufficient to raise almost €500 million in 2020. Specifically, Congress proposes the introduction of a net wealth tax, greater tax contributions from inherited wealth, as well as a review of the system of tax expenditures to eliminate unjustified or overgenerous measures.
- An increase in the rate of employers' PRSI on the portion of incomes in excess of €100,000, raising €150 million annually. Increase PRSI contributions from self-employed yielding €75m annually.
- Increases to the excises on pollution (e.g. diesel, cars, packaging and single-use plastics) and on other 'bads' including tobacco and betting sufficient to raise €200 million annually.

In addition, Congress is proposing a series of new spending commitments. This additional spending should prioritise

a. rebuilding our collective economic and social infrastructure;
b. moving the economy towards a 'just transition'; and
c. raising the 'social wage' going to workers in the form of collective early years care and education, education, health, transport, and housing services.

We show the full set of proposed measures in Table 2.

7 Department of Finance (2019) Summer Economic Statement, June.

Table 2: Congress Proposals for Budget 2020, €bn (Indicative)

Revenue	(€)	Expenditure	(€)
Total	970	Total	2,970
Introduce a tax on Net Wealth	375	Funding for provision of A rated public and affordable housing (1st year)	830
Reforms to Capital Acquisitions Tax and to the system of Tax Expenditures	100	Health: Implementation of health reforms, increase investment in primary and community health, and to implement Sláintecare	600
Raise employers' PRSI to 13.75% on excess of incomes above €100,000 and raise PRSI contributions for Class S contributors	225	Climate Emergency and Just Transition (1st year): greater funding for retrofitting; public transport; R&D/innovation funds for green technology, and funds to support workers transitioning to a low carbon economy	400
Raise on-line betting tax	20	Education/children: Increase social investment in early years care and education (ECCE) and in education	500
Raise Excise tax on tobacco	50	Increase Overseas Development Aid	120
Raise Excise tax on diesel	165	Offset the loss of the transition pension	25
Reintroduce tax relief for trade union subscriptions	-25	Increase social welfare payments, including reform of eligibility thresholds for the Working Family Payment (formerly Family Income Supplement).	335
Raise VRT and Motor Tax on the most environmentally damaging cars	50	Introduce a Brexit Adjustment Assistance Fund (a once-off payment contingent on the occurrence of Brexit)[8]	160
Introduce tax on packaging and single-use plastics	10		

8 As a once-off payment, this measure would not affect the structural deficit in future years.

2. Supporting Workers and Families

Many people [in Ireland] *have yet to reap the social benefits of the economic upturn.*

European Commission (February 2019)

The recovering economy is not benefiting everyone equally. Wage growth over recent years has been relatively sluggish, with average hourly earnings increasing by just 6.6% in the decade up to the first quarter of 2019.[9]

In 2017, the share of household disposable income of the richest 20% was 4.6 times higher than that of the poorest 20%, marking a slight increase from 4.4 in 2016 (i.e. a worsening of inequality).[10] The EU's 2019 Social Scoreboard describes income inequality as an issue 'to watch' (European Commission, 2019). This represents deterioration from its 2018 assessment of Ireland's relative performance.

The most recent CSO Survey of Income and Living Conditions[11] (2018) states that 15.7% of the population were at risk of poverty, or had an equivalised income of less than 60% of median incomes, in 2017. Furthermore, 18.8% were experiencing *enforced deprivation*, or were unable to afford two or more of 11 deprivation indicators, such as an inability to replace worn out furniture or to afford to have family or friends over for a drink or a meal once a month; this was down from 21% in 2016 but still well above the rate of the 11.8% recorded in 2007. And 6.7% were living in consistent poverty, i.e. were both at risk of poverty and were experiencing enforced deprivation; this was well above the 4.2% recorded in 2008.

43% of Irish respondents describe *rising prices, inflation and the cost of living* as one of the most important issues facing them according to the most recent Eurobarometer public opinion survey (European Commission, 2018). This was the fifth highest rate in the EU, and was 12 percentage points above the Euro area average.

Raising the Minimum Wage

Despite the relative prosperity of the Irish economy over recent years, low pay is widespread. Over one in five employees is a low-wage earner, according to the most recent Eurostat data - a low wage-earner being an employee earning less than two-thirds the national median gross hourly earnings.

Congress has consistently campaigned to achieve a Living Wage as the minimum that *all* workers should earn.

The Living Wage Technical Group estimated the Living Wage at €12.30

9 The most recent CSO data for *median* earnings (the middle earner in the economy or sector), issued in February 2017 and covering the period 2011-2014, indicated that mean earnings were approximately 26 per cent *above* median earnings in 2014 and that nearly two-thirds (64%) of workers were paid less than mean earners in that year.
10 European Commission (July 2019), Employment and Social Developments in Europe – Annual Review 2019
11 CSO (2018) *Survey on Income and Living Conditions* (SILC) 2017, 17 December 2018

an hour in July 2019 for a single adult with no dependents working full-time. However, the current National Minimum Wage (NMW), at €9.80 an hour for a single adult worker aged 20 and over, amounts to less than 80% of the recommended Living Wage. Approximately 1 in 13 workers earned the NMW (or less) at the end of 2018.[12]

Ireland is committed under the Sustainable Development Goals to promoting decent work (i.e. SDG 8) and to reducing inequality (i.e. SDG 10). The new OECD Jobs Strategy (2018) points out that minimum wages ensure fair pay, prevent exploitation of workers, boost compliance with taxes, make work pay, and anchor wage-bargaining, in particular for workers with a weak bargaining position. Recent ESRI research commissioned by the Low Pay Commission found that the increase in the NMW in 2016 - the first real rise in nearly a decade - was effective in increasing the wages of low-paid workers and in reducing hourly wage inequality.[13]

Proposal – Align the NMW with the Living Wage as soon as possible.

