# People Deserve Better

Congress Pre-Budget Submission
Budget 2017

STRONGER TOGETHER
CONGRESS
Irish Congress of Trade Unions

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# People Deserve Better

Budget 2017 presents a major opportunity to begin the process of rebuilding and repairing Irish society, attending to some of the very evident damage done since the onset of crisis in 2008. Clearly, there are risks and challenges to be faced, not least the short, medium and long-term impact of Brexit on the Irish, Northern Irish, British and wider European economies.

Nonetheless, the uncertainty created as a result should not become an excuse for paralysis, nor be deployed as an argument against taking bold and imaginative steps.

After eight long years of crisis, diminished living standards and the denial of opportunities to countless numbers of people, the citizens of this society deserve far better.

They deserve an inclusive equality-proofed budget that places the welfare and betterment of the majority at its very core, a budget that will prioritise higher living standards, and deliver this through a transformative programme of investment in infrastructure, services and service delivery.

Not only do the long years of crisis demand that the process of social repair begins without delay, but events in the UK and across Europe now make this a compelling necessity.

While the Brexit campaign was fuelled by a variety of political perspectives the vote was finally lost because sufficient numbers of working people and progressives could no longer be persuaded that Europe had their interests at heart.

The European Union has seen an erosion of social progress in the last decade, which has alienated working people across the continent.

It is no exaggeration to suggest that Social Europe – the vision of Europe on which trade union support was built – has been effectively sacrificed to save 'Financial Europe' and millions have lost faith in the entire European project as a result.

Working people have paid a big price for a crisis manufactured in the boardrooms of business and high finance.

Unless European Union authorities grasp this key reality and urgently develop a programme of substantial public investment, combined with a suite of measures to secure workers' rights and decent jobs, the collapse of the entire European project is inevitable.

Similar fault lines are evident in our own society and require an equal level of urgency and attention. People do not live in economies and economies do not exist separately from societies. We appear to have lost sight of this simple truth in recent years.

We have also lost sight of the fact that we have choices and that many of the problems that beset our society result directly from choices that were made by successive governments over the years and from the low priority that our society accords to equality.

Economic recovery will not happen without social repair: you cannot construct a dynamic economy alongside a fractured society.

# *Budget 2017 must prioritise higher living standards*

**Four key priorities for Budget 2017**

## 1. Repair & Rebuild

Congress does not accept that the proposed breakdown of spending increases and tax cuts is in the best interest of either Irish citizens or the Irish economy. Social repair requires greater investment in both public and social infrastructure, currently at an historic low point. If we continue on this path, Ireland will have among the lowest public spending ratios in the European Union by 2021. This must change.

## 2. Tackle the Housing Emergency

We do not have a housing and homelessness crisis, we have an emergency. Existing policy approaches have failed and the market has failed. That should be a source of shame for all Irish people and especially for Irish policymakers. In such circumstances, the needs of the citizens require that the state steps in and leads the solution, with a major programme of home building.

## 3. Decent Work and a Living Wage

Low pay, precarious work, unemployment and underemployment have become – for too many people – the defining characteristics of our labour market. Recovery will not be built on this economic insecurity.

There is no doubt, that the alienation felt by large numbers of British workers was a huge factor in the recent Brexit vote. It would not be an exaggeration to say that this alienation is a threat to the very existence of the EU and to the democratic institutions of modern Europe. The rise of far-right political parties across Europe is due directly to the relentless pursuit of an economic model that emphasises wage competitiveness and suppression, above all other aspects of the relationship between workers and their employers. In the UK this agenda was pursued with unmatched vigour through the deliberate creation of increased job insecurity, lower wages and the systematic and deliberate undermining of workers organisations that would redress the power imbalance.

In Ireland too there has been an ever-increasing tendency to outsource activity in both public and private sectors, designed to reduce costs by paying workers less and providing ever-worsening conditions of employment. As a consequence, jobs that once offered security and a basic, decent, standard of living, are increasingly been turned into insecure, poorly paid, low status roles. It should not surprise anybody that this increasing section of the workforce no longer sees itself as having a real stake in the continued stability of our society. The potential consequences are obvious. Achieving a worthwhile future for our society requires that workers should be able to deal with employers on an equal and fair footing, that employment delivers a living wage and that work is viewed as a means of **providing citizens with decent incomes** and opportunities that afford them a status and a stake in our society.

## 4. Raise the Social Wage

As a matter of right, citizens should have access to the highest quality public services and this must be reflected in a fair, progressive tax system.

Money spent on education and health must be treated as an investment and not a cost. Our broken **Health Service** will only be fixed by moving to a universally accessible, single-tier public system, funded to a minimum of **10% of GDP** on a sustained and continuous basis.

Likewise, investment in an accessible, inclusive **Education System** is a prerequisite for an equal society and a thriving economy.

Policy failure in **Childcare** can be remedied by raising investment to European levels. The very high cost of childcare in this country is a major barrier to labour market entry and contributes significantly to the loss of high quality skills, experience and knowledge within the workforce. Equally the poor working conditions in the sector must be addressed. Strangely, there was little or no reference to this critical issue in the government's Summer Economic Statement. It is our view that a decision not to invest in this area would represent a false economy and compound already existing difficulties.

By increasing **the Social Wage** we can generate real improvements in peoples' living standards and address some of the corrosive social deficits that have arisen over recent years.

