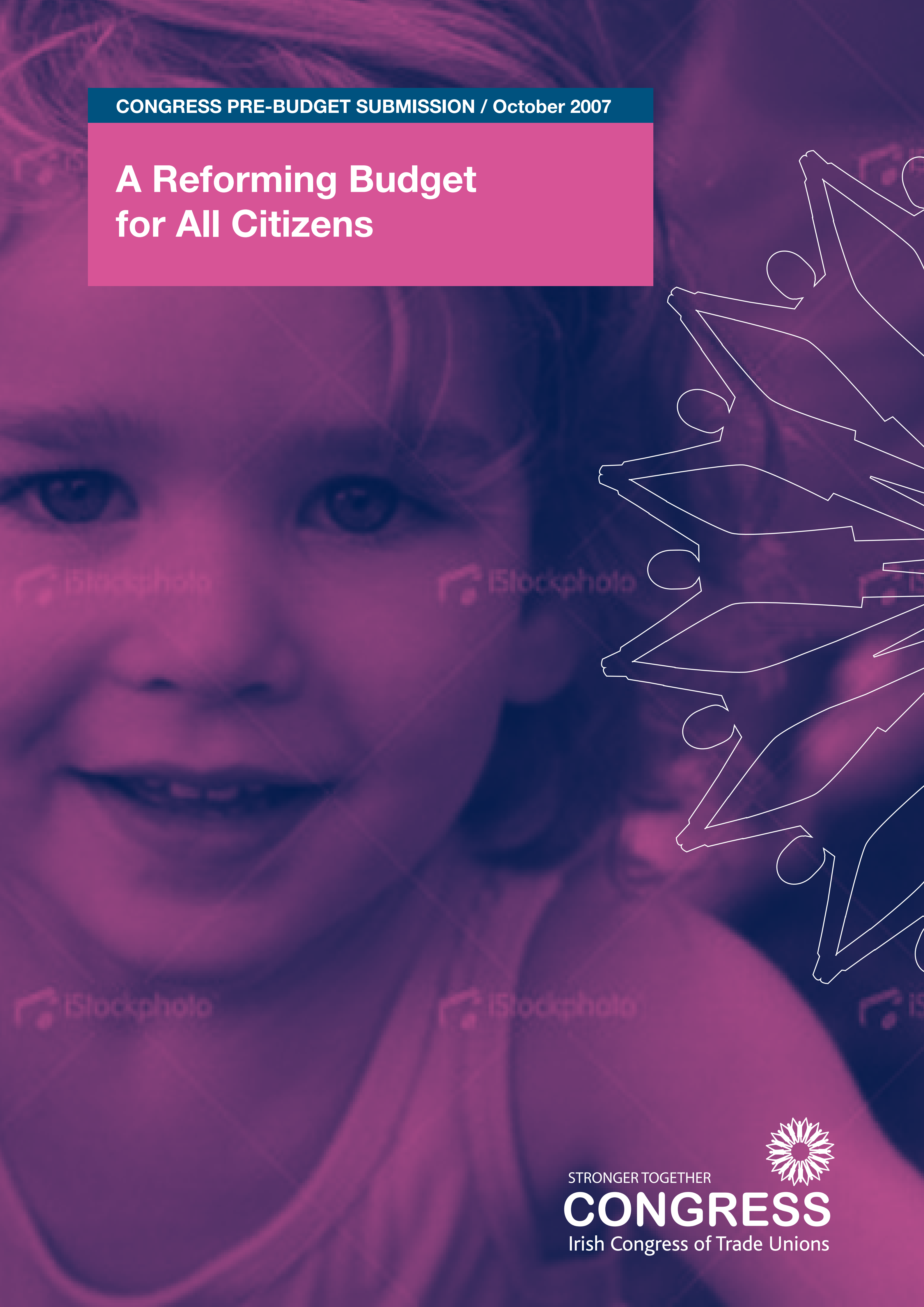
CONGRESS PRE-BUDGET SUBMISSION / October 2007

# A Reforming Budget for All Citizens



STRONGER TOGETHER
CONGRESS
Irish Congress of Trade Unions

# Executive Summary

The early years of the 21st Century provide an appropriate juncture at which we as a society can begin to imagine and envision what form a new Ireland might take. Doubtless, previous generations engaged in similar exercises. But, unlike any previous generation, we are in the wholly unique position of having all the necessary resources – both financial and human – at our disposal.