The European Commission also acknowledges the impact of increases in the NMW in tackling poverty[14] (European Commission, 2019) while the OECD recommends increasing the NMW in order to tackle inequality.[15] Raising the NMW would help address the issue of continued subsidisation of corporate profits, i.e. 'corporate welfare'; the Government estimates expenditure on the Working Family Payment, or WFP (formerly Family Income Support) at approximately €430 million in 2018, pointing out that the WFP is currently paid to almost 54,000 families in respect of some 122,000 children.[16] Furthermore, there were approximately 38,100 casual and part-time workers on the Live Register in receipt of the Jobseeker's Benefit or Jobseeker's Allowance in June 2019, representing one in five of the 190,100 on the Live Register in that month.[17]

12 CSO (2019) *LFS National Minimum Wage Estimates*, 26 April.
13 ESRI (2019), *The Impact of a Change in the National Minimum on the Distribution of Hourly Wages and Household Income in Ireland.*
14 European Commission (February 2019), *Country Report Ireland*
15 Contribution by Chiara Criscuolo, Senior Economist, Structural Policy Division, Science Technology and Innovation Directorate, OECD, at the Department of Finance Sixth Annual Policy Conference, 30 April 2019.
16 Written answer to written question no.14740/19, 2 April 2019.
17 Live Register, CSO statistical release, 04 July 2019. The Live Register is not designed to measure unemployment and includes part-time workers (those who work up to three days a week), seasonal and casual workers entitled to the Jobseeker' Benefit or Jobseeker's Allowance.

Enhancing the Social Wage

Alongside the direct wage, the 'social wage', i.e. employers' social security contributions (PRSI), forms part of an employee's compensation package. This enables workers to access particular services (e.g. health and early years care and education) for free or at below-market prices and provides income support at times of particular life changes, e.g. the birth of a child, a period of illness or unemployment, disability or old age etc. Employers' social security contributions are much lower in Ireland compared to peer European countries, as acknowledged by the Government.[18] The Government has estimated that a 1 percentage point increase in employers' PRSI could yield €778.6 million in a full year.[19]

The state simply does not collect enough through social insurance and through general taxation to provide the public services that people in peer European countries can rely on. Per capita public spending in Ireland is consequently below average compared to these countries.[20] The underfunding of public services is reflected in low levels of satisfaction with public services, particularly when compared to peer countries.[21]

Congress reiterates its proposal from our pre-budget 2019 submission for an increase in employers' PRSI to 13.75% on the excess of incomes above €100,000, which we estimate could raise €150 million.

Table 3 - Employers' Social Contributions in selected EU Member States

	GDP (%)	EU-28 ranking (2016)
EU-28	6.8	-
EA-19	7.9	-
France	11.2	1
Finland	8.7	4
Germany	6.6	12
UK	3.7	24
Ireland	3.7 (GNI*)	25

Source – Low Pay Commission

Proposal - Raise employer's PRSI to **13.75%** on excess of incomes above €100,000

18 ICTU (2018) *Congress Pre-Budget Submission Budget 2019* – Investing in our Shared Future

19 Written answer to Dáil written question 45189/18, 6 November 2018.

20 Goldrick-Kelly, P. and McDonnell, T. *Taxation and Revenue Sufficiency in the Republic of Ireland*, NERI Working Paper No 48, October 2017.

21 European Commission (December 2018). *Standard Eurobarometer 90 Annex: Public opinion in the European Union*

Ensuring Social Security

Certain groups are more at risk of poverty, or of experiencing enforced deprivation than the population as a whole. This includes people not working due to illness or disability, people who are unemployed, people living in households with one adult and one or more children, and people living in households where there is no person at work.

Congress has previously called on the Government to increase all welfare payment rates by at least a higher percentage than expected inflation in the following year.[22] Congress reiterates this call for Budget 2020.

In addition, Congress recommends additional measures for groups more at risk than the population at large. The Vincentian Partnership for Social Justice estimates that households that suffer from 'deep income inadequacy', or have an income that meets no more than 90% of their minimum essential standard of living costs in 2019, are now exclusively found in households that are headed by one adult, i.e. single-working age adult and lone parent households, or in households with children aged 12 and older (VPSJ, 2019).[23] Congress therefore calls on additional welfare measures for such households, such as an increase in the Qualified Child Increase (QCI) for children aged 12 and over.

Congress also calls on the Government to reverse the most regressive cuts imposed during the crisis years, such as the cuts to the Jobseekers Allowance for young people and the changes to the One Parent Family Payment, and to give the Christmas bonus to all social welfare recipients, i.e. long-term and short-term.

The Government should also consider the impact of Brexit, particularly a no-deal Brexit, on wages and prices when considering social welfare rates. The ESRI for example estimates that cost increases arising from a no-deal Brexit (e.g. in food prices) could result in the lowest income households experiencing a 4% increase in average annual household expenditure (ESRI, 2018).

Finally, all payments increased should apply from 1 January 2020, not the end of March 2020, as was done in 2018 and again this year.

Proposal – Increase social welfare rates by an amount greater than expected inflation in 2020 with additional increases for households more at risk, reverse the most regressive cuts imposed during the crisis, and pay the Christmas bonus to all social welfare recipients, long-term and short-term

22 The Department of Finance projects that the personal consumption deflator, i.e. the increase in the price of consumption goods, will be 1.6% in 2020 (Department of Finance, Stability Programme Update, April 2019).
23 Vincentian Partnership for Social Justice (2019) *Minimum Essential Standard of Living 2019 Update Report*

Pensions

Congress has previously expressed its concern for workers who are compelled to continue working arising from the planned increase in State pension age in 2021 and in 2028. Many workers, particularly those in manual occupations, are unlikely to be able to extend their working lives as required by these changes. Despite having one of the youngest populations, Ireland is currently on course to have the highest pension qualifying age in advanced economies in less than a decade. Unlike many of these countries, Ireland's pension policy does not recognise the young age at which many workers, particularly manual workers, enter the labour market.