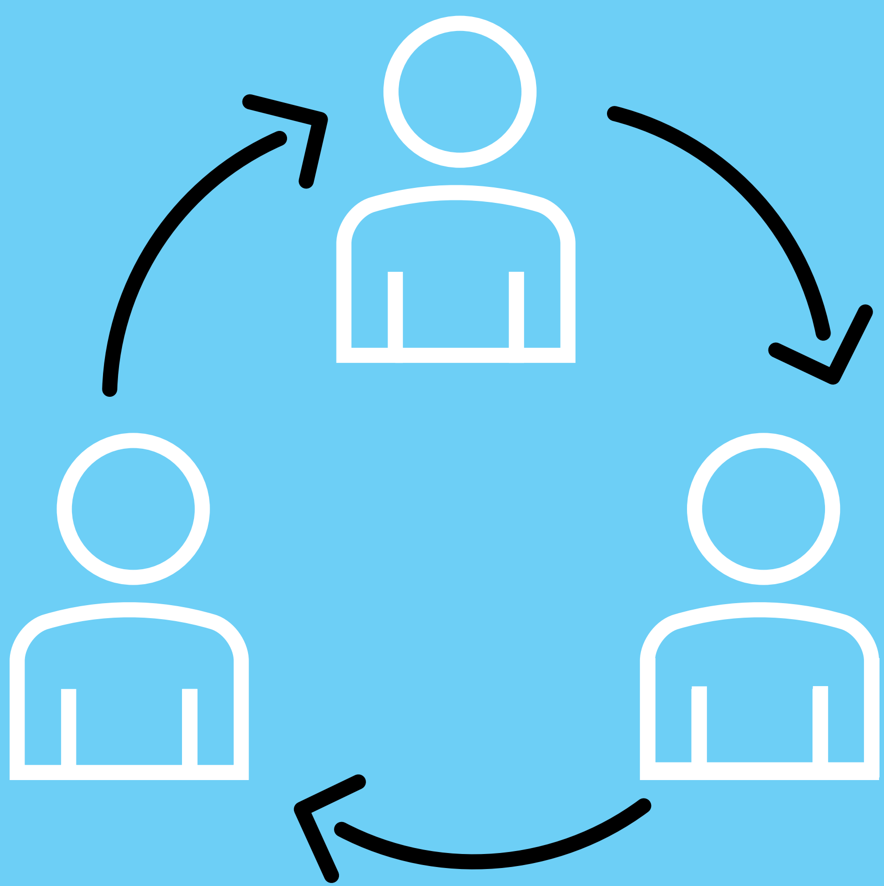
This year we marked the centenary of 1916 and in just three years we will mark the centenary of the First Dáil, whose Democratic Programme affirmed the **"right of every citizen to an adequate share of the produce of the nation's labour."**

We should start work now to make this a reality.

## *Work must provide people with decent incomes*

*“The right of every citizen to an adequate share of the produce of the nation’s labour.”*

Democratic Programme, First Dáil 1919



# 2

## Invest to Restore Living Standards

The Nevin Economic Research Institute (NERI) has forecast that real GDP will grow by 4.6% in 2016 and 3.7% in 2017. It expects growth will be based on increased domestic demand, on the back of further improvements in the labour market, higher levels of private consumption and strong growth in private investment.

NERI projects the government's general budget balance will improve to minus 1% of GDP in 2016 and then again to minus 0.6% of GDP in 2017. The ongoing fall in the numbers unemployed is expected to lead to reduced expenditure on income supports, while more people employed and rising disposable incomes will generate additional revenue flows.

The recent upward revision to the GDP figures suggests that the government deficit will in fact be lower than 1% of GDP in 2016. As a consequence of the revision to GDP the gross debt to GDP ratio fell to 78.7% of GDP at the end of 2015. However, Congress is aware, as the Mid-Year Expenditure Report points out, that under the preventive arm of the Stability & Growth Pact, better than expected economic or revenue performance does not form a basis for upward adjustments of expenditure ceilings. While supplementary estimates are not ruled out, they must be funded by re-allocation of other expenditure or through new revenue raising measures.

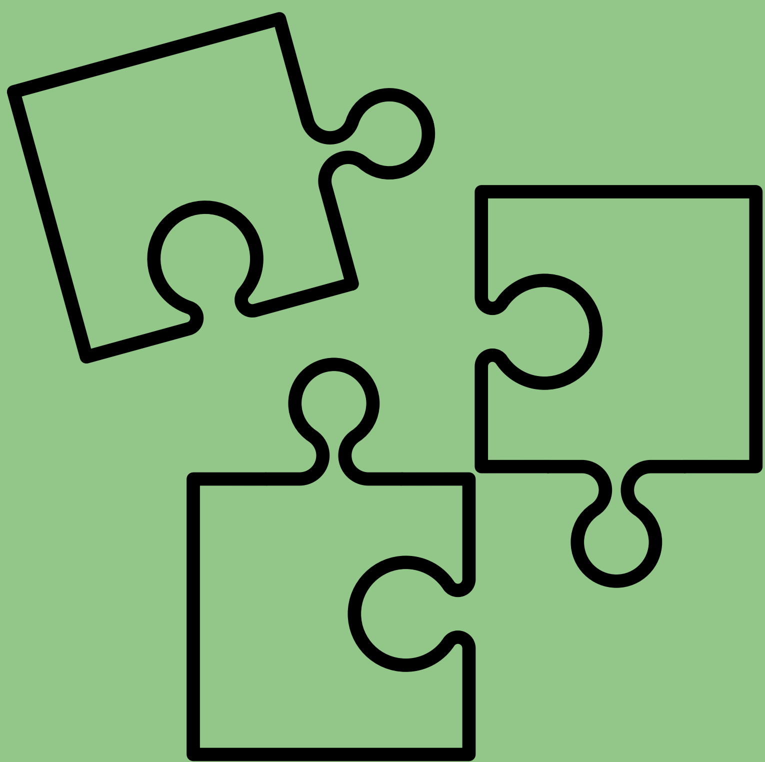
Budget 2017 will therefore be put forward in the context of a small deficit in the public finances and a medium-to-high (albeit declining) debt to GDP ratio. NERI notes that there is unused fiscal space of between €900 million and €1 billion available for use in Budget 2017. The Summer Economic Statement estimated that there will be in the order of €1 billion available for additional expenditure increases and taxation measures in 2017. In our view, this amount should be matched by discretionary measures to raise revenue by €1 billion, giving total available resources of €2 billion.

