EXECUTIVE SUMMARY

The Economic Background

The economic background to this year's Budget is excellent. Economic growth rates and employment growth for 2005 and 2006 are excellent. Future economic policy should consider focusing on optimising economic growth rather than continuing the relentless pursuit of "growth for growth's sake," which has both economic and social downsides.

This budget should facilitate the negotiations of a new Partnership Agreement.

Direct to Indirect Taxes

The policy of shifting the burden of taxation from companies and incomes to higher taxes on spending and high administrative charges should be reversed as it is regressive and has added to Ireland's high price level of 16 percent above the EU average price level.

Tax bands should to be raised and tax credits expanded, with a preferred emphasis on the employee tax credit. Ireland's pensions system must be developed further to meet the needs of a growing workforce and an ageing population, with improving longevity. Congress believes this should be done through action on a number of fronts.

Company Taxes, Tax Breaks and Capital

Congress favours a tax rate of 20 percent on corporate profits but in its absence, banks and companies operating in sectors with little competition, should have a special sur-tax on exceptional profits. As the gas, oil or minerals under the seas off Ireland, or under land, belong to the Irish people, Royalties at 12.5 percent of production should be re-introduced in the next Budget for future discoveries. Most tax breaks for business, especially the property based ones, should be immediately abolished.

Capital gains tax (CGT) is levied at only 20 percent while income tax is levied at 42 percent for most earners. CGT should be restored to 40 percent, with more favourable treatment of gains which accrue over longer periods. Capital Acquisitions Taxes are very low and should be raised to reasonable levels.

Reform

The administration of the tax system by the Revenue Commissioners needs reform. It should be rebalanced away from the pursuit of PAYE workers to the big evaders, especially in the building industry. All sub-contractors should be registered with the State (Revenue, Social Welfare etc.) before they can legally carry out their business e.g. by way of licence such as pubs or registration like employment agencies. There should be more random audits, and a clampdown on the so-called tax "exiles", many of whom should be paying tax here.

Capital Expenditure - New NDP

The new National Development Plan should focus on public transport, especially in the main urban areas. Ireland is still far behind most European countries in our physical infrastructure and so large capital investment is still required. The next NDP should invest strongly in upgrading the skills of the workforce at all levels. A State Holding Company, as proposed by Congress[1], should be established, into which the shareholdings in the commercial state companies would be placed in order to release their dynamism and to give them access to capital.

Congress is strongly of the view that major public spending (both current and capital) should require that the winning bid must be in full compliance with good practice in Ireland in areas including health, safety, tax compliance, trade union recognition etc.

Social Progress

While there has been some progress in reducing poverty levels, 23 percent of the population are still at risk of poverty and 9percent are consistently poor. Congress is seeking increases of €16.00 for pensioners in Budgets 2006 and €14.00 in Budget 2007. We seek increases in the lowest social welfare payment of €14.00 to €162.80 in 2006 and €12.20 to €175.00 in 2006 to make the progress needed to achieve the NAPS Benchmark and extensions of the "free" schemes. The Government should place an emphasis on measures to alleviate Child Poverty in Budget 2006. People with disabilities remain the most significant group of people in poverty or at risk of poverty. We are seeking the allocation of funding to deliver the implementation of the commitments under Sustaining Progress for people with disabilities in Budget 2006 and within a reasonable timescale thereafter. We also seek the introduction of Budgetary measures to offset the extra costs associated with disability.

Congress is seeking the restoration of Maternity Benefit payment from its current level of 75 percent to 80 percent of average industrial earnings in Budget 2006. We are again seeking the introduction of PRSI-based paid Parental Leave Benefit similar to Maternity Benefit. Congress is seeking urgent investment to deliver increases in childcare places, greater subsidy for childcare costs for parents whose earnings are outside the tax net and the introduction of tax relief measures designed to assist parents in meeting childcare costs, in this Budget. We support the recognition of the role of Carers and payments for Carers of all persons requiring long-term, full-time or part-time care.

Health and Education

There is widespread concern over the pace of progress in increasing access to medical services. Congress believes there is a need for further increases which should take account of the specific needs of children, older people and people with disabilities.

The ongoing crises and difficulties in the Health Services require commitment to sustained long-term funding and issues of women's health require special commitment. In addition, steps must be taken towards addressing educational disadvantage, Lifelong Learning, the long-overdue investment in school premises, paid educational leave etc.

ODA

Budget 2006 should make explicit the announced significant increases in Ireland's Overseas Development Assistance in 2006 and 2007 to reach an interim target of 0.5percent of GNI by 2007.

Medium Term Priorities

Congress sets out a number of other issues which need to be dealt with by policymakers in the medium term. These include issues to be tackled under the new NDP, such as an integrated public transport system, further upgrading of public buildings, improving public sector performance, pensions coverage and benefits and care of younger and older people. We also suggest undertaking a major study of how to translate a successful economy into a successful society.

1. Congress, 2005, *A New Governance Structure for State Companies*, Summer.

1 KEY OBJECTIVES OF CONGRESS' SUBMISSION

The objectives to be achieved in Budget 2006 are focussed on the delivery of a range of commitments, including those set down under *Sustaining Progress*, commitments under the *Programme for Government* and a range of issues which Congress believes should be addressed over the medium term. In this Submission, Congress is seeking to present:

- **The economic and social context for framing Budget 2006 and future financing of investment priorities where we have a number of key immediate demands, in relation to taxation and social development, and;**

- **The case for investment in major strategic issues which need to be addressed over the medium term and which have resource implications.**

2 THE CONTEXT

The Economic Background

The 2006 Budget will be framed in very favourable economic circumstances. The Celtic Tiger boom years ended with a soft landing and economic growth and employment growth are again rising strongly and will be sustained at the highest levels in the Europe. It is a wonderful opportunity for the Government, in an extremely benign fiscal environment, to really address serious problems. The policy emphasis on the economy should now be turned to address the issues of society.

In the past, advocates of more redistributive policies were always told, "we need to make the money before we can spend it". Today we have the money, the economy is booming, many are doing exceptionally well, some beyond their wildest dreams, but too many are still struggling. It is time to address the social wage: health, caring, childcare and eldercare, access to education from pre-school to Lifelong Learning.

The economic background to this year's Budget is excellent. Economic growth rates and employment growth for this year, 2005 and next, 2006, are excellent. The Department of Finance forecast growth of GDP and GNP of 5.1 percent and 5 percent, respectively for this year[2] while the ESRI forecast[3] growth of 6 percent and 5.4 percent respectively for this year. For 2006, ESRI forecast GDP and GNP growth of a 5.1 percent and 5 percent respectively in real terms. It also anticipates that the labour market will "remain tight" with unemployment set to average 4.2 percent in 2005 and 4 percent next year. Inflation will average 2.2 percent in 2005 and will rise to 2.4 percent in 2006.

The labour force topped 2 million for the first time ever, at the beginning of this year. 1,929,200 persons were at work[4] - the highest number ever, up 647,000 or 50.5 percent in the ten years from 1995. Employment has been booming, with over 70,000 immigrants arriving in Ireland to find work (in the year

2. Dept Finance, Monthly Economic Bulletin, October, 2005.

3. ESRI Qterly Summer 2005 - slightly scaled down in Autumn bulletin.

4. CSO QNHS, 14 September 2005.

to April, 2005[5]) and the rate of unemployment is low at 4.2 percent. While the decline in the number of manufacturing jobs continues, it is more than offset by the growth in services employment[6]. Indeed the continued strong growth in the economy with the resultant costs in house prices, congestion, social costs and the need for immigration is an issue which needs to be borne in mind when framing this Budget.