While economic growth has slowed of late, from the heady levels of the recent past, it is important to put this into perspective: the Irish economy has doubled in size in the last decade and growth rates into the future are still predicted to be stronger than many of our neighbours. The last decade has seen a country and society transformed.

We are at once burdened with enormous fortune and enormous responsibility. For the first time in our history, we have a real opportunity to substantially shape the future of this island and sink the deep foundations on which the generous, inclusive and dynamic Ireland of tomorrow will be built.

In this context, Budget 2008 assumes a greater significance, insofar as its provisions will offer a clear indication of the direction in which we are travelling. This is particularly true in relation to the National Development Plan (NDP). Congress believes it is imperative that Budget 2008 allocates resources in a manner which clearly signals that all aspects of this crucial programme of investment will be realised in full.

Congress strongly believes that investment now in people and the services that assist and support them will reap rich dividends in the future; it will enhance social cohesion, augment national skill levels, facilitate greater choices and opportunities for working families and, ultimately, generate increased productivity and stronger national competitiveness.

Thus, we must invest not just in hard infrastructure such as roads and public transport – vital though that is – but also in the key supports that help working families and lessen their burdens; in the systems that provide care and education for our youngest; in the structures that will ensure our workforce is afforded every opportunity to upskill and train and in making proper provision for those in need.

No longer tasked with the imperative to create jobs above all else, this is an opportune time to start improving the quality of our jobs and strategically put in place the quality public services that ensure public well-being and, without which, a modern economy cannot survive. In the context of a growing population and increased pressure on existing services, must become the priority.

It is a challenge that must be met, as a failure to strategically tackle the many deficits evident in both our society and economy at this time would prove disastrous in the longer-term.

Thus, to take but one example, Congress is proposing that Budget 2008 begins a process of radical reform that will see strong, coherent supports put in place for working families, the very lifeblood of our society.

Ireland has a poor record in this regard. On every key issue – childcare, parental leave, flexible working, ensuring work pays, equality for same sex and cohabiting couples – we fall well behind the majority of EU countries and are often on a par with poorer accession states. This must change.

# Competitive advantage in future years will be based on workforce skill levels, not low taxes.



There are other examples. In theory – and at the level of official reports – Ireland has warmly embraced the knowledge economy and the necessity to upskill. In practice, workers face enormous obstacles in accessing education and training, from simply getting time off to actually financing training courses.

This is unsustainable. Competitive advantage in future years will be based on workforce skill levels, not low taxes.

And if we are to maximise our capacity to gain from the global economy we must ensure the workforce and, consequently the economy, is less exposed to the shocks of the global market and the threat of outsourcing.

In this regard, Congress believes we need to examine initiatives such as Flexicurity, which originated in Denmark. What marks this initiative out from others is that, unlike the conventional approach to retraining or getting people back to work, flexicurity focuses on the person, not the job and guarantees income replacement. Thus, while particular jobs and tasks may become obsolete or be moved to low pay locations, a skilled worker will always be in demand.

It is alarming to note, as this submission reveals, that our expenditure on education as a percentage of GDP has fallen below the OECD average. This must be remedied immediately. Short-term considerations must not be allowed to outweigh the absolute centrality of education in building a better society for all.

Equally, Budget 2008 must mark a shift in direction, in terms of the health service. Current policies are a hopeless muddle of earlier failed initiatives, illogical ideological obsessions or short-term thinking. New thinking is required.

For example, the current debacle over budgets and cutbacks in service could easily be avoided if funding for current spending was changed from annual, to multi-annual, thereby allowing greater scope for planning. This operates in other health systems internationally.