Congress proposes that this **€2 billion in additional discretionary public spending** should be aimed at **increasing the Social Wage**, rebuilding our physical and economic infrastructure and restoring living standards for many, including low and middle income workers.

Ireland's economy and society will not flourish without a sustainable, sufficient and progressive tax system. Now is the time to move Ireland towards EU norms in terms of personal taxation, social insurance and universal public services.

The overall taxation take will need to be increased over time to pay for a growing and ageing population as well as to meet new challenges and risks. It will be necessary to reform and simplify the tax code so that every group pays its fair share of taxation.

Critically, we must acknowledge that we cannot have European-standard public services without the revenue base to support them.



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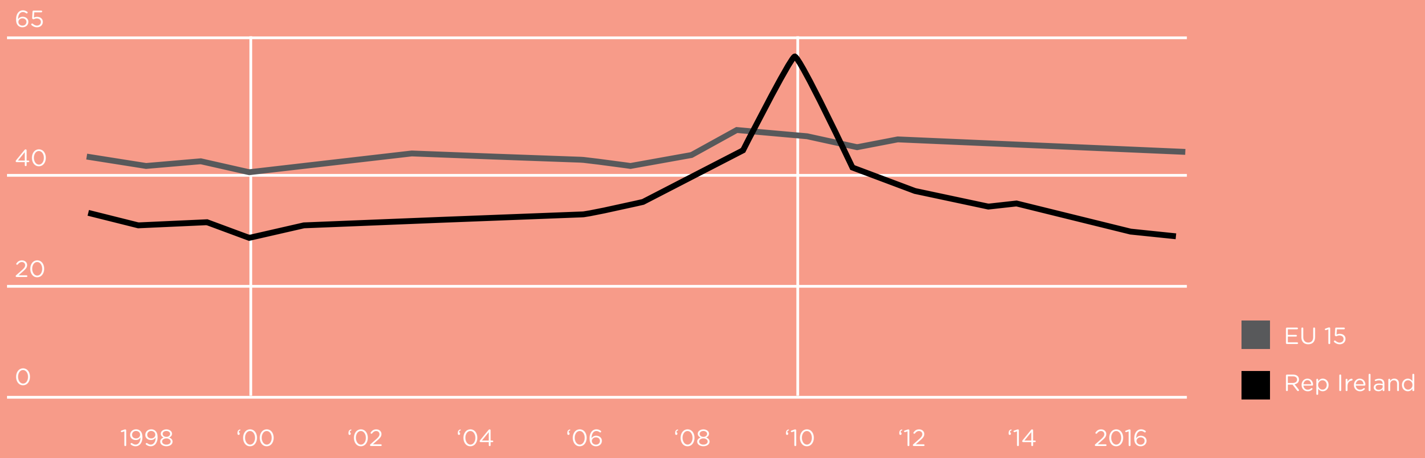
# Key Measures for Budget 2017

Public spending in Ireland is very low by western European standards (*see Chart 1 below*).

**Chart 1:** Total primary public spending as percentage of GDP, EU15 & Republic of Ireland
Including projections by the European Commission for 2016-2017




Source: Eurostat Databank & European Commission Ameco databank

To the extent that the Government has leeway (i.e. fiscal space) it should use that limited space to increase investment in the social wage by prioritising four key areas:

- The Housing Emergency
- Childcare
- Community Health Services
- Education & Training

Government spending needs to be increased in each of these four areas as part of a strategic plan to improve living standards and social inclusion.

In addition, there needs to be much greater public investment in productive infrastructure such as public transport, rural broadband and renewable energies, along with higher levels of investment in research & development and the knowledge economy. These will enable the economy to

develop sustainably and will improve living standards through productivity-lead growth.

Unfortunately the budgetary trends described in the government's Stability Programme Update and Summer Economic Statement herald a further deepening of Ireland's position as one of the lowest tax and spend economies in the European Union.

Spending on public services relative to the size of the economy will be substantially lower in 2021 than it was in 2015. The scenario outlined in the Summer Statement, if it comes to pass, will result in significant pressures on public services, on infrastructure and on social payments to the most vulnerable.

Increases in total government revenue and efficiency savings in public spending will be needed to pay for the required spending increases. This should happen in a phased and strategic way through a programme of reforms that will transform how public services are delivered, along with reforms of how government revenue and taxes are structured.