Congress has repeatedly called for an increase in social welfare payments by an amount that would offset the cost of the abolition of the Transitional Pension, at an estimated cost of €25 million. This affects a small number of workers each year but more will be affected by this measure as we increase the pension age in two years' time.

Proposals - Lower the contributory pension qualifying age for workers who entered employment at a young age and have had a long working life. Increase social welfare payments by an amount equivalent to offset the abolition of the Transitional Pension

Extension of Social Welfare Benefits to the Self-Employed

Congress previously called on the Government to begin the process or raising PRSI contributions for Class S contributors[24] to bring them closer into line with the costs of the benefits they receive and stand to gain under any extension of benefits to such contributors.

Historically, the fact that the Class S contributors, who can avail of many expense offsets not available to the PAYE sector, did not have access to the *full* range of social welfare payments justified their lower rate of PRSI contributions. This is increasingly no longer the case. Even before the introduction of the new Jobseeker's Benefit (Self-Employed) and other benefits extended through Budgets 2018 and 2019, the Department of Employment Affairs and Social Protection. *Tax Strategy Group - Pay Related Social Insurance* (July 2018) pointed out that self-employed workers now have access to around 80%, in value terms, of the benefits paid by the Social Insurance Fund while making an effective contribution of 3.7% of earnings. At 3.7% the effective rate of social insurance paid in respect of self-employed people is around 28% of that paid in respect of other workers (effective rate of 13%) and just 24% of that required to cover pension entitlements alone (15.5%).[25] Overall the contribution rate the self-employed pay should be proportionate to the benefits they receive. This is crucial given the findings of the 2017 KPMG Actuarial Review of the Social Insurance Fund which warned that that Exchequer subventions will need to increase in 2017 real price terms (from nil in 2017) to €1.7 billion by 2025, €5.6 billion by 2035 and €11.4 billion by 2045.[26] The European Commission also warns that an increase in self-employment, with little connection to social insurance schemes, may put these systems under strain, aggravating the challenges associated with ageing.[27]

These measures are in addition to the commitment under the current Programme for Government to increase the Earned Income Tax Credit from €550 to €1,650 for the self-employed, to match the PAYE credit (by 2018); the earned income credit for the self-employed currently stands at €1,350, having been increased by €200 in Budget 2019.

Furthermore, there are also control issues in relation to Class S claimants. For example, the 2017 KPMG Actuarial Review points out that in its projections of additional expenditure to Class S, it could not make an 'explicit allowance for any potential moral hazard associated with Class S self-assessing themselves as unfit for work (due to the degree of uncertainty associated with this variable).[28]

Congress believes that many self-employed workers would be willing to

24 Class S contributors include farmers, professionals, certain company directors, people in business on their own or in partnerships, people with income from investments, rents or maintenance payments etc.
25 Department of Employment Affairs and Social Protection. *Tax Strategy Group - Pay Related Social Insurance* (July 2018)
26 KPMG (2017) Actuarial Review of the Social Insurance Fund, p.6
27 European Commission (2018) *Employment and Social Developments in Europe Annual Review 2018*.
28 KPMG (2017) Actuarial Review of the Social Insurance Fund, p.146

pay higher contributions to access the full range of social welfare payments. In the 2016 Department of Employment Affairs and Social Protection survey of self-employed people, nearly 90% of all respondents said that they would be willing to pay a higher social insurance contribution in return for additional benefits. A 0.5 percentage point increase in the self-employed 4 per cent PRSI rate alone would yield €77.5 million per annum.[29]

Congress is aware that the Government has promised a public consultation on appropriate PRSI contribution rates. Congress will respond to this consultation when it is announced. In the meantime, Budget 2020 should begin the process of increasing PRSI contributions for Class S contributors in order to bring them closer to the costs of the benefits they receive and stand to gain under any extension of benefits to such contributors.

Proposal - Begin the process of increasing PRSI contributions for Class S contributors in order to bring them closer to the costs of the benefits they receive and stand to gain under any extension of benefits to such contributors.

29 Department of Finance (2017), *Tax Strategy Group 04/17 Pay Related Social Insurance – Budget 2018 Issues*

Bogus Self-Employment – Lost Revenue to the State

"The one thing I can safely say is that we are all in agreement regarding the fact that there are people in this country who are made bogusly self-employed through no fault or acquiescence on their part."

Regina Doherty TD, *Minister for Employment Affairs and Social Protection*, 19 December 2018

The Comptroller and Auditor General has concluded that the absence of an employer contribution for Class S contributors creates an economic incentive for certain individuals to be improperly treated as self-employed.[30] The Departments of Finance and of Employment Affairs and Social Protection have said that while it is not possible to be definitive on the overall cost to the Exchequer of the use of such forms of employment, 'the data indicates an increasing use of self-employment arrangements in some sectors (notably finance and ICT) and also that the estimated cost to the Exchequer of disguised employment practices may not be insignificant'.

Citing Revenue estimates, they conclude that if it is assumed that half of the 15,000 people employed under personal service company (PSC) and managed service company (MSC) arrangements are 'effectively in the nature of a contract of service' then the estimated loss to the Exchequer would be in the order of €60 million per annum and that the bulk of the potential loss - 70% and upwards - is attributable to the differential in social insurance (PRSI) rates.[31] We would argue that the estimated cost of such arrangements to the Exchequer is substantially higher. For example, bogus self-employment in the construction sector alone could be costing the State at least €240 million a year.[32]

30 Comptroller and Auditor General (2018), *Annual Report 2017, Chapter 20 PRSI contributions by the self-employed*
31 Department of Finance and Department of Employment Affairs and Social Protection (January 2018), *The use of intermediary-type structures and self-employment arrangements: Implications for Social Insurance and Tax Revenues.*
32 See Joint Oireachtas Committee on Social Protection discussion on bogus self-employment, 31 January 2019. Connect estimates the cost at €300 million a year - *The Irish Times*, 6 October 2018

Encouraging Collective Bargaining and Trade Union Membership

Congress has previously called for the re-introduction of the scheme in place between 2001 and 2011 that provided tax relief to workers who are members of a trade union. At its peak, this scheme cost approximately €27 million a year. The re-introduction of this scheme would end the discriminatory treatment of trade union members compared to members of professional bodies, of expenses incurred by the self-employed, and even of subscriptions to specialist publications.