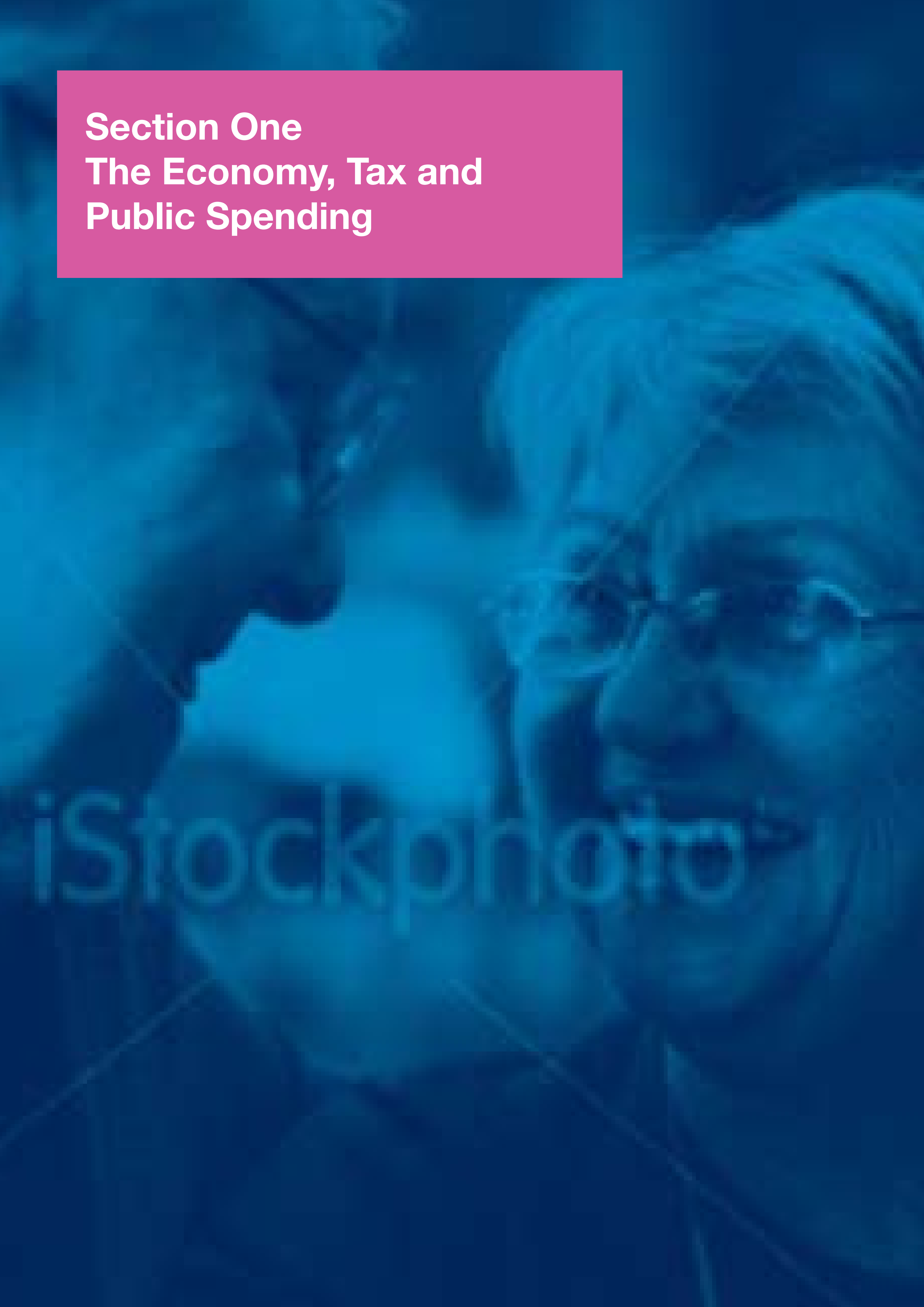
In terms of social welfare, it is imperative that Budget 2008 meets the targets and commitments laid out in Towards 2016. It must also be borne in mind that the last decade, while generating unprecedented levels of wealth, has also seen a worrying rise in levels of indebtedness. Problems such as this can prove very difficult to eradicate unless tackled promptly. This submission contains a number of proposals on how this can be done.

As we note elsewhere in this document, agreed targets have not been met in regard to social and affordable housing. To prevent further erosion of the initiative it is imperative that the necessary measures be taken to ensure it gets back on track for 2008.

Ireland now enjoys opportunities undreamt of by our predecessors, many of whom were forced from these shores to seek work elsewhere. The island as a whole is on the cusp of a better, bigger and more dynamic future. The choices we make today will shape the society of tomorrow. Those choices must be informed by a spirit of generosity, inclusivity and ambition for all, or else they are bound to fail.

**Irish Congress of Trade Unions,**
**October 2007**

# Section One
# The Economy, Tax and Public Spending



# Introduction

This year's Pre-Budget Submission is written in the context of the proposal to review the taxation system, under the auspices of a new Commission on Taxation. Congress welcomes this proposal, which we believe should lead to a more equitable, rational and evidence-based system with equal taxation treatment of income from all sources. Too many inequities and anomalies exist in the current system.