***Ireland is not a high-tax, high-spend economy***

## 1. A Fair Tax System

Data from the OECD, the IMF and Eurostat make clear that **Ireland is not a high-tax or high-spend economy**, by western European standards (see Table 1 below). In fact, we stand out in having a very low overall rate of social insurance contributions, in particular contributions from employers.

**Table 1:** Projections for Government Revenue and Public Spending (% GDP)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | |
| Ireland | 32.8 | 30.9 | 30.3 | 29.9 | 29.7 | 29.5 | 29.4 |
| Euro area | 46.5 | 46.2 | 45.9 | 45.9 | 45.8 | 45.8 | 45.8 |
| Expenditure | | | | | | | |
| Ireland | 35.1 | 32.0 | 30.7 | 29.6 | 28.6 | 27.5 | 26.6 |
| Euro area | 48.5 | 48.1 | 47.4 | 46.9 | 46.5 | 46.3 | 46.1 |

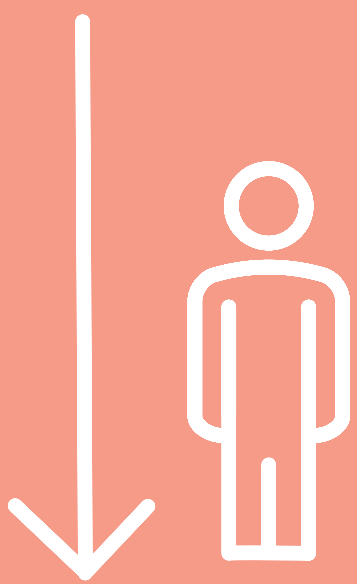
**Sources:** International Monetary Fund (2016, Fiscal Monitor) and Department of Finance (2016, Stability Programme Update)

As a result **our Social Wage is poor** because we do not collect the necessary money through social insurance and general taxation to support individuals, families and communities affected by sickness, unemployment and shortfalls in key services that many of our EU counterparts take for granted.

**We need to move Ireland towards European Union norms in terms of personal taxation, social insurance and universal public services.**

The overall take in taxation has to be increased over time to over 40% of GDP, in order to pay for a growing and ageing population as well as to meet new challenges and risks. Various tax anomalies need to be addressed by moving to a simplified, transparent and progressive system of direct and indirect taxation.

Our economy and society cannot flourish without a sustainable, sufficient and progressive tax system. While the wealthy and high-income households will need to contribute more in the future it is important that we avoid the mistakes of the past (especially the period 1997-2007) by resisting calls to undermine the tax base.



## 2. Reforming the Revenue Base

Fiscal policy can be used to increase economic output through the gradual elimination of tax expenditures or 'tax breaks' that do not deliver any social or economic benefit, other than to provide a windfall to those who uses them to lower their tax bills. Tax expenditures also tend to favour high-income households so their elimination has positive equity implications.

Congress is opposed to the extension of the PAYE allowance to the self-employed who enjoy many expense offsets not available to the PAYE sector and pay just a small percentage of total income tax. Any further extension of the PAYE allowance to the self-employed should only occur in the context of an evaluation of work related expenses between the two sectors.

## 3. Growth-Friendly Tax Measures

### a. Reform Capital Taxes & Tax Breaks

A minimum of **€180 million can be raised** in Budget 2017 through the **reform of capital taxes and tax expenditures,** with particular attention paid to those reliefs available at the marginal rate and the suite of reliefs related to Capital Acquisitions Tax (CAT).

### b. Net Wealth Tax

Congress proposes that the Government introduce **a small and recurring net wealth tax.** The tax should be **focused on those households with net assets in excess of €1 million** and it should aim to collect €300 million in net additional revenue during 2017. This would have negligible impact on economic growth and would only impact on the top 1% of households.

***By European standards our Social Wage is poor***

### c. Employer PRSI & the Social Wage

The social wage is part of an employee's compensation package. In other European countries, with much higher social wages, this 'buys' employees substantial benefits:

- Pay-related unemployment, sickness and maternity benefit (to name a few)
- Access to free or below-market cost service – notably health, including GP care and prescription medicine

The social wage is the driving force in people's living standards and social certainty. In Ireland, the social wage is low. It would have to more than double to reach the average EU level of social wage and in some case treble to reach some European countries. Ireland's extremely low take from social contributions is wholly unsustainable in the long-term. Targeting **employer PRSI contributions** on just the portion of salaries above €100,000 will affect relatively few employments (less than 50,000) and would not affect the marginal tax rate on employee salaries. At least €150 million should be raised by increasing the employer PRSI rate to 13.75% on incomes in excess of €100,000. The yield from this measure should be hypothecated (ring fenced) for a childcare fund and used to provide state subsidies for **childcare**. This is envisaged as the first phase of a long-term project to **boost the Social Wage**. In the longer term, much more substantial reform of social insurance is required.

As part of the second phase of the project to boost the Social Wage, Congress proposes the introduction of an **Apprenticeship and Education Levy**, payable by employers, in respect of each employee earning more than €60,000 per annum, on a graduated basis. This should be hypothecated for an apprenticeship and education fund which would be used only for that purpose.