The OECD Employment Outlook 2018 has pointed out that countries it now recognises as having collective bargaining systems that produce the best outcomes, in terms of productivity, employment rates, wages, working conditions and inequality, use fiscal incentives to promote trade union membership (e.g. Norway and Sweden), with some of these reintroducing or extending schemes that had previously been abolished (OECD, 2018:102). Under Sustainable Development Goal 8.8, Ireland is committed to protecting labour rights and to promoting safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

The Department of Finance has previously stated that the only apparent objective the reintroduction of this measure would serve would be to incentivise trade union membership. Given international research findings – e.g., by the OECD, the World Bank and the IMF - of the positive role trade unions play in tackling inequality - this is a reason enough in itself.

Proposal – Reintroduce the scheme in place between 2001 and 2011 in respect of trade union subscriptions. Maximum cost: €27 million.

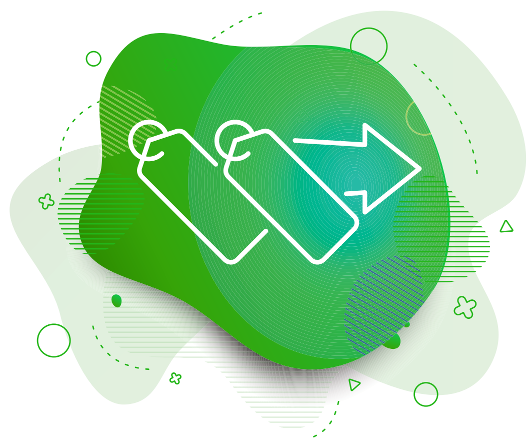
Maintaining the Flat Rate Expenses System

Revenue is currently in the process of reviewing the Flat Rate Expenses system. This system enables employees to claim tax relief on work-related expenses.

The total cost of this system was approximately €77 million in 2017. Congress would contrast the focus on this particular measure with the apparent lack of attention being given to other, costlier measures. For example, the 2018 Comptroller and Auditor General's report on corporation tax losses has drawn attention to the issue of corporation tax losses and unused capital allowances[33], while the Oireachtas Committee of Public Accounts has expressly recommended that Revenue put in place procedures to oversee losses carried forward in order to identify those relating to trading losses and those relating to unused capital allowances.

The Departments of Finance and of Employment Affairs and Social Protection have also highlighted the implications of bogus self-employment for the Social Insurance Fund and for tax revenues.[34] Congress argues that any moves to abolish or restrict this system will be perceived as a wholly unfair attack on workers, particularly those on low incomes, at a time when other tax-payers, including corporate tax-payers, are continuing to receive wholly disproportionate benefits from tax expenditures that do not seem to be subject to similar review, and at a time when it has refused to re-introduce the scheme that operated between 2001 and 2011 in respect of tax relief for trade union subscriptions (see above).

Proposal – Maintain the current Flat Rate Expenses System.



33 Comptroller and Auditor General (2018), *Corporation Tax Losses*

34 Department of Finance and Department of Employment Affairs and Social Protection (2018), *The use of intermediary-type structures and self-employment arrangements: implications for Social Insurance and Tax Revenues*

Brexit – Maximising Sustainable Employment

As Congress warned in our Briefing Paper, *The Implications of a No-Deal Brexit* (2019), the risk of a no-deal Brexit has increased since the start of this year.

The ESRI (2019) has estimated that the short-run impact (i.e. within two years) of the UK crashing out without a deal could be GDP growth up to 2.4% lower, employment levels up to 0.8% lower and real average wages up to 0.5% lower, compared to what they would be if the UK remains within the EU. These scenarios are entirely possible if the UK leaves on a no deal basis at the end of October 2019 (see Table 4).

Similarly, the Department of Finance early this year warned that under a no-deal scenario, the general Government balance would worsen this year from broad balance to a deficit of 0.3% and from a forecast surplus of 0.3% to a deficit of 0.5% in 2020.

Congress's paper on the implications of a no-deal Brexit called for three new measures, in addition to the measures already put in place.

- First, the establishment of a short-time work scheme, as Congress previously recommended in our response to the post-2008 crash and as now recommended in the OECD's new Jobs Strategy (2018).[35]

- Second, the establishment of a Brexit Adjustment Assistance Fund to support workers whose jobs are most at risk. This new instrument could be modelled on the European Globalisation Adjustment Fund, which has funded support to approximately 11,000 workers in Ireland between 2007 and 2016, at a total cost of approximately €75 million. It could also build on initiatives in other countries that are designed to anticipate and manage change; the OECD for example highlights the effectiveness of Sweden's Job Security Councils, which are run by unions and employers.[36]

Table 4 - Estimated short-run impact of Brexit on Ireland (after 2 years) compared to 'No Brexit' baseline[37]

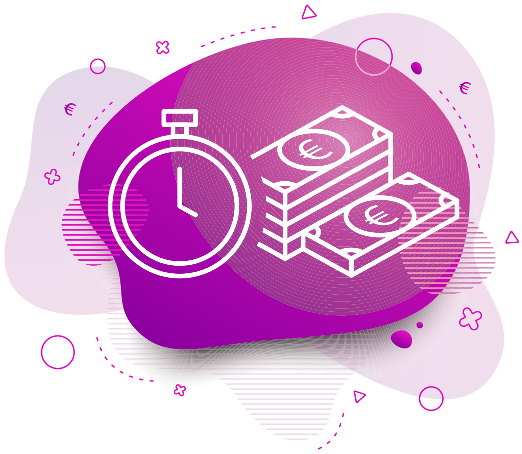
	Deal	No Deal	Disorderly
GDP	-0.6	-1.2	-2.4
Employment	-0.1	-0.1	-0.8
Average wages, real	-0.1	-0.3	-0.5