Policy should consider focusing on optimising economic growth rather than continuing the relentless pursuit of "growth for growth's sake," which has both economic and social downsides. On the economic side, the downsides are traffic congestion and other bottlenecks; the emergence of a form of raw tooth and claw capitalism; naked greed; soaring construction costs; with the loss of competitiveness. On the social side, the costs include growing inequality, relative poverty, alienation, lack of opportunities, etc.

The fiscal situation is favourable with the Budgetary position ahead of target at end Quarter 3, 2005. The Minister for Finance said that "tax revenues are well ahead of profile." The excellent state of the public finances is likely to continue next year with the strong growth in the economy. The termination of the many tax breaks in this Budget and more decisive action by the Revenue against evasion and avoidance should bring in further tax revenue, along with that generated by strong economic growth. The originally projected Budget deficit for the year of €3bn will be considerably undershot, with buoyant revenue of over 91bn above the official forecast, arising largely from taxes on spending.

Congress acknowledges that there are potential risks to global growth from:

- Oil prices;
- The very serious imbalances in the US economy; the trade deficit, fiscal deficit and the savings deficit;
- A small possibility of a hard landing for the Chinese economy.

The risks on the domestic front are related - the growth of private sector credit, house prices and the possibility of a house price collapse in the overheating construction sector.

Notwithstanding these risks, the global economy is buoyant. The domestic economy is also strong and relatively well balanced, though there are some major shortcomings in infrastructure which impede growth and in social areas.

The financing of any additional programmes suggested in this submission can be funded by the additional revenue generated from economic growth and the revenue from the termination of the many tax breaks to business. Congress is of the view that borrowing for capital investment is a viable necessity, especially when the returns are strong and the investment is needed.

Objectives of the Budget

This budget should facilitate the negotiations of a new Partnership Agreement (if proceeded with). Last year, there was a small positive shift in taxation policy. For many years, policy favoured very low direct taxes on companies and persons and a move to higher indirect taxes and higher administrative charges. The Budget should also use Ireland's very favourable economic situation to address some medium-term strategic issues. Economic and budgetary conditions are better than even the most optimistic forecasts when *Sustaining Progress* was negotiated. As such there should be no difficulty delivering on the commitments contained in *Sustaining Progress* in full and in underpinning any new Agreement.

Reduce the Burden of Higher Indirect Taxes

The policy of government over previous years to shift the burden of taxes from companies and incomes to higher taxes on spending and high administrative charges (e.g. hospital charges, waster charges, introduction of many tolls, the decision to encourage "competition" in electricity by raising prices, etc) has contributed to Ireland's very high price levels. These taxes are generally regressive, and do not take account of ability to pay. For the first time, revenue from indirect taxes exceeds income tax revenue. Prices in Ireland are now around 16 percent above the average in Europe, as the following table shows:

5. CSO, *Population and Migration Estimates*, 14 Sept 2005.

6. though the importance of manufacturing should not be neglected

Table 1
Cost of Living Comparison in the European Union, 2004

Belgium = 100	
Denmark	132
United Kingdom	117
Ireland	**116**
Finland	114
Sweden	111
Austria	108
France	107
Italy	106
Netherlands	104
Germany	102
Spain	96
Cyprus	94
Greece	93
Portugal	91
Malta	84
Slovenia	81
Slovakia	80
Estonia	76
Czech Republic	75
Latvia	75
Lithuania	75
Hungary	71
Poland	65

Source: Eurostat, April 2005.

Ireland's rate of inflation for many years ran at double the average in Europe, leading to the overall high level of prices and making Ireland a high cost country for its own citizens, for tourists and for business. The policy of government "to allow workers to have more money in their pockets" is a false one, because Irish workers now have to take out a lot more of this cash than other European workers to pay for basic goods and services, some of which were "free" i.e. paid from taxes, in the past.

The following table shows the high impact of the regular rises in indirect taxes over the past seven years when a substantial 21 percent of the total rise in prices was caused by indirect taxes. And this *understates* the full impact of the rises, because these taxes "wash out" at the end of each year from the indices. However, in reality, their impact remains in sustained, higher prices.

Table 2 (below) shows that the rise in prices due to taxes was reducing in the latter five year period, mainly due to the absence of increases in spending taxes in the Budget for 2005. The government has contributed over one-fifth of all price rises in Ireland in the years to 2004 and a little less later.

This tax policy has put pressure on wages and last year's decision not to impose further rises in indirect taxes is welcome, but it is important that the freeze on indirect tax rises is continued.

Employers complain that average earnings have been rising faster in Ireland than in competitor countries. This has been because of the boom and the catch-up with Europe. However, the following Table (see over), of the richest countries in the world, shows that the labour costs faced by Irish employers are at the bottom of the league, below the labour costs faced by most of our competitors. While the income tax faced by Irish workers is low and the social contributions paid by them are also low, the employers' social contributions are *very* low compared to most other countries.

Table 2
Spending Taxes Boost Inflation and the Price Level

Period	**All Items CPI**	**Due to indirect taxes**
August 1998 - August 2003	21.4 percent	4.5 percent or 21 percent of total rise
August 1999 - August 2004	22.8 percent	4.9 percent or 21.5 percent of total rise
August 2000 - August 2005	18.3 percent	3.4 percent or 18.6 percent of total rise

Source: CSO.

Table 3
Income tax plus employees' and employers' social security contributions (as % of labour costs) 2004

Country	Income Tax	Social Security employee	Contributions Employer	Total	Labour Costs
	1	2	3	4	5
Belgium	20.5	10.7	23.0	54.2	46261
Germany	16.2	17.3	17.3	50.7	42543
Australia	22.9	0.0	5.7	28.6	40630
Netherlands	7.3	22.2	14.0	43.6	39614
Switzerland	8.9	10.0	10.0	28.8	38213
Canada	16.0	6.2	10.1	32.3	37856
Denmark	30.4	10.5	0.5	41.5	37788
United States	15.4	7.1	7.1	29.6	37606
Norway	18.5	6.9	11.5	36.9	37550
Finland	19.5	4.9	19.4	43.8	37174
United Kingdom	14.5	7.8	9.0	31.2	36159
Korea	2.0	6.5	8.1	16.6	36125
Luxembourg	7.9	12.1	11.9	31.9	35767
France	9.4	9.8	28.2	47.4	35443
Japan	5.2	10.3	11.1	26.6	35103
Italy	14.0	6.9	24.9	45.7	35005
Sweden	18.1	5.3	24.6	48.0	34606
Austria	8.4	14.0	22.5	44.9	34356
Iceland	24.1	0.2	5.4	29.7	32194
Ireland	**9.6**	**4.5**	**9.7**	**23.8**	**30236**

Table on price levels, reproduced as Table 1.

Source OECD, Taxing Wages, 2004.

1. Single individual without children at the income level of the average production worker
2. Countries ranked by decreasing labour costs
3. Due to rounding total may differ one percentage point from aggregate of columns for income tax and social security contributions
4. Dollars with equal purchasing power

Table 3 shows that in spite of our catch-up on Europe with the rise in wages over recent years, Ireland is not a high cost economy for employers. The reductions in income tax in recent years led to the low income taxes on workers' wages in Ireland. These were enabled by the growth in employment and in economic activity, which generated much more tax revenue[7] . Only in Korea are the total of income taxes and social contributions lower than in Ireland, but industrial labour costs there are still a full 20 percent higher than here.

The level of social contributions paid by employers in Denmark and Iceland may appear to be lower than in Ireland from the Table. However, these are paid from general taxes, which are very high on both employees and employers[8]. The US is lower, but its health and welfare system are extremely poor, and employee costs there are a quarter higher than Ireland. The old refrain from employers that high employers' PRSI was a "tax on employment" in the times of high unemployment might usefully be reversed in the current tight labour market.

7. *Tax Cuts did not Create the Celtic Tiger*, ICTU, Autumn 2004.