***Increased employer PRSI could help fund childcare***

**Table 2:** Effective Social Wage and Own-Account Workers: 2014 (Eurostat)

| | Effective Social Wage *(Employers' Social Insurance as a % of Gross Wages)* | Non-Agricultural Own-Account Workers % of Total Employment |
|---|---|---|
| France | 35.3 | 5.7 |
| Sweden | 29.1 | 5.7 |
| Other Small Open Economies | 25.4 | 6.6 |
| Belgium | 23.9 | 8.9 |
| EU-15 | 21.1 | 9.1 |
| Northern & Central Europe | 19.4 | 7.6 |
| Germany | 15.8 | 5.6 |
| Ireland | **9.5** | **8.2** |
| UK | 8.7 | 11.8 |

It has been argued that increasing the social wage would result in the rise of bogus self-employment or a transfer of employees from employee status to self-employed status. If the argument that a high social wage would increase self-employment as a means of social wage-avoidance is valid, we should see this in European countries where the social wage is substantially higher. As seen in Table 2, **countries with far higher social wages have lower levels of self-employment**. If high social wages triggered bogus self-employment as part of a social wage-avoidance by employers, then the opposite should be the case.

### d. Site Levy

Congress welcomes the adoption of a **Vacant Site Levy** during the past year and believes that Budget 2017 should bring forward its implementation to January 1st 2017 (from 2018). Budget 2017 should also amend this levy so that the rate increases from 3% to 6% for land left vacant for a number of years.

### e. Tax Audits

Congress notes the statement by the Revenue Commissioners that an allocation of €6.5 million to increase audit, investigation and compliance resources by 125 staff would yield an additional €100 million in taxation revenue. We support this proposal and believe these resources should be allocated as part of Budget 2017.

### f. Online Betting & Tobacco

Congress proposes broadening of the tax base through an increase in the online betting tax sufficient to yield €75 million and an increase in the excise on tobacco and tobacco products sufficient to yield €75 million.

### g. Abolish Personal Tax Credit for Highest Earners

Congress believes that Budget 2017 should introduce an income taxation reform so that the personal tax credit is gradually withdrawn from high income earners and entirely eliminated for those with incomes in excess of €100,000. A 2013 NERI research paper (Collins) highlighted how this reform would increase effective tax rates, protect headline marginal tax rates, avoid labour market disincentive effects and raise an additional €120 million in tax revenue from the highest earners.

### h. Tourism Sector VAT Reduction

As part of the 2011 'Jobs Initiative' a second reduced rate of VAT, at 9% rather than 13.5%, was introduced for specified products and services associated with the tourism sector. These VAT reductions particularly benefitted the hospitality sector. The present cost of this measure is well in excess of €620 million.

Tax based incentives, or 'giveaways', should be accompanied by social obligations. Accordingly, VAT rates in the hospitality sector should be restored to their original level of 13.5% unless the employers enter into the Joint Labour Committee process and negotiate in good faith. In any case, given the significant recovery in tourism numbers and activity in this sector since 2011, the case for retaining this tax cut is limited.

**It is inappropriate that the tax subsidy should continue alongside the high rates of low pay and precarious work practices in this sector.** Congress believes that Government should indicate in Budget 2017 that it will remove this VAT reduction unless employers in this sector enter into the Joint Labour Committee process and actively engage with it. In the absence of such participation, Congress believes that this €620 million tax subsidy should be put to better use. Specifically, this money should be reallocated to childcare infrastructure.

**Table 3:** Congress Proposals for Budget 2017 – New Measures, (€ millions)

| New Revenue | (€) | New Expenditure | (€) |
|---|---|---|---|
| Total | **1,000** | **Total** | **2,000** |
| Reform CAT and CAT related tax expenditures | 100 | Social housing | 1,000 |
| Introduce a Net Wealth Tax | 300 | Other capital spending (e.g. rural broadband, school buildings and public transport) | 200 |
| Increase Employers' PRSI on incomes in excess of €100,000 as a ring-fenced childcare levy | 150* | Publically funded childcare infrastructure | 200 |
| Abolish personal tax credit for the highest earners (incomes in excess of €100,000) | 120 | Increase social welfare payments and begin reversing austerity cuts to social programmes and payments. Restore the full Christmas bonus and reverse the cut made to the Jobseeker's Allowance of people under the age of 26. | 450 |
| Improve tax compliance | 100 | Additional allocations for community health services and education and training | 100 |
| Increase on-line betting tax | 75 | Offsetting the loss of the transitional pension | 25 |
| Increase Excise on tobacco products | 75 | Reforming the eligibility threshold for FIS | 25 |
| Other reforms (site levy, tax expenditures) | 80+ | Reversing contributory pension changes | 1.5 |
| Contingent revenue** | 620 | **Contingent expenditure**** | 620 |
| Abolish reduced VAT rate for hospitality sector unless the sector actively engages with the JLC process | 620 | Increase public expenditure on childcare infrastructure | 620 |

*This would be Phase 1 of the project to enhance the Social Wage.
Phase 2 would be the introduction of an apprenticeship and education levy.

**It is proposed that the adequacy of the hospitality sector's engagement with the JLC process should be reviewed in early 2017 with a decision then taken as to whether to abolish the reduced VAT rate. In the event of abolition, the additional revenue generated should go towards an increased public expenditure on childcare.

***It is inappropriate that the tourism tax subsidy should continue alongside high rates of low pay and precarious work***

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## How to Tackle the Housing Emergency

Ireland is one of the wealthiest countries in the world yet we are unable to house our own people. This is a clear policy failure. The housing crisis will not be overcome by relying on a market-led model of development. The market has failed and the state needs to step in and accelerate construction with a substantial increase in the capital budget in Budget 2017.

The government should undertake to deliver the biggest housing programme in the history of the State, aiming to solve this crisis by 2019. Land and vacant houses should be acquired through **compulsory purchase order**, and a vacant site levy introduced with the income ring-fenced for homelessness.