Source – Department of Finance/ESRI (2019)

35 OECD (2018a), *Jobs Strategy*
36 OECD (2018), *Going Digital in a Multilateral World*.
37 The DoF/ESRI defined the *Deal* scenario as the UK making an orderly agreed exit from the EU, involving a transition period covering the years 2019 and 2020, and a free trade agreement between the UK and the EU-27 thereafter. It also said the Deal scenario is based on the Withdrawal Agreement and was 'broadly consistent with a short extension of Article 50'. It defined the *No-Deal* scenario as the UK exiting without a deal but there would be 'an orderly period of adjustment for trade'. Ultimately, WTO tariff arrangements would apply to goods, there would be non-tariff measures, and services trade would also be negatively impacted. And it defined a *Disorderly* No-Deal as the UK exiting without a deal and with additional disruption to trade in the short-run, above that considered in the No-Deal scenario.

- Third, the revision of the EU rules establishing the European Globalisation Adjustment Fund for the 2021-2027 period, so as to allow it explicitly support workers made redundant because of Brexit. The European Parliament proposed such an amendment earlier this year and this is currently being considered by EU Governments.

Proposal – Establish a Short-Time Work Scheme and a Brexit Adjustment Assistance Fund to maximise sustainable employment and amend the European Globalisation Adjustment Fund to allow it to support workers made redundant because of Brexit.



Investment in Public Housing

Hundreds of thousands of people are being affected by the housing and homeless crisis. Unfortunately, Budget 2019 failed to address the housing crisis in any meaningful way. Proper housing solutions mean building real homes, not continuing to expand the Housing Assistance Payment (HAP) or the Rental Accommodation Scheme (RAS). The Government's developer-led model of housing continues to fail. More direct action is required from the Government.

The European Commission's 2019 Country Report[38] now takes a similar view: it warns that the HAP and RAS risk 'exacerbating rent increases in the already supply-constrained private rental market' (p.9); it cites 2018 research by the Department of Public Expenditure and Reform to point out that 'expenditure levels on housing and social housing, though growing, still stand at a level just below the 2008 peak, *thus further contributing to the critical situation'* (p.38, emphasis added); it says that the homelessness crisis 'merits urgent action' (p.35) and that investment in social housing is 'crucial to address the severe social housing shortages and rising homelessness...' (p.38); and its 'investment guidance' (i.e. Annex D) for EU cohesion policy funding over 2021-27, identifies further investment needs in social housing in order to prevent and reduce homelessness and housing exclusion over this period. Congress again urges the Government to prioritise the construction of public housing, including social and affordable housing, the enhancement of services aimed at supporting homeless people and those at risk of homelessness, the use of vacant homes and sites, and more rapid progress towards a cost-rental system.[39]

Congress calls for a major, local authority-led public housing programme, involving the construction of at least 10,000 new homes annually, as part of the phased introduction of a cost rental model that provides stable affordable tenure to all who need and want it. Public housing policy must address the twin goals of making affordable and secure rental accommodation available to a significant share of the population, and increasing the stock of homes in well-designed, sustainable neighbourhoods, particularly for people on lower incomes.

Proposal – Provide additional funding for public housing in Budget 2020, above what is already committed.

38 European Commission (February 2019), *Country Report Ireland.*

39 The EU's country specific recommendations to Ireland for 2019/2020 (adopted on 12 July) now states (paragraph 16) 'the very limited amount of affordable and cost-rental accommodation are factors further aggravating the situation'; the issue of cost-rental was not addressed in the 2019 Country Report.

Investment in Health

Ireland's health system faces many challenges, challenges that are compounded by an ageing population. A central objective must be to keep people out of hospital and long-term care, wherever possible, by investing in quality community health care, as well as in health education and early diagnosis.

We need to make more rapid progress towards an adequately-funded, publicly-controlled and universally-accessible single-tier health service, as outlined by the Sláintecare report. Health will require major investment over the coming years to deliver this goal and to deal with demographic change.

The Sláintecare report explicitly recommended a move towards a multi-annual budgeting process (of 3-5) years, to be phased in over the next 10 years, in order to 'help preserve funding stability and to increase predictability'. The Sláintecare Action Plan 2019 (March 2019) included a commitment to 'set out [a] policy proposal for multi-annual budgeting' and to 'establish and resource [a] multi-annual Transition Fund', both to be achieved by the end of 2019.

The European Commission's 2019 Country Report stated that 'implementation challenges to realising the original vision of universal entitlement, and *investment needs remain* in order to shift focus to primary and community care' (emphasis added). Congress does not believe that this conclusion has been sufficiently acknowledged or addressed by the Government in Ireland's National Reform Programme (NRP) 2019. Nor do we believe that the NRP 2019 responds to the Country Report's findings that 'the perverse incentives generated by the coexistence of a public and private insurance market should also be addressed to avoid preferential treatment of privately-insured patients in publicly-funded hospitals.'

The EU's country specific recommendations for 2019/2020 again recommend (i.e. CSR II) that Ireland increase the cost-effectiveness of the healthcare system. The Congress pre-budget 2019 submission drew attention to the over-spend on *'medical products, appliances and equipment'* and on 'health n.e.c.' in Ireland compared to other high-income western European countries, as previously identified by the NERI. Given that the 2019 Country Report concludes that limited progress has been made on this particular recommendation (p.58), we would urge the Government to revisit the relevant recommendation from our pre-budget 2019 submission.

Proposal – Provide additional funding for primary and community care and to implement Sláintecare.