8. And the Nordic counties topped the competitiveness league, exposing the lie that low taxes equate with or are necessary for competitiveness. "Nordic Countries top of list for competitiveness", Financial Times, 29th September, 2005..

3 CONGRESS' PRIORITIES IN BUDGET 2006

3A. TAXATION

INCOME TAX

Earning Assumptions

The CSO has recorded that average industrial earnings in 2004 came to €560.77 per week, or €29,160 for the year. The Government's Economic Review and Outlook forecasts a 5 percent increase in earnings for 2005, which would bring average industrial earnings up to €30,600.

The ESRI forecasts that earnings will rise by a further 4.6 percent in 2006, bringing average industrial earnings up to €32,000 for next year.

1. Tax Bands

On the basis of the above assumptions, the single person's tax band would need to be raised by €2,600 - from its present level of €29,400 to one of €32,000 - in order to ensure that those on average industrial earnings pay no more than the standard rate of tax in 2006.

In order to restore the position of 2002 - when one could earn up to €1,900 above average earnings before becoming liable for the top rate of tax - the increase in the single person's tax band would have to be the even higher one of €4,500.

2. Tax Credits

The present combination of the single person's tax credit of €1,580 and the employee tax credit of €1,270 - totalling €2,850 - only clears earnings of up to €7.03 an hour for a 39 hour week out of the tax net, even though the minimum wage is €7.65. The latter, however, is also due for adjustment in August 2006. If - as it is not unreasonable for trade unionists to demand - such an adjustment were to bring the minimum wage back up to its ratio to average earnings prevailing when the minimum wage was first introduced in April 2000, a new rate of €8.40 per hour should be struck in August 2006. Taking 2006 as a whole, the minimum wage would then average out at €7.80 an hour over the whole 52 weeks. To ensure that this is completely cleared out of the tax net a total increase in tax credits of €310 would be required, with a preferred emphasis on the employee tax credit.

3. Health and PRSI Exemption Levels

In Budget 2005, the income level for exemption from the 2 percent health contribution was raised from €359 to €400 per week. If only to keep pace with next year's rate of earnings' increase, the latter figure would have to be increased to €418 per week. However, if the objective was to restore the relationship to average earnings prevailing when that income level was previously raised to €356 in 2000, the level would have to be raised still further to €505 for 2006.

The income level for exemption from the 4 percent rate of PRSI has stood still at €287 since 2000 and should be increased in line with earnings movements to one of €405 for 2006.

And, once inside the PRSI net, the amount of weekly income that remains free of PRSI has remained unchanged at g127 since as far back as 1998. This employee's PRSI allowance should therefore be increased in line with earnings movements to one of €200 per week for 2006, with a corresponding increase in the allowance for modified contributors.

4. Childcare Costs.

Please see sections 3C and 4.

5. Trade Union Subs

The ceiling for tax relief for union subscriptions should be raised to g300 and it should be available at the marginal rate.

Employee Financial Participation

A number of amendments regarding ESOPs and ESOTs should be considered, such as exemptions of the latter from DIRT and indexation of the annual limit. Gainsharing schemes should also attract a favourable tax treatment. Congress would like to discuss amendments in this area which will facilitate and promote employee financial participation, which will add to employee motivation and involvement.

Gainsharing is a widely used method of incentivising employees to increase efficiency and productivity by allowing them to share in the savings or additional income. Gainsharing schemes, unlike approved profit sharing schemes and approved share option schemes, do not attract any form of favourable tax treatment. This was a deficit recognised by the Enterprise Strategy Group, who in their report Ahead of the Curve suggested that this was an area that should be revisited.

Congress seeks agreement to putting in place arrangements that will result in earnings from approved gainsharing schemes attracting favourable tax treatment.

Exemption from Taxation for Employees Costs of their Private Security Licence

In 2006 the Private Security Authority will begin to issue licences for employees working in the security Industry. Congress is requesting that:

- Where the Licence is paid by the employee that a tax credit at the standard rate of income tax (20 percent) should be available.
- Where it is paid by the employer it should be exempt from taxation as Benefits in Kind similar to a subscription to professional bodies where membership is relevant to the business of the employer.

Improving Pensions

Ireland's pensions system must be developed further to meet the needs of a growing workforce and an ageing population, with improving longevity. Congress believes this should be done through action on a number of fronts: social welfare pensions must be improved and secured for the future; occupational pension schemes must be protected, extended and improved; and ways must be found of increasing contributions to occupational and personal schemes to ensure that they deliver adequate pensions. Specifically, Budget 2006 and subsequent Finance and Social Welfare and Pensions Bills should provide the following:

- There is a pressing need to greatly improve incentives for lower and middle-income workers to join pension schemes. This is a major issue on which Congress believes serious action must be taken. Congress looks forward to the forthcoming report from the National Pensions Board which should inform further debate on the subject;

- There is a strong case to waive the 23 percent 'exit tax' for SSIA holders, provided they direct the use of the SSIA monies to set up pension schemes or PRSAs, or to increase contributions to existing schemes.

If the measures taken do not lead to substantial improvements in both coverage and part adequacy to acceptable levels (e.g. to NPPI targets), consideration might be given to additional, mandatory measures. A range of further options for improving coverage and adequacy should be examined in 2006. A study of the relevant financial and administrative implications should be immediately undertaken. The issue of mandatory pensions should be placed on the agenda for examination at the next negotiations on Social Partnership. (see Section 4 for proposals on a State Annuity Fund and longer term proposals). This section on pensions should be read in conjunction with the Congress' briefing paper on pensions[9].

Corporation Tax

Ireland's rate of Corporation Tax at only 12.5 percent (with 10 percent for some companies till 2010) is the lowest in the EU, except for new member Estonia, with its 0 percent rate on retained profits. Other states are having to follow Ireland in reducing their rates

9. Congress, 2005 *Irish Pensions: Problems and Solutions* (May).

because there is no EU agreement to cooperate on company taxes. Thus all sovereign states are at the behest of the multinational companies in a race to reduce all company taxes to the bottom.

Congress appreciates that while the government is opposed to tax harmonisation, it has joined the European Union group which is examining the corporate tax base. We believe that the Minister for Finance should accept some greater level of tax co-ordination in Europe. Tax co-ordination, where member states set their own rates and allowances and exemptions, but within an agreed framework, is the way forward. This would assist in terminating the self-defeating race to the lowest levels on taxation. Without tax co-ordination, the Union is in danger of being turned into a Market only, losing its social and political dimensions. This emphasis on the market over the social dimension is one of the main reasons why the European Constitution was rejected in France and Holland and for the unexpected election results in Germany in late 2005. European people do not wish to see the Social Model dumped in favour of a business model which is written only for business interests.

The inability of European states to cooperate on taxation is also leading to determinations by the European Court of Justice of more tax cases - but with outcomes not anticipated by anyone, including any government. The recent ECJ decisions on the Marks & Spencer case and on Cadbury Schweppes indicate how the policy vacuum is being filled. The consequences may not help either business or the community.

The banks and companies operating in non-trading sectors, enjoy exceptional profit rates in Ireland. In the absence of an effective rate of 20 percent, there should be a special sur-tax on these profits. As stated in the Congress submission on Tax Reliefs[10], virtually all tax loopholes and exemptions for the corporate sector, (with the exception of legitimate capital allowances and where a solid case for retention on economic grounds is made in the forthcoming consultants' reports), should be terminated in this Budget. This would have the effect of bringing both the nominal and effective rates closer together. Preferably, the 12.5 percent should become a minimum effective rate, with, in time, a progressive increase in the nominal rate to 20 percent, when European states recognise the power of cooperation for their citizens.