Social housing policy must address the twin goals of making affordable and secure rental accommodation available to a significant share of the population, while increasing the stock of homes in well-designed, sustainable localities available to those on lower incomes.

The waiting list for secure tenure social housing has tended upward since new forms of short-term, market-led housing supports were introduced and the construction of new houses became almost entirely dependent on private provision.

The output of housing, whether in terms of new builds or adaptation of existing property, is about one third of what is needed to begin to reduce homelessness (see Chart 2) and make inroads into waiting lists. Some 25,000 housing units are needed annually just to meet demand. Therefore to even begin to make an impact on homelessness and the housing waiting list we need **in excess of 25,000 units per year**.

***We need in excess of 25,000 new housing units per year***

**Chart 2:** Levels and composition of new housing output in Republic of Ireland


**Source:** Dept of the Environment

# *Congress proposes €1 billion of extra funding for housing*

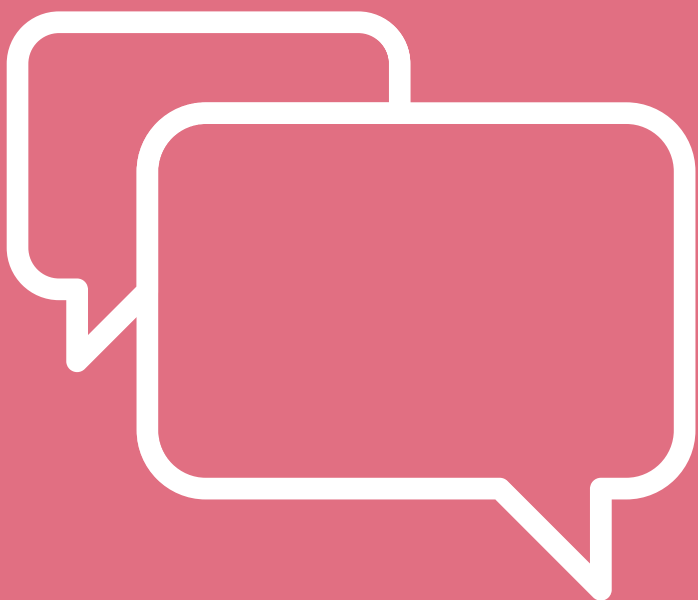
The Unite union has identified **the need to develop new, non-speculative housing models** for the home-ownership sector and new rental options to accommodate family cycles. They provide two good examples:

- ***Limited Equity Associations****: Affordable housing with small mortgages combined with rental payments. Residents would own the house outright but could only sell it back to the cooperative for the price of the inflation-indexed mortgage. This would facilitate home ownership without the speculative element.*
- ***Long-term fixed leasing****: Where tenants could rent an accommodation for the long-term at a fixed rate or perhaps at fixed rate, plus CPI inflation. Special incentives could be developed to make this attractive for landlords.*

Ultimately a greater sense of urgency and a much bigger outlay of public investment is needed.

Given the scale of the emergency and the extent of human suffering caused by this policy failure and the over-reliance on the market and property developers to deliver an essential human right, **Congress proposes that €1 billion of extra funding (for housing)** be allocated in Budget 2017 for the public provision of housing. Funding should go towards adaptation of existing dwellings and new builds.

We propose a sharp increase in investment with the aim of reaching an annual output rate of 5,000 social houses per annum by the end of 2017 and 10,000 per annum by the end of 2018. This is the minimum required for us even to begin to make inroads into the crisis. A **public capital investment of around €2 billion per annum** will be required to sustain 10,000 units per annum for the duration of the housing emergency. Unfortunately the new government strategy falls well short of the level of ambition required.



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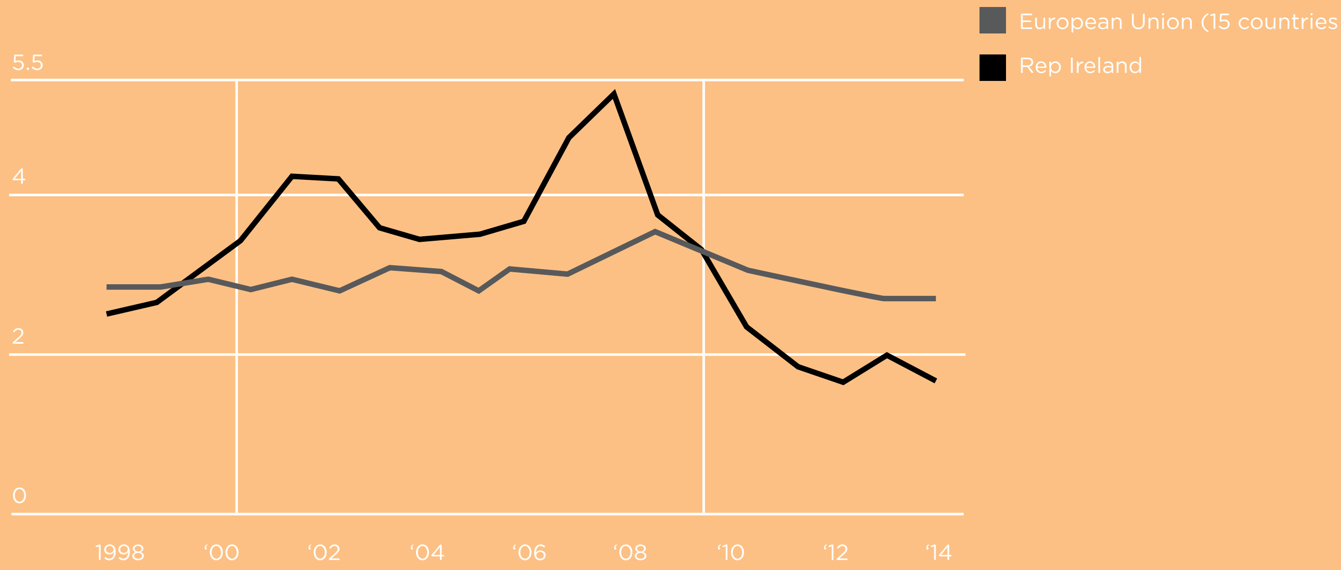
# Investing in the Future