Indeed, Congress has campaigned strongly for equitable tax reform for many years. We have long sought the termination of the plethora of **property tax breaks** to investors in urban and rural 'renewal', for multi-storey car parks, clinics and hospitals etc. These were was a waste of taxpayers' money in the midst of a prolonged property boom. Congress was shocked at the total cost to the taxpayer of the area-based schemes, which amounted to a staggering €1,933m by the end of July 2007.[1] This sum will continue to grow as not all schemes have been closed. They should have been closed years ago.

Congress was the first to suggest the taxation of the **Bloodstock Industry**, where many multi-millionaires still pay less tax than low paid workers. In 2003, we suggested that the industry should be taxed as a normal business. The Government will finally begin the taxation of the Bloodstock industry and stud fees towards the end of next year. This reform is long overdue. We also suggested that **Artists' Relief** be re-orientated towards struggling artists and not successful, wealthy millionaires. A ceiling was subsequently introduced on this relief. In our Budget 2005 submission (October 2004) we suggested nationalising the **Westlink Toll Bridge** and abolishing the tolls. The bridge is now being bought out by the taxpayer. However, the reported price seems to be extraordinarily high, twice what we believed it could be acquired for. The final bill for this saga - Ireland's first joint public/private venture - will now be paid by PAYE workers, who will fund the purchase of the bridge and then continue to pay tolls on what was intended as Ireland's major urban bypass.

Congress has also suggested that **SUVs** and gas guzzlers be taxed with a €5,000 addition on VRT. Government is now examining this issue. We also suggested a major change in emphasis in capital expenditure **from roads to public transport** under the new National Development Plan (NDP), a change which was taken on board in the new plan. Congress also welcomes the decision by Government to **increase the tax rate on oil and gas finds.** Congress has sought a tax on oil and gas production for many years and while this is not a tax on production, being an additional tax on profits, it is welcome.

1 Forecast given in the Goodbody Review of Area Based Tax Incentives, page 145. Feb 2006. Dept Finance.

# Chapter 1 - The Economic Background

Congress believes that available resources should be directed at expanding the tax credit or rate band. Inflation remains a serious concern and Congress is particularly worried by recent increases in food prices. These issues will strongly inform our position ahead of any new pay deal.

The Irish economy is finally slowing after many years of strong growth. Yet the levels of growth predicted by the main forecasters - the ESRI and Central Bank - are good. Thus the economic background for the 2008 Budget is fairly good. Apart from the construction industry, the Irish economy continues to grow and the economic and budgetary position is extremely good, compared to most other countries. Ireland continues to be one of the best performing economies. Internationally, the global economic situation is also good, with most major regions enjoying growth, with the exception of the US. It is unusual that most economies of the globe are doing well simultaneously.

The general Government balance can be expected to remain positive, although it seems it will come in below the Department's projection of a surplus of 1.1 percent of GDP for this year. The downturn in construction inflows from VAT, capital gains and stamp duties have been and will continue to be reduced, perhaps significantly.

### Inflation

Congress is very concerned by both the high *level* of consumer prices in Ireland and the continuing high level of prices *rises*. *Price levels* substantially exceed those of most other countries, being the second highest in Europe, behind Denmark and the highest levels of consumer prices in the Eurozone. Secondly, the continuing high level of prices *rises*, measured by the CPI, has been undermining gains in living standards made under *Towards 2016*.

Most economic forecasters, including the official forecasters, ESRI, Government and Central Bank, were seriously wrong on inflation forecasts for both 2006 and 2007. Most had forecast a rise in the CPI of around 3 percent for 2006 and just over 2 percent for 2007[2]. The outturn was 4 percent and the forecast for 2007 has been revised upwards again to 5 percent.

It is clear therefore, that with the continuing high consumer price rises, Congress may be forced to seek additional compensating rises under the next tranche of *Towards 2016*. Workers have not shared in the gains generated by economic growth in the latter half of the period of the Agreement. The growth in the price of food is particularly worrying. Policy should not allow for the provision of subsidies to producers of biofuels, which will push up the price of food further.

Finally, Congress totally rejects the transparent attempts by employer economists to shift the measures of inflation from the Consumer Price Index (CPI) to the Harmonised Index of Consumer Prices (HICP), at a time when inflation is high and when the CPI exceeds the HICP in Ireland. They did not seek the abandonment of the CPI as the accepted measure of inflation when interest rates were falling.