Royalties on Oil and Gas

As any gas, oil or minerals under the seas off Ireland, or under land, belong to the Irish people, it is only fair that we should enjoy a share of their value. However, the government abolished Royalties on the production of petroleum, natural gas and from mining activity some years ago. Congress is aware that exploration around our coasts has produced little in the way of oil, though more output of gas. We are aware that it is extremely risky and costly to fund such exploration, and the balance of risk to reward should be skewed so that it is not a disincentive to exploration companies.

However, this regime is over-generous. All costs can be offset against future profits. No taxation is paid until all costs, including exploration and production costs are fully met. Congress suggests that there should be a minimum threshold and then royalties should be paid on all production above that level. No government spokesperson, defending the abolition of Royalties, has yet made a case against Royalties - which are paid after production begins. With high oil and gas prices, great improvements in offshore exploration and production technology, a large oil or gas find off the Irish coast is a possibility in time. Yet it will yield little to the owners of Ireland's natural resources - the Irish. Royalties at 12.5 percent of production should be re-introduced in the next Budget for future finds.

Tax Breaks

In May 2005, Congress made a submission on a number of tax expenditures to the Government, at its request. It is recognised that a number of tax expenditures have proven useful in promoting desirable economic activity, but all business related special tax schemes should have a specific timescale, specific geographical limit, quality standard requirement (e.g. fit into a local development programme), and have limits imposed on both an annual and overall basis. As the ESRI/FFS stated there should be systematic regular reviews of them as are undertaken in other countries. [11]

The Government commissioned private consultants to review the schemes and while the reports are not yet published, Congress expects that most of them will be abolished in the forthcoming Budget. It is essential for the assurance of PAYE workers who, in the main,

10. Congress, 2005, *Submission on Tax Expenditures*, made to Dept Finance, May. The revelations in the Irish Times 12 October 2005, that the cost of some of these was very high. The Seaside Resort Scheme, introduced in 1996, and extended later, has cost a staggering g315m in lost taxes and appeared to be of dubious value to many resorts.

11. Callan, T, J Walsh and K Colman, Tax Expenditures, Budget Perspectives, 2006, ESRI and FFS.

subsidise the beneficiaries, that there are very strong economic arguments, backed with quantification of any benefits, of those schemes which may be retained. We stated that most of them, especially the property based ones, should be immediately abolished, because:

1. Tax expenditures are difficult to quantify in advance.
A number of tax expenditures have cost extraordinary unanticipated and uncalculated sums, in lost revenue.

2. They are subsidies and have anti-competitive effects.
Tax expenditures are subsidies (with a few exceptions - where they do generate economic activity which would otherwise not have taken place) and are similar to cash handouts to business. They are anti-competitive because they subsidise some property-based investments, but not others.

3. Some of the property based schemes have also led to urban and rural blight.
Property-based tax breaks have also led to some urban and rural blight which would not have occurred at the slower pace of normal development, in the absence of the tax subsidies.

4. They have unintended consequences.
The best example of the unintended consequences of tax expenditures was the loss of hundreds of millions in lost taxes every year for many years through Section 84 lending. This was an unintended tax loophole which had runaway costs, was grossly unfair, and it led to the hugely profitable banks paying no corporation tax, when the nominal rate of tax was 50 percent.

5. The property based "incentives" greatly boosted construction inflation.
Thus they added and continue to add to the cost of homes for young persons and others and to construction inflation.

6. Tax expenditures should have a limited time span.
They lead to the "diffusion effect", where there is demand for their expansion/diffusion to other areas/persons at the cost of their impact, but generally they are very difficult to terminate.

7. Tax expenditures can be very regressive.
The beneficiaries are those on high incomes or with substantial wealth and it is working people who have to pay for them.

Most tax breaks or tax expenditures are of little or no benefit to the state, but of immense benefit to small number of very high income earners - the very people who should be paying more tax, not less.

The breaks should be abolished - if only to terminate the scandal of a number of very high earners not paying tax, or paying very little. Last year, a study by the Revenue of high earners[12] revealed a number of alarming statistics. It revealed that 12.5percent or 50 of the top 400 earners in Ireland paid income tax at an effective rate of less than 10 percent. Almost 100 paid at less than 25 percent back in 2001. In 2005, it was again revealed that these high earners were still avoiding tax at the expense of working people.

In our Submission on Tax Expenditures[13] , Congress set out the few schemes which we believe should remain and we look forward to the analysis of the consultants of the cost of the schemes in lost taxes; of their benefits, if any; of their economic impact, including distortions on the market. Most should be abolished in the forthcoming Budget.

Property Based Tax-Avoidance Schemes

Congress has been highly critical of these tax breaks which subsidise property investment. The beneficiaries are mainly persons of "high net wealth". These include tax breaks for investors in multi-storey car parks, park and ride schemes, urban renewal, rural renewal, investments for Third Level purposes, hotel holiday camps and cottages' allowances, town renewal schemes, over the shop schemes etc. Property based tax shelters should be eliminated.

Artists' Exemption

Congress favours retaining this, with an upper limit. Without an upper limit, it is regressive. It should be retained to encourage artistic endeavour for artists with low incomes. No case has been made by anyone for PAYE workers to subsidise high-earning artists. Therefore a limit on tax free earnings in a period should be imposed in this Budget.

12. Revenue Commissioners' Study, Effective tax rates of top 400 earners: report for the tax year 2001
13. Congress, 2005, *Submission on Tax Expenditures*, ibid.

Bloodstock Industry

This iniquitous subsidy to wealthy breeders should be immediately terminated. The sector is not an infant industry and does not require state financial support. Similarly, in spite of the lobbying of the British and European Bloodstock industry on behalf of the stud owners here, no case has been made by any of them for PAYE workers to subsidise high-earning stud farmers and breeders.

BES

The BES is essentially a tax shelter. It should be terminated as it is of dubious value in job creation especially when we are near to full employment.

CAPITAL TAXES

A key guiding principle of taxation policy is that Income and Capital Gains should be treated equally. This means that gains on speculation or deal-making is taxed at only 20 percent, when work is taxed at 42 percent. Thus taxation polices on unearned capital, unearned wealth, on speculation and unearned incomes contradict stated policy of encouraging work and enterprise. Taxation policies reward inherited wealth, capital gains from deal-making, speculation etc. with far lower tax rates than are imposed on work, effort and enterprise.

Capital gains tax (CGT) is levied at only 20 percent while income tax is levied at 42 percent for most earners. Congress does not accept the argument that the reduction in CGT led to more tax revenue in the long run. More revenue was generated because there was a boom in the economy and particularly in property and in the stock exchanges. Further, the much lower rate of tax on Capital Gains than on Income was a very strong incentive to seek to record what would otherwise have been income as a capital gain and it would be extraordinary if this did not have some impact on CGT receipts.

There is a very strong case for restoring the high capital gains tax of 60 percent on windfall gains from rezoned land as an immediate way of cooling the housing market. The incentives from the low taxes on the windfall gains from selling off viable assets which generate employment, like the three Jurys/Doyles hotels in Ballsbridge, would be greatly reduced if there was a high rate of CGT on such windfall gains, and so preserve jobs and hotels used by the public.

In some cases, a Capital Gain can be recorded where the amount is taken in the form of a Capital Gain rather than Income which would have been liable to Tax at the higher rate of 42 percent. This produces distortions as it is well worth an individual's time to try to convert what would otherwise have been income into a Capital Gain. A possible approach would be to charge Capital Gains at the same rate as Income Tax and to aggregate gains with income to determine the rate of tax which should apply. The argument for doing so in the case of short-term Capital Gains is especially strong. There is an argument which can be made for a more favourable treatment of Capital Gains which accrue over longer periods - perhaps a sliding scale from 42 percent to 20 percent over a number of years.