Investment in Long-term Care

The European Commission's 2019 Country Report for Ireland estimates that as a result of demographic changes, expenditure on long-term care is expected to increase by 1.9 percentage points of GDP from 2016 to 2070, above the EU average of 1.2 pp over this period. The Nursing Homes Support Scheme (the 'Fair Deal' scheme), is a system of financial supports for people who require long-term residential care (public, private or voluntary). Participants contribute to the cost of their care according to their means (i.e. up to 80% of their income and up to 7.5% of the value of any assets each year, with the 7.5% annual contribution from the asset value of the family home charged for three years only) and the State paying the balance. The Government estimates the budget for long-term residential care at €962 million in 2018, rising to €986 million in 2019.[40]

On 11 June 2019, the Government approved the General Scheme of a Bill to change the treatment of family farms and businesses under Fair Deal. This proposes to extend the three-year cap to farms and businesses where a family successor continues to operate the farm or business for at least six years. Congress is concerned that whereas the current Programme for Government (p.84) committed to changing the treatment of 'family farms and small business' (which were not defined), the General Scheme appears to cover a much broader range of businesses; this could further raise the 'upwards of €10 million' estimated annual cost of this measure.

In addition, the European Commission's 2019 Country Report points out that there is currently no statutory entitlement to formal home care, with long waiting lists and Government plans to introduce a statutory scheme having been delayed, and states that investing in a 'more developed formal home care sector' could help reduce exchequer costs for long-term care'.[41] The Government's Stability Programme Update (2019) merely states that a 'significant amount of preparatory work remains to be undertaken', and refers to the fact that the Department of Health's Sláintecare Implementation Strategy (2018) commits to the introduction of a statutory scheme in 2021.

Proposal – Undertake a thorough analysis of the impact of the proposed changes of the treatment of family farms and businesses under the Fair Deal scheme; speed up the introduction of a statutory home care scheme.

40 Written answer to Dail written question no.20318/19, 14 May 2019.

41 The European Commission's Joint Report on Health Care and Long-Term Care Systems and Financial Sustainability (June 2019) also points out that the last few years have seen 'a sharp increase in private providers of home care' in Ireland, that there is no official register of private and not-for-profit home care companies but that it is estimated that that currently there are in excess of 130 such providers (including franchises), reflecting a decline in informal care 'and a significant increase in the HSE budget allocation to home care services' (p.389).

Investment in Early Years Care and Education

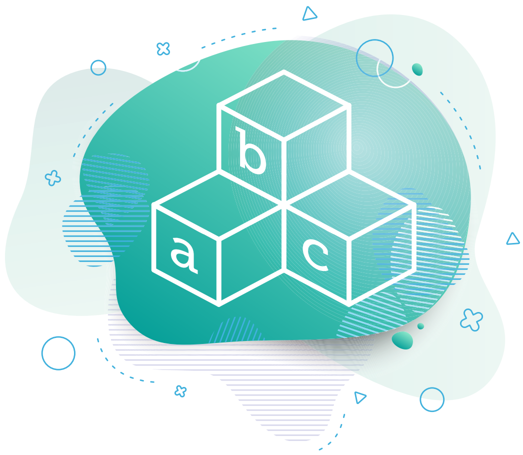
Human beings make the greatest strides in their development during early childhood and the ability to learn will never again be as great as it is in these years. Thus, policies that improve early learning have a positive effect on later educational attainment and, consequently, the attendant benefits that this brings. Sustainable Development Goal 4.2 commits Ireland to ensuring that by 2030, all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.

Congress's pre-budget 2019 submission highlighted the importance of expanding public provision of high quality, subsidised early years care and education (ECCE) services, as again recommended by the EU's country specific recommendations for 2019/2020.[42]

The European Commission's Country Report for 2019 again finds that the insufficient provision of childcare is the main cause of high female inactivity (p.34); that formal childcare remains unaffordable for many (p.35); and that Irish childcare costs are the most expensive in the EU (p.36). Irish childcare costs in 2015, relative to wages, were the highest in the EU for lone parents and the second highest for couples while the average family in Ireland spends over one-third of their household income on childcare – twice the European average. The very high cost of childcare in Ireland acts as a barrier to paid employment, particularly in low-income households, including single parents, thus reducing income among the families that need it most. This has a negative effect on female employment and participation rates and leads to a loss of high quality skills, experience and knowledge within the workforce.

Public investment in early years care and education in Ireland should be increased over the next four years to – at a minimum - the OECD average (i.e. 0.7% of GDP[43]) and - again at minimum - to at least the UNICEF benchmark of 1% of GDP by 2027. Over the longer term, Ireland should aim to match the best performing countries such as Iceland, Sweden and Denmark (all above or near 1.5% of GDP).

Proposal – Provide additional funding for affordable quality early years care and education services.



42 Congress is concerned that whereas the country specific recommendations for 2018/2019 urged Ireland to 'Ensure the timely and effective implementation of the National Development Plan, including in terms of...*affordable quality childcare*, the country specific recommendations for 2019/2020 urge Ireland to 'Increase access to affordable *and* quality childcare' (emphasis added).

43 Or GNI* in the case of Ireland.

Investment in Education

Education spending falls short of what is needed to live in today's rapidly changing world and to equip children and young people with the skills for the workplaces of the future. Sustainable Development Goal 4 commits Ireland to ensure inclusive and equitable quality education and to promote lifelong learning opportunities for all.

Research by the NERI has found that public investment in Ireland has been particularly low on a per student basis for education, including in primary education and lower secondary education.

Investment per pupil/student should increase in real terms to at least the average of other high-income western European countries. For example, the OECD's most recent *Education at a Glance* report shows the disparity that currently exits. This indicates that that total expenditure on Irish primary schools per pupil in 2016 was below both the OECD average and an EU-22 average, with Ireland coming in 18th place of the 33 OECD countries as well as the lowest of peer European countries.[44]

Budget 2020 should prioritise increased investment in education, particularly in the DEIS programme and to further reduce the number of young people not in employment, education and training (NEETs). Research consistently indicates that while all students benefit from small class sizes in the early grades, students from disadvantaged and minority backgrounds benefit most and schools in the DEIS programme have not benefited from general class size reductions in recent years.[45]

Research by the OECD illustrates that class sizes in Ireland remain well above international norms. For example, primary school classes contain on average five pupils more than classes in the EU-22 Member States (25 compared to 20), and the second highest, after the UK, of peer European countries.[46]

Congress welcomes the fact that Ireland has achieved its Europe 2020 early school leaving target. Ireland, however, still has a higher than EU average early school leaving rates for people with disabilities and one of the widest early school leaving gaps between people with and without disabilities.