2 ESRI and Central Bank forecast the CPI to rise by 2.8% and 3% respectively for 2006, and 2.6% and 2.5% respectively. for 2007, with AIB at 3.8% and 3% respectively. (June 2006). The stockbroker economists were all wrong too. Congress was substantially more accurate for both years (in a *Note for the Talks* and again in a briefing note, dated 10th July 2006). All forecasters were a long way off the 5 percent average for this year, 2007.

# Chapter 2 - Priorities for Investment

The delivery of an integrated and efficient public transport system will result in immense social, economic and environmental benefits. As a major transport funder, Government must make this a priority. Equally, a determined focus on upskilling and retraining can ensure we maximise the gains to be had from the globalised economy, while simultaneously protecting and assisting those with lower educational attainment. Housing affordability remains a serious problem for too many of our citizens and, at current levels of provision, targets agreed under Towards 2016 will not be realised. It is clear that both the planning process and school building programme are seriously deficient. The building of large-scale developments minus any facilities must become a thing of the past.

Congress warmly welcomes the decision to proceed with what is undoubtedly an ambitious National Development Plan and one which we believe will serve Ireland well. The Government could have decided to rest on it laurels after the previous NDP and proceeded more slowly with a reduced plan, but wisely, it decided to press ahead with a high level of public investment for our future. Congress recognises that there were risks with "construction inflation", but we have passed the peak. Therefore the NDP can achieve value for taxpayers' money and it can also be ratcheted up, if there is a severe down turn in the construction sector.

In our submission on the NDP, Congress set out three major priorities[3]:

- Switch investment in physical infrastructure from roads to public transport, with the emphasis on integrated, well-funded urban transport;
- Invest in upskilling the existing workforce, with the emphasis on those who have had least educational and training opportunities and those with skill deficits;
- Invest in the creation of an 'infrastructure of care'

In our Budget submission last year, we argued for an immediate investment in public transport, given the widespread congestion in our towns and cities, sustained high oil prices and growing public awareness of the vital importance of protecting the environment. There has been a substantial shift towards public transport under the NDP, but with continuing high oil prices and environmental concerns, Congress believes that it is still not sufficient.

The capital investment in public transport infrastructure announced in *Transport 21* and confirmed as part of the new NDP, has been welcomed by Congress. The completion of projects envisaged as part of these plans will greatly enhance the quality of public transport and will make the public transport alternative much more attractive to consumers. Other measures around the organisation of public transport also need to be addressed. For example, it is remarkable that we still do not have an integrated ticketing system that would facilitate seamless travel across all public transport modes. Ensuring that the modes of public transport and the ticketing systems

3 ICTU, 2006, *Investing for All,* March.

The best way to assist both vulnerable and affected workers is by upskilling them.



are integrated will be vital to ensuring that the enhanced system will be capable of drawing people out of their private cars.

Government must use its position as a funder of many of the transport bodies/agencies to force them work together - to introduce integrated ticketing and build a coordinated network of public transport. Clearly, if there has been any attempt by central Government to encourage integration, it has failed, at some cost to commuters. While Congress is open to debate on congestion charging, it simply cannot be introduced in the absence of a viable, efficient public transport network in and between all major urban areas. While the Dublin Transport Office has a plan to develop and integrate public transport in Dublin, the execution of an integrated vision for the city is some distance away. A hallmark of Dublin for foreign visitors (and our members as commuters) is its poor public transport system and congestion. Ireland has a poor history of public sector transport planning, construction and operation. An efficient, integrated public transport system will deliver enormous benefits in terms of competitiveness, social cohesion and the environment. It is time for Government, as a major funder, to systematically address this deficiency

There are also major economic and environmental gains to be made from integrated traffic management, along with planning; high density developments; restrictions on 'out of town' retail centres; the enhancement of town and city centres; better building standards; improved fuel efficiency; more wind power and greater use of renewable energy.

**Upskilling & Training**
Ireland has gained from the globalised economy, but for some the process has been painful, with jobs being lost to lower-skilled economies. Upskilling and training provide an opportunity to assist those worst affected and, simultaneously, maximise the gains from the global economy by augmenting the national skill base.