Taxes on capital are very low in Ireland, especially relative to income taxes and indirect taxes. The taxes on inheritances, Capital Acquisitions Taxes, are very low and should be raised to reasonable levels. Similar action should be taken on capital gains, which had been as high as 60 percent in 1990, albeit with lower rates for longer periods of ownership.

The Health Levy of 2 percent should be applied to all capital gains, inheritances and other capital transfers as a first step in treating them as income.

TAX ADMINISTRATION

The administration of the tax system by the Revenue Commissioners needs reform. Congress has many complaints of the Revenue pursuing PAYE workers over small BIK payments which are incurred in the course of their work, while every year, information from the Department of Finance and the Auditor General reveal how many very high income and wealthy people pay little or no tax. The resources being used to pursue the little people should be redeployed to the big tax cases; random tax audits should become much more regular; and the law should be changed, where necessary, to ensure compliance.

The widespread tax evasion in the construction industry, revealed by the report of the Auditor General, in September 2005[14] , is shocking reading for

14. Comptroller and Auditor General, Annual Report, 2004, published September 2005,

compliant PAYE workers. The Report said that widespread evasion is occurring in the sector on a scale not seen since the 1970s. The tax evasion and avoidance in the 1970s contributed to serious public unrest, ultimately leading to the great Tax Marches in 1979 and 1980. Yet the importance of the construction sector is greater today where 220,000 are employed (compared to less than half that number in the 1970s). The construction sector employs 12 percent of a far greater workforce compared to 8.7 percent in the late 1970s and the value of contracts and productivity is much higher. Thus the cost of evasion in the sector is much greater.

The wide divergence in the numbers of building operatives in the operatives pension scheme compared to the actual numbers employed in the industry clearly indicates a problem. There are 80,000 operatives, of which only 65,000 are actually in this compulsory scheme, but more importantly, a further 77,000 operatives are classified as “self-employed” and according to Mercer, “many of these operatives are not self employed in the accepted sense of the term” and so should be in the scheme and of course should be paying PAYE tax[15] . This is an area which begs the Revenue's attention. The revelation that some builders get back tax that they do not even pay is also alarming[16] .

Much sub-contracting is simply a tax scam. It is nothing less. Revenue should set up a special tough, motivated active unit to root out the tax evaders and eliminate all but the complaint sub-contractors and genuine self-employed The Revenue should work with trade union officials in the construction industry to restore some order and compliance in this sector. All sub-contractors should have to be registered with the State (Revenue, Social Welfare etc.) before they can legally begin to carry out their business e.g. by way of licence such as pubs or registration like employment agencies. This applies in practice to the vast majority of businesses already. Congress looks forward to specific and strong proposals in the forthcoming Budget to immediately address the major problem of bogus “self-employment” in the building industry.

The system of random audits must be stepped up dramatically as it yields far greater compliance and indeed revenue.

15. Review of Construction Federation Operatives Pension Scheme, Mercer, September 2005
16. Fintan O' Toole, Irish Times, 1 October 2005.

Tax “Exiles”

The Revenue must clamp down on the so-called tax “exiles”, many of whom should be paying tax here. Most of these people are, in reality, resident here. They maintain homes in Ireland which are far more lavish than those of the absentee aristocrats of the past (some costing up to g40m to build), they socialise here, adorning the “society” pages, they run businesses here, they lobby here and some may even pay “voluntary taxes” to their favourite high profile charities. If they live here, if they make money here, then they must pay tax here.

The Environment

We reiterate our view, especially in the light of the oil price rises, that for environmental reasons, a levy of g5,000 on SUVs over 2.4 litres should be considered and VRT should be restructured to favour environmental. The 7 percent fall in the sales of ordinary cars in Europe last year when SUV sales rose by 4 percent indicates that steps must be taken in this area.

3B. CAPITAL EXPENDITURE AND THE NDP

The new National Development Plan should focus on public transport, especially in the main urban areas. The time has come for investment and management of integrated public transport in urban areas. A high proportion of expenditure under the current NDP was required for catching up. Ireland is still far behind most European countries in our physical infrastructure and so large capital investment is still required. Congress is concerned that capital spending by Government on infrastructure continues to fall behind target.

While the emphasis on capital investment should be on public transport, including upgraded intercity rail, the intercity road network should be competed as soon as possible.

Congress is strongly of the view that major public spending (both current and capital) should require that the winning bid must be in full compliance with good practice in Ireland in areas including health, safety, tax compliance, trade union recognition etc.

As we stated in last year's Submission, a priority should be the immediate upgrading of the M50. Congress initiated the now popular idea that the M50 West Link Toll Bridge should be compulsorily purchased by the state. Figures on the cost of this purchase have been distorted and inflated. It has since emerged that the initial contract was possibly the worst deal for the public sector. There should be no further deal done with the beneficiary company, NTR, by the state or the NRA, especially one which costs the public a further fortune in the long-term. As incumbent, it should not be allowed to hold the taxpayer to further ransom. Capital funding should be provided in this Budget to allow the compulsory purchase (CPO) of the West Link Bridge so that the bridge can be toll-free. This bridge will be the property of the people, when it reverts to the state in a decade (unless it is extended - as is being proposed). Thus it would boost Ireland's competitiveness by eliminating the delays on this important and over-crowded bottleneck.

The next NDP should invest strongly in upgrading the skills of the workforce at all levels. Investment in education is lagging behind and it must be increased. Lifelong Learning must be a key priority. The returns on investment in education are substantial, through raising participation rates, productivity etc. Public spending on R&D should be vigorously appraised as there are opinions that spending on life long learning etc can be more effective especially for an economy which is not leading in R&D. Congress seeks the introduction of paid educational leave. This would be a major way to encourage far greater participation in life long learning at various levels. We reiterate our view that it will be difficult to increase the low spend on R&D from 1.2 percent of GDP to meet the Lisbon target of 3 percent when the tax incentive is dulled by low corporation taxes. Simultaneously as Congress stated in last years Budget submission, public spending on R&D should be vigorously appraised as there are views that spending on life long learning, upskilling of the workforce, educational leave etc can be more beneficial to an economy.

With the numerous political difficulties surrounding the commercial state companies, which need immediate and informed decisions from their shareholder, it is time for the Government to modernise their governance. Therefore within the next year, a State Holding Company as proposed by Congress[17] should be established, into which the shareholdings in the commercial state companies should be placed, in order to release their dynamism and to give them access to capital.

3C. DEVELOPING OUR SOCIAL INFRASTRUCTURE

As our economy expands the extent of our infrastructural deficits, economic and social, are increasingly exposed. Congress believes there is an increasing need to adopt longer-term strategic thinking and support better planning systems and sustained investment to address long standing and emerging social problems.

While there has been some progress in reducing poverty levels, the statistics in the EU Survey on Income and Living Conditions published in January 2005, revealed that 23 percent of the population were at risk of poverty and 9 percent were consistently poor. There are significant burdens on low income families including the rising costs of food, medical expenses, low levels of subvention of education, child and other care and accommodation expenses.

The important link between improved incomes, services and enhanced labour market participation established in the recent NESC report The Developmental Welfare State as a route out of poverty and key to progression, needs to be supported in annual budgetary and longer-term decision-making.

INVESTMENT TO ELIMINATE POVERTY AND DISADVANTAGE

A BETTER DEAL FOR CHILDREN, PENSIONERS, THE UNEMPLOYED, PEOPLE WITH DISABILITIES

Pensions

Old Age Pension Congress has sought, in successive Budget Submissions, the achievement of the NPPI target (i.e. up-rating the (contributory) Pension to 34 percent of average earnings) and, greater progress towards delivery of the Government commitment to improve the basic State Old Age Pension to €200 by 2007. ESRI forecasts for 2006 estimates that 34 percent of average industrial will be €210 per week. The current Old Age (Contributory) pension stands at €179.30, so the gap to be made up is €30.00 to achieve the NPPI target in 2007.