The 2019 Social Scoreboard also identifies the low level of basic digital skills among the adult population as an issue 'to watch'. 52% of the adult population lack even basic digital skills, compared to an EU average of 43%. In response, the Government has highlighted last year's launch of the EXPLORE Programme, which seeks to address this issue and other issues relating to Lifelong Learning, but Congress would argue that much more is required.

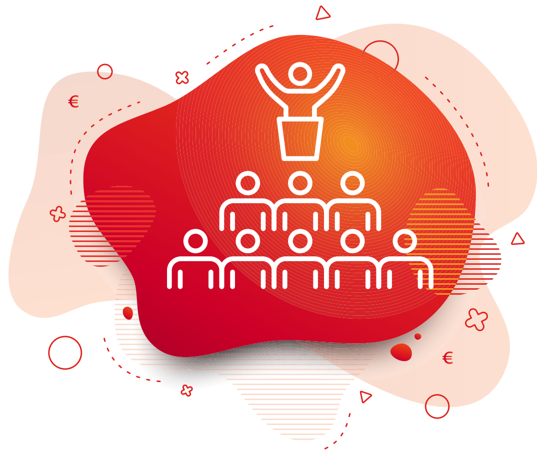
44 OECD (September 2018), *Education at a Glance 2018*, Table C1.1, p.254. EU member states not covered were Bulgaria, Croatia, Cyprus, Lithuania, Malta and Romania. No data for Denmark.

45 Weir, Kavanagh, Kelleher & Moran, 2017, *Addressing Educational Disadvantage – A Review of Evidence from the International Literature and of Strategy in Ireland: An Update since 2005.*

46 OECD (September 2018), *Education at a Glance 2018*, Table D2.1, p.357

We would draw attention to the fact that according to the 2019 National Reform Programme, just 250 people took part in all actions under EXPLORE in 2018 and that it is planned to double this number to 500 in 2019. This would be in line with the country specific recommendations for 2019/2020 (i.e. CSR II).

Proposal – Provide additional resources for education, particularly to reduce class sizes, the early school leaving rate for young people with disabilities and to improve basic digital skills and lifelong learning among adults.



Supporting People in the Global South

Congress believes that Budget 2020 should mark a substantial increase in Ireland's official Overseas Development Aid (ODA) allocation. Ireland's official ODA in 2019 amounts to €817 million, or approximately 0.3% of GNI. The Government's stated intention is to reach the UN target of allocating 0.7% of GNI to official ODA by 2030, the timeframe for the UN Sustainable Development Goals.[47] This is also the proposed timeframe of the Review of the Irish Aid Programme agreed by the Oireachtas Joint Committee on Foreign Affairs and Trade and Defence in February 2018.

As stated in our submission to Budget 2019, Congress strongly believes that Ireland should allocate 0.7% of GNI to official ODA by 2025; countries that have already achieved this target include Norway, Luxembourg, Sweden, Denmark, Germany and the United Kingdom. Ireland should also aim to achieve the UN target of at least 0.15% of GNI on the Least Developed Countries (LDs), in line with Sustainable Development Goal 10.b.

Irish ODA policy should also give greater priority to the attainment of Sustainable Development Goal 8 – the promotion of sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Proposal – Allocate 0.7% of GNI to official ODA by 2025.

47 Written answer to written question 14714/18, 29 March 2018.

3. Climate Change and the Just Transition

The planet is facing three great environmental crises:
A) global warming;
B) collapse in biodiversity;
C) deterioration in air and water quality.
Under Sustainable Development Goal 13, Ireland is committed to taking urgent action to combat climate change and its impacts.

In this section we make a number of broad proposals:[48]

Proposals:

The State should take the lead in driving the transition to a low-carbon economy by significantly ramping up investment in renewable energy infrastructure and production, in the energy efficiency of the building stock and in public transport. A deep retrofitting programme of the housing stock should be implemented as soon as possible. Over the medium term, free public transport should be gradually rolled out, starting with the most vulnerable groups.

The Public Service Obligation (PSO) levy should be kept and diverted into expanding wind and solar through Ireland's semi-states, as part of a Just Transition strategy for Bord na Mona and ESB workers.

The State should also massively increase R&D funding for wave power generation with the goal of becoming a world leader in this technology and emulating the Danish example in wind.

R&D funding should also be ramped up for the design of smart grid systems, to establish the regulatory and legal framework to promote alternative models of ownership of renewables such as producer and consumer co-operatives and for the design of a feed-in-tariff system to promote renewable generation at a firm and household level. The ESB and other wholesale providers should be obliged to buy any excess energy produced by firms and households at a set price.

The Common Agricultural Policy (CAP) should be reformed to incentivise the use of land for green energy production (e.g. wind and solar), reforestation, and biodiversity.

On current projections, worldwide emissions will increase global temperatures beyond the 1.5° C threshold, which will bring about catastrophic climate change. These costs will be (and already are) disproportionately borne by the working class in wealthier States and by the majority in the global south.[49] [50]

In 2016, Ireland had the third highest levels of GHG emissions per capita in the EU (55% above average).[51] Energy

48 These proposals are based in part on a forthcoming NERI Working Paper by Goldrick-Kelly and Nugent (2019).
49 Diffenbaugh NS, Burke M. *Global warming has increased global economic inequality*. Proceedings of the National Academy of Sciences. 2019 May 14;116(20):9808-13.
50 Wuebbles DJ, Fahey DW, Hibbard KA. *Climate science special report: fourth national climate assessment, volume I*. 2017
51 Greenhouse gas emissions per capita (Eurostat,2018)

related emissions accounted for 61% of total national emissions in the same year. The majority of this comes from transport and residential usage. Starting as soon as 2020, Ireland will also likely face hefty fines for not meeting our emissions targets under EU agreements.[52] Inaction in this regard is the height of fiscal irresponsibility. A radical strategy is necessary.