The best way to assist both vulnerable and affected workers is by upskilling them, with a strong emphasis on those with skills deficits and those who have had least educational and training opportunities. Ireland's future competitive advantage will not be based on low taxes for businesses but a well-educated workforce, at all levels.

As a result of the downturn in the construction industry, many apprentices have found themselves unable to complete their training. In the context of the focus on upskilling and Lifelong Learning, Congress believes it is very important that a means be devised whereby these young people can complete the training they began in good faith. It benefits nobody to have such skills and talents wasted.

*Towards 2016* contains an extensive section on education and Lifelong Learning to which the Government, Congress and the employers subscribe. It covers a targeted guidance, learning and training programme, the promotion and take up of apprenticeships by older workers; the elimination of Third Level course fees for workers who have not previously secured qualifications at that level.

Congress believes the following measures must also be introduced in order to encourage and assist people in accessing training and education:

- The introduction of Paid Educational Leave, which is to be targeted at priority categories of worker, funded through the social insurance fund and a broadened National Training Fund;

- Increased state funding for Workplace Learning and Upskilling Programmes, especially for the FÁS *One Step Up* initiative;

- More focus on developing the skills of the population, including consideration of a once-off grant to those who never had the opportunity to attend Third Level, to attend approved learning courses. This would be equivalent to the average cost to the state of three years at Third Level - around €12,000 - to be granted once in a lifetime to all adults, who have not attained primary degree level.

**Schools**

Given that expenditure on education in Ireland, as a percentage of GDP, is significantly below the OECD average, there should be incremental increases in education expenditure beginning in Budget 2008, to bring it at least up to the average of OECD countries.

The recent difficulties experienced by children trying to gain access to schools is an indication of serious deficiencies in both planning and the school building programme. Planners should not allow large scale housing developments to proceed without social, cultural, sporting and educational amenities being in place simultaneously. The school building programme should be stepped up to meet demand and the planning of the school building programme requires review.

**Social Housing**

Given that we have already seen a shortfall on commitments contained in *Towards 2016*, it is imperative that Budget 2008 provide the resources necessary to address that deficit and get us back on track to meet 2008 commitments.

It remains difficult for many young families to own their own home and the substantial need for social and affordable housing is not being met. The extension of the remit of the Affordable Homes Partnership is welcome and this will hopefully increase the output to the level of 20 percent envisaged in the legislation.

- Congress supports the incremental purchase scheme of local authority homes put forward by the Government. There needs to be better supports for low income households to purchase their own home;

- Government must replace local authority homes which have been sold so that there is a basic level of such housing available to those who need access to it.

If the low level of provision is maintained until 2009, agreed targets would not be met. In the area of Affordable Housing, in the first six months of 2007 just 1,192 of this year’s target of 5,000 were produced. It is therefore imperative that production of all forms of social and affordable housing in increased.

# Chapter 3 - Taxation

## i) Income Tax

***Congress believes the following measures should be implemented:***

**Tax Credits** If increases in tax credits and the introduction of a new tax credit are to benefit all workers, this Budget must implement one crucial change. What is required is a change in revenue rules to allow workers' to transform any unused amount of their credits into cash, which could be claimed back at the end of the year. Refundable tax credits are a feature of many other tax systems and are considered to provide the best means to ensure all workers benefit from tax changes. Budget 2007 increased the individual's personal tax credit by €130 and the employee's tax credit by €270 – a total of €400 pa. **Budget 2008 should increase the individual's personal tax credit by €100 and the employee's tax credit by €350 – a total of €450 pa.**

**Tax Bands** Budget 2007 reduced the top rate of tax from 42 percent to 41 percent and increased the individual's standard rate tax band by €2,000. Greater equity, at less cost, could have been achieved by freezing the top rate, while increasing the standard rate band by €3,000. **Budget 2008 should increase the individual's standard rate tax band by €4,000.**

**The Health Levy Earnings Exemption Threshold** To restore its ratio to average industrial earnings to that level which obtained under the amended Budget 2000, **this should be increased from €480 pw to €548 pw.**

**PRSI Earnings Exemption Threshold** to restore its ratio to average industrial earnings to that which obtained under Budget 2000, **this should be increased from €287 pw to €442 pw.**

**PRSI Tax Free Allowance** This should be **increased from €127 pw to €217 pw,** in order to restore its ratio to average industrial earnings to that which obtained under Budget 1998, the very last time it was adjusted, with corresponding adjustment of the lower social insurance rates.