For the first time in Budget 2005, the old age pension received lower increases than other welfare recipients. To compensate pensioners for the rising costs of living including food, rents, electricity and fuel and, to restore confidence in the Government commitments including incremental progress towards the NPPI targets, Congress is seeking increases of €16.00 to pensioners in Budgets 2006 and €14.00 in Budget 2007.

Lowest Social Welfare Rates *The Sustaining Progress* commitment is to reach the National Anti-Poverty Strategy (NAPS) benchmark for the lowest social welfare payment of €150 by 2007 (in 2002 terms, as published in 2006). In 2002, €150.00 represented 30 percent of average industrial earnings. Taking account of the ESRI forecasts of average earnings in 2006 at €32,000, the target of 30 percent should be closer to €180.00. The current lowest Social Welfare Rate stands at €148.80 compared with the inflation indexed target of €162.63 for 2005. As with the pensioners the gap to be addressed is over €30.00.

Congress is therefore seeking increases for the lowest social welfare payment of €16.00 to €164.00 in 2006 and €14.00 to €177.00 in 2007 to make the progress needed to achieve the NAPS Benchmark.

17. Congress, 2005, *A New Governance Structure for State Companies*, Summer.

Extension of 'Free Schemes'

The Household Benefits package *(Electricity/Gas Allowance, Telephone Rental Allowance and Free Television Licence)* have traditionally been available to people aged 66 or over who are in receipt of a social welfare payment. Since the year 2001 all people aged 70 and over have been entitled to free electricity and telephone rental allowances and a free Television Licence. People between the ages of 66 and 69 years who do not have a social welfare payment have an entitlement to these schemes subject to a means test. The means test limit for pensioners aged between 66 and 70 who do not have a social welfare pension is just g11,705 for a single person (€18,506 for a married couple). Congress is seeking the incremental extension of the entitlement to 'free schemes' to all pensioners over 66 years. To achieve that objective Congress is seeking in Budget 2006 the upward adjustment of the current income disregard of €38.09, which has remained unchanged for several years, to €60.00.

Child Poverty

Congress recognises Child Benefit as the primary Government income support to families. The Government position that Child Benefit represents a contribution towards childcare costs ignores the need for assistance with the basic costs of food, clothing and accommodation. The added difficulty with the Government position is that even if the payment were to be used for nothing else, current levels of Child Benefit account for less than a quarter of average weekly childcare costs, The de-coupling of child income support from childcare payments needs to be accepted.

The increases in Child Benefit in recent years, though substantial, fall short of the Child Benefit target of €150 per month, originally to be met in 2003, deferred until 2005. The continuing deferral of this target is undermining confidence in the future expansion of this income support mechanism and prompting more urgent calls for a second tier income support payment aimed appropriately targeted at alleviating family poverty. In his Budget 2005 speech the Minister stated his intention to complete the transition to a higher rate of Child Benefit in Budget 2006.

In addition, Congress raised serious concerns in our

Budget Submission 2005 about the impact of the *Habitual Residency Condition* in so far as the children of migrant workers who could not satisfy the residency 'test' were disqualified from claiming *Child Benefit, One Parent Family Payment and all social assistance payments*. This 'condition' clearly breached the principle of universality of the Child Benefit Scheme.

Congress notes the concerns raised by the EU on this matter, welcomes the stated intention of the Minister Brennan to re-examine this issue and, calls for the full restoration of welfare entitlement to migrant workers and the examination of appropriate supports for children of asylum seekers.

Congress also notes the disappointing progress made on the stated intention to alleviate child poverty in the NAPS and in the implementation of the *Special Initiatives* under *Sustaining Progress*.

Congress is therefore calling on the Government to place an emphasis on measures to alleviate Child Poverty in Budget 2006. Specifically, Congress is seeking:

- the implementation of the outstanding phase of improvements in Child Benefit rates in Budget 2006, i.e. to €150.00 per month for the first two children and €185 per month for the third and subsequent children i.e. to increase Child Benefit by €9.00 and €8.00;
- increases in Child Income Support payments *either* by :
- by introducing a new income-related second tier child payment or
- further increases in Child Dependent Allowance and FIS
- The full restoration of welfare entitlement to migrant workers and the examination of appropriate supports for children of asylum seekers;
- the introduction of a new package of Childcare Support measures (see below) to alleviate the costs of childcare where parents need to reconcile work and childcare responsibilities or are engaged in training or education.

Improving services and alleviating costs for people with disabilities

Congress welcomes the significant financial commitment towards the disability sector made in last year's Budget. However, there has been limited additional resource allocation to date. In reality, the implementation of the commitments identified in *Sustaining Progress* would facilitate the planning and more efficient expenditure of the financial allocation and address some of the key problems which undermine progress in improving service development for people with disabilities. *Sustaining Progress* provides for:

- a *review of the waiting lists for residential care for people with disabilities and the necessary investment to eliminate this waiting list*;
- the completion of the data base in respect of persons with physical and sensory disability, within six months;
- a strategic review of existing service provision, in consultation with relevant Departments and Agencies with a view to enhancing health and personal social services to meet the needs of people with disabilities;
- the development of an Action Plan for the implementation of the *Code of Practice on Sheltered Occupational Services for people with disabilities* following a transition period of one year;
- the completion and *implementation of development of Standards of Service* in respect of people with disability currently under development by the National Disability Authority.

Congress is seeking the allocation of funding to deliver the implementation of these commitments in Budget 2006 and within a reasonable timescale thereafter, having regard to the provisions of the Disability Act 2005.

Cost of Disability Payment

People with disabilities remain the most significant group of people in poverty or at risk of poverty. Under the PPF, an Interdepartmental Working Group was established to examine the feasibility of the introduction of a Cost of Disability Payment to offset the extra costs associated with having or acquiring disability. The conclusions of a research Report by Indecon / NDA state that:

"there are additional costs associated with having a disability in Ireland and that these costs can vary by disability type and by severity of disability. In addition, the Working Group considers that age and social circumstances can also have an impact on the costs of disability"....but "that a national system of individual needs assessment is a prerequisite for any Cost of Disability Payment system based on severity of disability".

While the introduction of a system of needs assessment is included in the Disabilities Act, 2004 it relates solely to health and education, and, this restricted assessment will take some time to implement. Measures must be taken to alleviate the low income and poverty faced by many people with disabilities in the interim.

Congress continues to seek the introduction of Budgetary measures to offset the extra costs associated with disability and supports the conclusions of the NDA research by calling for the introduction of a Cost of Disability Payment.

INVESTMENT TO RECONCILE WORK AND CARE

A BETTER DEAL FOR WORKING PARENTS AND CARERS

Maternity Benefit

In the context of the *Review of Sustaining Progress (Part Two - Pay and the Workplace)* Congress secured Government agreement to restore the level of Maternity Benefit to 80 percent of 'reckonable' earnings from its current 70 percent. In Budget 2005 the level of Maternity benefit was raised to 75 percent of 'reckonable earnings'. Congress is seeking the implementation of this commitment and the restoration of Maternity Benefit payment from its current level of 75 percent to 80 percent of average industrial earnings in Budget 2006.

'Reckonable earnings' refers to a cap on earnings at €332.00 per week or just 60percent of the average industrial wage which is applied to the calculation of Maternity Benefit. Many women workers do not fully benefit by increases in the level of Maternity benefit because of this cap on earnings. Congress is seeking to up-date the cap on 'reckonable earnings' to 9464 per week (80 percent of average industrial earnings) in Budget 2006.

Parental Leave

In the absence of payment, the uptake of Parental Leave remains low, undermining the potential involvement of both Parents in looking after their children during their first year.