However, Government must design any strategy such that the burden of adjustment is progressive and does not put undue pressure on struggling households. The need for radical transformation is an opportunity to develop quality green employment and energy independence, and to lay the groundwork for sustainable long-term growth through the distribution and development of green energy technologies and investment in ways to reduce the consumption of fossil fuels. This could also be an opportunity for more balanced regional growth with particular opportunities in relatively depressed regions in the Midlands and along the west coast.

A Green Strategy

A massive investment push to expand public transport, to retrofit the entire building stock, to accelerate the rollout of solar and wind technologies through Irish semi-states and to ramp up funds for R&D in wave technology and smart distribution systems should be the central plank of a multi-pronged approach to meeting our targets.

We propose that supports currently directed to peat production, like the PSO levy (which stood at €115 million in 2016), be kept and directed towards supporting renewable energy production. This would spur more rapid development in these sectors, as Congress has advocated in our paper *Building a Just Transition – the case of Bord na Móna* (2019). A further €400 million 'green' package should be allocated between a deep retrofit programme, increasing the numbers using public transport, green technology related R&D, and supports for workers transitioning to a green economy.

The principles of a *Just Transition* should be the guiding framework. Although a 'polluter pays' approach is needed to effect behavioural change, a carbon tax is not a panacea and ineffective if not complemented by investment in green technologies and green infrastructure. Carbon taxes as levied are typically regressive – while the richest 10% of households in Ireland would pay five times as much tax as the poorest 10%, their disposable incomes are nearly nine times as high.[53,54] Carbon taxes are politically vulnerable without accompanying measures to counter balance their regressive impact. Low-income households should not bear a disproportionate burden of the adjustment. The investment push should focus on reducing the energy bills of low-income families at the same time as putting the economy on a more sustainable footing. Over the medium-

52 Currently, the Government is looking at annual fines of up to €500 million starting in 2020 due to non-compliance. Off target Ranking of EU countries' ambition and progress in fighting climate change (Climate Action Network 2018)
53 De Bruin K, Yakut AM. *The economic and environmental impacts of increasing the Irish carbon tax.* Research Series Paper Number. 2018 Oct;79.
54 Nugent, C. *Income Inequality in the Republic of Ireland* NERI WP No 61. March 2019.

term, Government should make public transport free at the point of service. This process could begin with the unemployed, students and the under-25s.

A public programme of deep retrofitting, at no cost to low-income households, would reduce energy bills, lower carbon emissions, create employment and increase revenue. It is one of the most efficient strategies to reduce emissions and should be a policy priority. Such a programme would act as a second counter balance to the regressive nature of a carbon tax.

The CAP should be reformed at EU level to encourage farmers and land-owners to use their property to produce renewable energy and to halt the loss of and to protect biodiversity. An appropriate feed-in-tariff would also make market entry more attractive and increase activity.

Supporting the development of new, inclusive enterprise forms in which workers and/or members participate in management could assist the diffusion and take up of renewable energy production. Community owned cooperatives have been demonstrably successful in providing affordable green energy and secure supply in Denmark. Growth in these enterprises requires a supportive legislative environment and access to finance.

4. Increasing Revenue for European Public Services

Ireland will not be able to afford European-standards of public services until it broadens its revenue base to support the levels of expenditure required.

Now is the time to move Ireland closer to European norms in terms of taxation, social services and universal public services. We cannot avoid the fact that Government revenue will have to be increased over time to a) address the many existing under-spends relative to other high-income European countries, b) pay for a growing and ageing population, and c) meet new challenges and emerging risks – such as climate change.

Ireland will not flourish without a sustainable, sufficient and progressive tax system. It will be necessary to reform the tax code so that every group pays its fair share of taxation. The better-off members of society will need to contribute more and we must avoid the mistakes of the past by resisting siren calls by special interest groups to undermine the tax base.

To begin this process Congress accordingly proposes a sample of tax measures for Budget 2020 that could and should be adopted.

Environmental Taxes

The Government should broaden the tax base by introducing taxes on packaging and single-use plastics. The yield should be hypothecated towards a 'climate emergency and just transition fund'.

In addition, VRT and the motor tax should be increased on more environmentally harmful cars. At least €50 million could and should be raised in this way.

Finally, diesel-powered private passenger cars are now among the greatest sources of CO_2 emissions in Ireland. Budget 2020 should raise excise duty on diesel. The Government estimates for example that a 5c increase (amounting to a 6.5c increase after VAT) could raise around €165m in a full year.[55]

Taxes on Capital

In excess of €100 million should be raised annually through the reform of capital taxes and tax expenditures. Particular attention should be given to those tax reliefs available at the marginal rate and to the very generous suite of reliefs related to inheritance and gift tax (CAT).

55 Written answer to written question no.19652/18, 8 May 2018.

In addition, a small and recurring net household *Wealth Tax* should be introduced focusing on households with net assets in excess of €1 million. Previous NERI research has described how such a tax could and should be implemented. The yield depends on the structure and the rate but a yield of €375 million a year is more than feasible.

Employers' PRSI

We can and should raise €150 million by increasing employers PRSI to 13.75% on the amount of individual incomes in excess of €100,000. This would not affect the marginal tax rate on employee salaries and would concern less than 50,000 employments. The Government should also increase the self-employed PRSI rate by 0.5%.

On-line Betting Tax

The Government should broaden the tax base by raising the online betting tax sufficient to yield an additional €20 million.

Tobacco

The Government should increase excise on tobacco and tobacco products to yield an additional €50 million.

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