**Pension Contributions** The current high ceiling on pension contributions should be substantially reduced to €130,000 for reasons of equity and to reduce tax avoidance by high income earners.

**Mortgage Interest Relief** The Programme for Government promised 'major' relief for home buyers, by way of additional mortgage interest relief. Congress sought the advancement of these measures when it met government in July 2007, as part of a targeted means of assisting those hit by recent ECB interest hikes. **Congress believes any new measures should go beyond what is contained in the Programme for Government.**

**Minimum Wage** The minimum wage must remain outside the tax net.

**Cohabiting and Same Sex Couples** Budget 2008 must end the unfair practices, in respect of tax and social welfare, which discriminate against same sex and cohabiting couples.

**Gainsharing** Congress has long sought the adoption of measures with the potential to expand employee financial participation in the economy. It is widely recognised that employee financial participation has the potential to contribute to the deepening of workplace partnership and enhance the competitiveness of individual enterprises. Existing measures have the potential to benefit every employee, but our experience is that they have only been taken up

# The Fund must be used for the purpose for which it was established.



in companies that have been or are public. Congress is therefore seeking a measure that would provide favourable tax treatment of earnings from approved gainsharing schemes. The measure would provide an annual tax credit of a specified amount that could be offset against earnings from approved gainsharing schemes. To qualify for the tax credit revenue approval for the scheme would be required. Revenue approval would only be granted when it was clear that the scheme had satisfied particular conditions which aimed to eliminate any potential for salary substitution.

### ii) PRSI Reform & the Social Insurance Fund

***Congress will oppose any removal or upward shift in the PRSI ceiling that is not accompanied by a commensurate reduction in the rate, particularly with regard to middle income workers.***

The Programme for Government contains a proposal to abolish the ceiling on PRSI. Congress welcomes the abolition of the income ceiling on PRSI as a move which will improve the progressiveness of the income tax system. However, it appears that the proposed cut in the rate will reduce the size of the Social Insurance Fund. We understand a review of the Fund by private consultants is due and look forward to its publication. While Congress supports a comprehensive welfare system and retirement benefits, we are concerned that the reduction in the rate of contribution for the self-employed by 33 percent is over-generous and trust that the consultant's review will ensure there is "value for money" in the changes proposed for the self-employed, that there is a full assessment of the cost and benefits and that the reform is equitable.

According to the Programme for Government "the Fund will be reimbursed by the Exchequer of the cost of this reform." Congress wishes to see a failsafe mechanism in place to ensure the Fund is not short-changed by Government in the future. The governance of this massive Fund is archaic in the modern era, particularly as lumping it with the Exchequer and allowing it to receive the interest (impute or actual) on contributions made for workers' welfare is wrong. Congress is of the view that the best way to protect the hundreds of millions of contributions for workers in this fund is the establishment of a modern governance structure, perhaps with a Board of Trustees for the Social Insurance Fund with a majority of employee representatives.

Congress will oppose any removal or upward shift in the PRSI ceiling which is not simultaneously accompanied by a commensurate reduction in the rate, particularly in regard to middle income workers.

In *Towards 2016,* enhanced employability is to be encouraged, with an emphasis on flexicurity, income security and life long learning. The Social Insurance Fund should be used to give social protection for those in atypical working, those on low incomes and to improve maternity benefit, parental leave etc. Thus it is important that the Fund, which had a surplus of €2.4bn two years ago, must be used for the purpose for which it was established and not raided for other purposes. Congress looks forward to the study of the Fund which is to be published shortly and will comment further then.

## iii) Proposed Review of Taxation

***The proposed review of taxation is welcome and should help to establish a system of taxation whereby all citizens contribute in an equitable fashion and inefficient tax breaks and other distorting features are eliminated***

Congress welcomes the proposed review of Ireland's tax system by a Commission on Taxation. Congress believes this is an opportunity to fundamentally restructure the tax system to meet the three key objectives:

1. To raise revenue for government, in an equitable way;

2. To redistribute income and wealth and

3. To encourage preferred economic activities, in ways that do not distort efficiency.

In addition to these sometimes conflicting objectives, a tax system should be as simple as possible, should be evidence-based and should reward work and not speculation and the accident of birth. Congress believes that the Irish tax system has become simpler over the past decade or so, that it nods increasingly in the direction of evidence-based decision-making but that it still has a number of strong features which make it biased against those who work.