Congress is again calling for the introduction of PRSI-based paid Parental Leave Benefit similar to Maternity Benefit.

Childcare Support

In accordance with the Government commitment to the Barcelona targets for childcare (i.e. to make childcare available to at least 90percent of children between 3 years old and the mandatory school age and to at least 33percent of children under 3 years of age) Congress is seeking urgent investment to deliver increases in childcare places, greater subsidy for childcare costs for parents whose earnings are outside the tax net and the introduction of tax relief measures designed to assist parents in meeting childcare costs, in Budget 2006.

Congress is of the view that the state must provide greater institutional supports for childcare. Congress notes that considerable *official (High Level Childcare Group)* and *Social Partnership* work *(NESF)* has been undertaken to explore appropriate options in relation to childcare supports and systems.

The completion of the report of the Working Group established under *Sustaining Progress* to examine how to improve the availability of childcare for working parents and how the supply of pre and after school care could be accelerated is imminent.

Congress is calling on the Government to take urgent action to address the critical need for childcare support, in Budget 2006. Congress is seeking financial support measures, to contribute to the costs of childcare by:

- introducing taxation and direct subsidy measures designed to incrementally subsidise childcare costs

for parents in employment, education or training;
- Increasing investment in capital allowances and staffing grants to develop the supply of childcare places towards a target of an additional 15,000 places per year;
- Examining the Benefit-in-Kind structure to remove barriers that exist or discourage employer's contribution to childcare costs - childcare supports provided by employers should not be classified as Benefit in Kind for taxation and PRSI purposes.

Carer's Support

Congress supports the call for formal recognition of the role of carers and that payment is made in respect of Carers of all persons requiring long-term full-time or part-time care. Congress acknowledges the contribution of previous Budgets to developing access to respite care. However, there is growing dissatisfaction with the level and reliability of support offered to carers. The need to incrementally address the broad spectrum of care needs; childcare, care of people with disabilities and eldercare is growing urgent, particularly in view of the limited income and lifestyle possibilities faced by many carers.

In Budget 2006, Congress is again seeking:
- the introduction of a non-means tested Continual Care Payment for all Carers;
- increases in the level and flexibility of payment of Carer's Benefit (payable to those who take time off work to "care" for others) and the adjustment of the Scheme to permit more than one carer undertake caring responsibilities for the same relative.

INVESTMENT TO IMPROVE ACCESS TO BETTER SERVICES

HEALTH SERVICES

Access- Medical Card

According to the latest *Progress* Report on *Sustaining Progress* an additional €60 million was provided for in Budget 2005 "to enable 30,000 additional persons to become eligible for a medical card, and free access to GP visits for a further 200,000 people on low income." In fact, there is widespread concern over the pace of progress in increasing access to medical services.

The increases in the Medical Card Income Guidelines which have just come into effect are welcome. However, even these commitments continue to expose those on low incomes to excessive medical care costs. The cost of healthcare remains a heavy burden for many people dependent on social welfare and low and middle income families.

Congress believes there is a need to progress towards medical care coverage of 38 percent of the population, which should take account of the specific needs of children, older people and people with disabilities and that income thresholds should be index linked.

In addition, people with disabilities, who incur extraordinary medical costs, currently lose their medical cards on taking even poorly paid employment. The Hobson's Choice faced by many people with disabilities of a job or access to medical services and the retention of Secondary Benefits should be minimised or eliminated where possible. Congress is also seeking that increases in the thresholds would ensure that the take up of employment is worthwhile and does not further disadvantage many people with disabilities who are likely to access low paid jobs.

Implementing the National Health Strategy in 2005-2006

The ongoing crises and difficulties in the Health Services requires commitment to sustained long-term funding, applied to the implementation of the *National Health Strategy Quality and Fairness - A Health System for You.*

A number of specific issues need to be addressed in the short term:

- the provision of adequate subvention arrangements to ensure all available, and appropriate, non-acute/nursing home/rehabilitation/respite beds are utilised throughout 2006;

- that the necessary funds for the building and equipping of additional services including:
- 500 additional acute public beds should be provided in 2006;
- 700 non-acute beds in the form of nurse-led rehab/extended care beds in 2006;

- the achievement of further progress towards the implementation of the Primary Care Strategy, specifically the allocation of funding in 2006 for the establishment of 40-60 Primary Care Teams and, future funding commitments to finance the 600 teams envisaged in the National Health Strategy.

Screening Services

The need for an accessible national breast, cervical and prostrate cancer screening programmes has been extensively highlighted. Ireland's record for breast and cervical cancer stands poorly in comparison with to our European counterparts. Eligibility for these programmes should no be determined on the basis of age, which is inherently discriminatory. Congress is seeking the implementation of an urgently needed National screening programme - which should also include screening for prostate cancer as the risk of a man getting prostate cancer is only 2 percent less than the risk of a woman getting breast cancer. This is essential when all the evidence points to the fact that early detection improves the outcome for people and saves lives.

Education Services

Congress notes with disappointment the lack of progress achieved in respect of the commitments set down to tackle educational disadvantage and illiteracy over the lifetime of Sustaining Progress. In recent months Congress acknowledges the attention of the Minister for Education towards addressing educational disadvantage and the long-overdue investment in school premises. However, sustained investment is required and attention to tackling educational disadvantage at the earliest possible stage is widely recognised as the most successful route in the long term. Ireland currently stands 19th of the 26 countries in educational spending per student. Just 4.1 percent of GDP is spent on education, lagging behind the 5 percent average of OECD countries. By comparison, spending increases of the order of 25 percent per year over the next three years would be needed to reach the level of Scandinavian expenditure. Spending on education has been neglected in the recent years of Ireland's prosperity.

In this Budget Submission Congress is therefore seeking:

- earlier interventions at primary level and more targeted intervention at secondary level;

- Increased resources to reduce class sizes to achieve the Government objective of average class sizes for children under 9 years to be below the international best practice of 20:1;

- Increased resources to reduce class sizes at second level from 18:1 to a previously achieved target of 16.5:1;

- an immediate expansion of the numbers of teachers for pupils with special educational needs, in accordance with the implementation of the Education for Persons with Special Educational Needs Act, 2004;

- Access to funding for adults part-time learners to support their participation and achieve greater levels of progress towards the objective of lifelong learning;

- Paid educational leave for workers;
- An equal treatment for fees purposes of full and part-time learners;

- The National Training Fund should be augmented with a 0.5 percent of employees PRSI, with no increase in the contributions;

- A renewed emphasis on focusing education and training on those who need it most.

Overseas Development Aid

Congress welcomes the announcement by the Taoiseach in his address to the United Nations General Assembly on September 14th, in which he re-committed Ireland to 0.7 percent GNP as its contribution to international development aid. Although the new date by which this commitment is to be reached is 2012 - a full 5 years behind the earlier promise to make such resources available by 2007 - Congress is pleased that the decision is this time backed up by full details of the milestones needed to make appropriate progress year on year over the coming 7 years.

Budget 2006 should make explicit the announced significant increases in Ireland's Overseas Development Assistance in 2006 and 2007 to reach an interim target of 0.5 percent of GNI by 2007.

4 STRATEGIC PRIORITIES FOR THE MEDIUM TERM

The new NDP

It was stated above that the new National Development Plan should focus on public transport, (especially in the main urban areas), including upgraded intercity rail, and the rapid completion of the intercity road network. Continued investment in life long learning is vital too.

Further investment in our school buildings, universities and Institutes of Technology and in hospitals and other public buildings is required to bring them to European standards.

Decentralisation requires considerable planning and forethought and should adhere to the National Spatial Strategy.