Capital spending is very low in Ireland (see Chart 3) and advantage should be taken of the unprecedented low interest rates on government borrowing (below 1%) to borrow for long-term investment with a good social and economic return.

Unfortunately the government's plan indicates that capital spending will remain at low levels for the foreseeable future. Bottlenecks and infrastructure deficits are already apparent in a number of areas including housing, transport and broadband. Beyond housing, priority areas should include investment in proper facilities for **childcare**, **renewal and retrofitting of public buildings**, a **high-speed broadband network** for underserved areas, **expansion of our renewable energy infrastructure**, and **upgrades to public transport**.

**Chart 3:** Government Capital Spending as percentage of GDP
Data refer to Gross Fixed Capital Formation




**Source:** Eurostat Databank gov_10a_main

The government should work with other European Union member states **to change the fiscal rules** to allow for a significantly different treatment of investment by public authorities. A medium-term target of 4% of economic output should be set for public capital expenditure. The resources allocated for the **'Rainy Day Fund'** proposed by Government should be **used instead to increase public capital investment** levels to an adequate level.

We must also prioritise economic and social development. This means using fiscal policy to increase productivity and encourage employment. NERI research from McDonnell (2015) points out there is now a broad consensus in the academic literature that the best way to nurture productivity is to prioritise use of the available fiscal space to **increase public capital investment levels**; to **increase spending on education** particularly for early years, and to **increase spending on research and development** subsidies and innovation capacity building.

**Failure to invest** sufficiently in education, national innovative capacity, and infrastructure **will constrain the medium and long-term growth**of the Irish economy. Such an outcome would damage the sustainability of the public finances.

## Childcare

Ireland's annual childcare spend is among the lowest in the European Union at just 0.2% of GDP.[1] The Government should raise this – over 10 years – to the UNICEF recommended benchmark of 1% of GDP. Given that employers will benefit, their rate of PRSI should rise to help fund this. In addition, Congress proposes funding of €200 million to expand on the public provision of suitable, publicly provided and subsidised childcare. This should be part funded through an increase in employer's PRSI on the portion of salaries in excess of €100,000.

Enhancing the quality and coverage of public childcare services should be a central component of an increased social wage for workers.

## Education & Health

An accessible and inclusive public education system is a prerequisite for an equal society. Since 2005, student numbers have increased by almost one-fifth, while spending per pupil has barely risen. As part of a medium-term plan, funding for education should be set at the equivalent of **7% of GDP** and provided through a progressive taxation system.

Every citizen must have timely access to a well-resourced, internationally comparable modern health service. This requires funding to ensure access to the best possible evidenced based treatments which should not be dependent on individual ability to pay.

Our current health system is unable to provide this level of care and is therefore profoundly unequal. Contrary to the scare stories, we do not have the highest health spend in the OECD. According to the CSO we rank 13th by reference to percentage of GDP spent by public authorities. Our medium-term goal is the creation of a universal, accountable, single-tier health service with an annual budget of **10% of GDP** in the coming years.

1 http://www.ictu.ie/download/pdf/report_on_childcare_costs_practices_congress_2016.pdf

## *Failure to invest will constrain economic growth*

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# Better Social Protection

Many cuts can and should be reversed, including those to young people, pensioners and lone parents. Congress proposes that **all welfare payment rates be increased** in Budget 2017 in order to insulate the most vulnerable groups in Irish society against the effect of price increases in 2016.

Cuts to **Jobseekers' Allowances** payable to new entrants to the live register under the age of 26 must be reversed. The policy is clearly discriminatory and caused increased hardship for those under 26 at a time when there were insufficient jobs available for young people to move into.

The cuts to payments to lone parents have been compounded by inadequate levels of public childcare provision, placing further strain on household finances. It is proposed that Budget 2017 set aside money to partially restore the weekly income of households adversely affected by the changes to the **One Parent Family Payment**. Grants to the community and voluntary sector should be restored to levels prior to 2008.

Finally, Congress calls for the **restoration of the full Christmas bonus** for all social welfare recipients.

## New National Pension System

Our pension system is dysfunctional and needs urgent overhaul. This is a critical social issue, with hundreds of thousands facing old-age poverty because of bad regulation, poor oversight and lack of planning.

It can only be remedied by the **creation of a new National Superannuation Fund** with contributions from employers, workers and government that are mandatory for those workers and employers not already in a work pension scheme. The raising of pension age eligibility is happening faster and going further in Ireland than in any other European Union country. The state pension age should not extend to 68 years unless done as part of an EU-wide initiative.