Learning from the Nordic Countries

The success of the Celtic Tiger economy has been remarkable. The failure to translate this excellent economic success into a far better society for all our people is the outstanding, unfinished business - it is the challenge to the social partners. Not withstanding the displays of naked greed of a small number of businessmen in recent times, most Irish people do not favour the continuation of public squalor in the midst of private plenty. The success of the Nordic countries both in economic terms - all are in the top ten most competitive countries in the world and in their social provision - should be the subject of a major study by government, employers and unions to see what lessons we can learn from them.

Public Procurement: Developing In-house Capacity

The recent reports on poor outcomes on public investment - such as the Health services computer overspend, the weak approach of Revenue to widespread tax evasion in the building industry, on tax exiles, on previous, undetected widespread and massive evasion revealed by the Tribunals, road investment cost over-runs, the LUAS overrun and the Garda computer etc. require attention. While the issue of definitions of initial costs can clarify some of these, the issue of public service efficiency and value for money in the public is a perennial one.

There is extensive training of personnel in the public services and management skills could be enhanced to cope with major project appraisals, both before, during and after implementation. External consultants are useful in giving the international perspective, benchmarks etc. However, Congress is perturbed at the widespread use of consultants by both the central civil service and the state agencies to undertake work, much of which could be done in-house.

For example, it is undesirable, in a democratic country, that some drafting of legislation is now being undertaken by private law firms. In the public services, there is a *public sector ethos* which is singularly absent in private consultancies. There is also a corporate memory, a knowledge of the desired policy objectives which are in the broad public interest and of the methods of achieving them. This expert skill shortage in major public project appraisal and execution (capital and current) should be addressed as a priority.

Pensions

The issue of inadequate pension coverage is one which requires action and much serous analysis. The forthcoming report of the National Pensions Board should assist in forming opinions and actions.

Older women with inadequate pensions are the largest group of people at risk of poverty in Ireland. Only 46 percent of women in the Irish workforce have pensions cover. This figure reduces to only one-third, when women in the public service are excluded. The at-risk-of -poverty rate for women in the over 65 age group stands at 49 percent.[18]

Women's pensions are lower than men's because of lower pay and less service in the paid workforce;

because women are more likely to take time out for family and caring duties such as eldercare and childcare; to opt for work-sharing arrangements; or to take unpaid parental leave. Also, today's older women are less likely to have an occupational pension or even a full social insurance pension, because of past practices such as the 'marriage bar' and the active discouragement of mothers of young children from working outside the home. Public pension provision may keep such people from penury but will do no more. Even if the National Pensions Policy Initiative target of 34 percent of average industrial earnings is achieved by 2007, this will not be adequate. It is recommended that a specific study is needed to identify Pension measures to address this problem.

State Annuity Fund

A facility for the state to provide annuities in certain circumstances should be established. This could help to protect members of pension schemes which are wound up involuntarily and/or members of small pension funds. Or, if the effect were to reduce the price of annuities, this could also reduce the severity of the Minimum Funding Standing and thereby be of general benefit to the large number of Defined Benefit schemes having difficulty in meeting that Standard.

The NTMA could be asked to develop a product which would have the effect of annuity in terms of providing an income based on a capital sum but where the capital sum would be invested (along with many other investments, including, perhaps, the Pension Reserve Fund) in a way where it was not dependant on cash/gilts but also include some equities which should produce a better return than current annuities. Further, it could be structured where the capital does not “disappear” on death and there would be likely to be some benefits as regards charges/costs as well.

Education and Skills

The Lisbon agenda for the knowledge economy cannot be achieved unless Ireland invests substantially more in education and in our workers skills. Congress believes that the issue of education and skill requires a major initiative by the Social Partners if Ireland and Irish workers are to achieve the objectives of Lisbon. The investment in education, in skills or, as some call it, in “human capital” does generate a high return.

18. CSO

Care

The Irish social welfare system is geared to the long era we endured of mass unemployment. Fortunately, we have low unemployment and policy makers should give consideration to refocusing on this new reality. Today PRSI-related benefits bear no relation to earnings, thanks largely to the low social insurance contributions made by employers. In line with an examination of the successes in both economic and social areas of the Nordic countries, policymakers should study “flexicurity” to see what lessons can be learned for Ireland.

In our recent policy document *Caring for the future..... Who Cares?* Congress identified the major challenge to address our current and future care needs, be it *childcare, care of people (of all ages) with disabilities and older people*. The problem is compounded by an ageing population, more single living, the emerging norm/necessity of the 'dual earner' family, greater participation of women in the Labour Force, higher costs of living, persistent income inequality, difficulties in accessing services, long commuting distances and inflexible work practices. The challenges identified include:

Access to care services the unavailability of affordable crèche facilities or a local childminder, unavailable and inaccessible health and social care services for people (of all ages) with disabilities and older people, inadequate home help and residential care.

Affordability of quality care without adequate supply of places or financial support the costs of care are escalating and are now beyond the means of people on even moderate incomes.

Inflexible working practices many people need to access as many hours of work as possible to finance their roles as family carers or, to finance the care of children or elderly parents in crèche / nursing homes but are often faced with inflexible work practices and employers.

Marginalisation people who are unemployed and/or looking after people with disabilities or ageing parents on a full-time or part-time basis are condemned to lives of low incomes and often poverty and marginalisation. In many cases people have no access to alternative carers within their families to help out.

Congress has proposed a comprehensive integrated National Care Initiative, comprised of a set of recommendations which identify those aspects of the care infrastructure which should be prioritised for more investment and planning over the next decade.

The Initiative calls for the transformation of the current fragmented approach to a broader strategic framework incorporating *policy development, assessment of need, development of standards of care, enhancing competencies and qualifications of manpower, funding and governance*.

The Initiative also identifies that this investment must be underpinned by greater support for families and, more flexibility in the delivery of services and the adaptation by employers of working arrangements to the caring responsibilities of employees.

Infrastructural investment priorities include:

Childcare

- the development of a Multi-Annual Investment Programme to provide for 100,000 additional childcare places in the next five years, with specific provision for workplace-based crèche facilities and after school care provision including the maintenance of the existing 100,000 places.

People with Disabilities

- the implementation of Multi-Annual Investment Programme underpinning the Disability Strategy including halving waiting lists for day care respite and residential care, support services and aids by 2011 and eliminating waiting lists by 2015.
- Increases in psychiatric services capacity, residential places and support services for people with mental illness.

Older People

- increase Hospital services by 600 additional day beds and 1,370 additional assessment and rehabilitation beds, and
- Residential places by 800 public long-stay beds and 850 public/private long stay beds each year over the next seven years) (These targets are included in the National Health Strategy).

The need for parallel legislative improvements and implementation of family-friendly policies at the level of the enterprise is critical, specifically

- the incremental extension of Maternity Leave and introduction of paid Paternity / Parental Leave to ensure the provision of parental care for the first year of a child's life.
- the immediate amendment of the Carer's Leave Act to introduce flexibility and improved compensation for loss of earnings.
- the development of Social Protection systems to protect and provide coverage for atypical workers

Healthcare

The on-going crises-driven Health Service represents significant failure to pursue a model of Health Service reform which is built on fairness and the development of high quality health and social care services in different settings i.e. acute hospital care and community based care, in accordance with the objectives set down in the National Health Strategy Quality and Fairness- a Health System for You.

Congress will shortly be publishing a major health policy document, written by Prof. Dale Tussing and Maev-Ann Wren, which will strongly inform our policies on reforming the health services. It appears that in addition to major reform, additional expenditure for the health services - with the continuing and unanticipated growth in population - is required. The welcome growth in capital expenditure in health has given the impression that total expenditure in the area is close to the EU average, but the long overdue capital investment reflects catching up. Therefore, current expenditure on health needs to be increased.

QUALITY WORK = QUALITY LIFE