# *We need a new national pension scheme*

The Social Welfare and Pensions Act, 2011 established a schedule for increasing the starting age for the state pension to 68 years by 2028. As part of the reforms established under this Act, the state pension (transition)—paid to people aged 65 who retired from work with enough social insurance contributions—was restricted for new claimants from 1 January 2014 with payments under this scheme ceasing entirely from the start of 2015.

Workers contractually obliged to retire aged 65 now avail of a Jobseeker's payment until they qualify for the full pension aged 66. The loss of income varies depending on household composition and annual average social contributions made over the course of an individual's working life.

The disconnection between the qualifying age for the state pension and the age a worker must retire places a significant financial burden on those affected. The difference in the core rate ranges between €8 and €41.30 per week. In the case of a single worker entitled to a full contributory payment, the loss of income as a consequence of the change amounts to just under €2,200 per annum.

Congress believes that Budget 2017 should address this income reduction for workers entering retirement. Given the relatively small number of people impacted by this anomaly at present the cost of this reform is small. An Interdepartmental Committee has examined this issue and indicated a cost of €5m to increase Job Seekers Benefit at age 65 by an amount sufficient to offset the loss of the Transitional Pension. The cost would be €24m if it was applied to all social welfare recipients.

In 2012 the Government introduced a change to the PRSI qualification bands which had the effect of reducing the Contributory Pension of those with an average of 29 annual contributions, by €1500 per annum. Before the measure was introduced Congress warned that it would disproportionately affect women workers and as such would amount to blatant gender discrimination. Experience to date has borne out that prediction as more than two thirds of those adversely affected are women. This distasteful measure while very burdensome on the victims resulted in very little saving for the state. Congress will continue to call for an end to this gender discrimination.

In the longer-term, this disconnect between mandatory retirement ages and state pension entitlements must be addressed.

## Tackling Low Pay

Ireland has a very high incidence of low pay compared to other rich countries (see Chart 4). In order to protect workers **the Living Wage must become the floor for pay** across the economy. It should not fall to the state to subsidise low-wage employers through the social welfare system, as currently happens. The hourly rate of the minimum wage (€9.15) should rise to the rate of the **Living Wage** (€11.50) over the lifetime of the current Low Pay Commission, which runs until 2018.

**Bogus self-employment costs the state hundreds of millions** in lost taxes, a fact revealed by Congress last year.[2] The practice must be outlawed and the Revenue Commissioners should be enabled to proactively pursue and end such practices.

## Support Working Families

Congress believes that Budget 2017 should reform the current structures of Family Income Supplement (FIS) so that this in-work family benefit becomes available to workers below the current threshold of 19 hours per week. Such a reform would broaden the scope of this policy measure and allow part-time workers, in particular women, to better access the labour market. Alongside this reform, Budget 2017 should also increase resources available to the Department of Social Protection for monitoring FIS to ensure that it serves as a method of assisting families' access work and not as a method of indirectly subsidising and sustaining low paid employment. The expansion of FIS eligibility would increase the cost of this measure by a maximum 5% in 2017 at a cost of €20.5m (based on 2016 expenditure on FIS of €410m). A further €1.5m should be allocated to increase the monitoring of FIS.

2 http://www.ictu.ie/download/pdf/false_economy_the_growth_of_bogus_self_employment_in_construction.pdf

## *the Living Wage must become the floor for pay*

# Conclusion

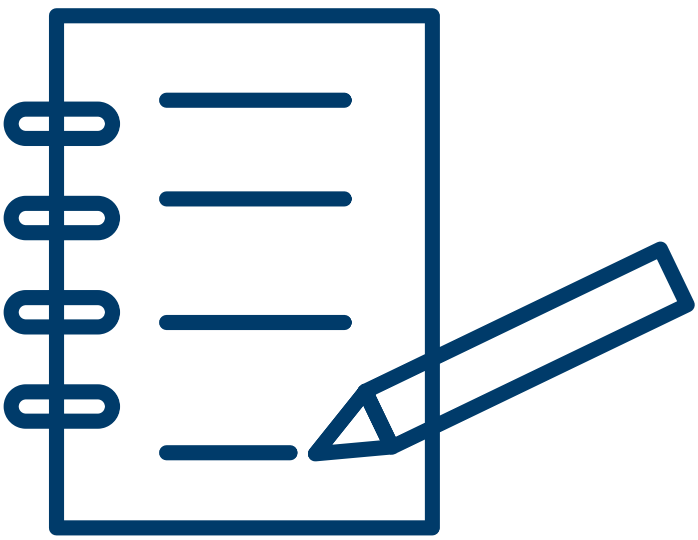
The overwhelming priority for Budget 2017 is for increases to our underfunded public services and public infrastructure, thereby creating a much improved **Social Wage**.

Our economic growth, employment and equity targets can best be achieved by prioritising use of the available fiscal space to increase public capital investment levels and spending on areas like education and childcare.

Social justice requires us to ensure the most vulnerable in society are included in the recovery and this means that social payments should be increased to at least meet the cost of living.

However, a critical priority for Budget 2017 must be a large-scale programme of public investment, with particular focus on the housing stock and homeless crisis. The coming budget is an opportunity to start to repair the social fractures caused by the crisis and subsequent policies.

The opportunity should not be wasted.



31-32 Parnell Square Dublin 1

Tel: 01 8897725

Email: congress@ictu.ie

www.ictu.ie

Irish Congress of Trade Unions

45-47 Donegall Street

BELFAST

BT1 2FG

Tel: 028 90 247940 / 028 90 246898

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