On the first objective, the absolute amount raised by government has risen in real terms for many years with strong economic growth, but the Irish government now spends less on day to day public services than any other country in the EU15 as a proportion of GDP. Irish governments once spent as much as the average in the EU15, but have cut it back. However, in the past few years, public spending as a proportion of GDP has been slowly rising from the historically low level of the year 2000. While Congress does not have the view that high public spending is a desirable policy objective in itself, we are firmly of the view that low levels of current public spending translate into poorer public services. It means that many very worthwhile social and economic policy objectives cannot be met. For example, education, financed largely by current public spending, is one of the key investments in the future of the knowledge economy. Ireland has had the advantage of high economic growth and increasing real current public spending which has allowed public spending, as a proportion of GDP, to fall to levels far below those of modern advanced states in Europe and even below that of the US for some years. Slowing growth means taxes will have to be raised, in the near future.

Taxes are one of the primary methods of income and wealth redistribution. Most people contribute to taxation in direct income taxes (with the exception of tax exiles) and there are also some taxes on inheritances in Ireland which help redistribute wealth. This, and other revenue, funds public services, including the social welfare system. While much progress has been made in reducing artificial tax 'incentives' and other such distortions - which has enabled tax rates to be reduced over the years - there are still many left. These continue to distort the market and some are very inequitable.

### Rewarding Work?

Taxes on wealth and inheritances have been steadily reduced to a fraction of the rates that applied in the past, when Ireland was a poor country. Now as a very wealthy country, with some extraordinarily wealthy individuals, taxes on inheritances are too low. The threshold in Ireland is just short of half a million in 2007 at €496,824 before any tax is paid at all and then

# Taxes are one of the primary methods of income and wealth redistribution.



the rate is not graduated as it was by a flat rate of less than half the marginal income tax rate.

The Government states that it believes in rewarding work[4] and promoting enterprise, but it often taxes inheritances (and capital gains) at a fraction of the tax on work. This must be changed, with windfalls by virtue of birth or speculation being taxed at least at the same effective rate as the taxation on work and enterprise. For example, a person on the minimum wage would have to work for over 28 years to earn the same sum of money that a child can inherit from a parent without paying any tax on it. A person inheriting €1,000,000 from a parent would only pay an effective tax of 10.1 percent, while a wage earner pays at 41 percent plus PRSI! It would take 57 years on the minimum wage to earn that amount of money!

**Tax Breaks are Expenditure**

As mentioned above, there has been a substantial reduction in the tax breaks or incentives given for “preferred economic activity.” Economists regard tax incentives as *tax expenditures,* that is they are a form of spending by governments. Thus they are not without cost. If the overall benefit does not exceed the cost to taxpayers, then there should be no incentive/subsidy, in most instances. Capital gains are taxed at less than half the marginal rate of income tax in Ireland and many people successfully seek to convert income into gains and so pay less tax. This should be addressed immediately.

Ireland is no longer a poor, under-developed economy and it no longer needs to give generous state incentives and state aids in the form of tax expenditures to businesses, especially when Corporation Taxes are so low. Congress believes that tax breaks should be subject to rigorous economic evaluation. It is not sufficient that there were ‘surveys’ of the beneficiaries which show that they wish their tax break to be continued. This was the case in early 2007, when such a survey showed that beneficiaries were happy with the Business Expansion Scheme (BES). This was not an economic evaluation, nor was it evidence-based policy making. The removal of such tax expenditures eliminates distortions, corrects perverse incentives and may allow nominal tax rates to remain lower than they might otherwise be.

In conclusion, Congress welcomes the proposed establishment of the Commission on Taxation as an opportunity to fully review the efficiency and equity of the whole Irish Taxation system. However, this review must be evidence-based and grounded in an overall philosophy of equity, combined with economic efficiency and the recognition that taxation is an integral part of a modern society and not as a burden. The Commission should also address the clear link between public spending and taxation and attempt to inform the public of the wide choices available to them through this linkage.

## iv) Is Government Facilitating Tax Avoidance?

***Tax breaks are of dubious benefit in a thriving economy and serve merely to undermine equity and fairness in the tax system. They represent huge sums of income lost to the Exchequer***

The annual parade of the high income earners, millionaires who pay no tax is particularly galling for Congress and tax compliant citizens. This is because the edifice of avoidance has been carefully constructed by successive governments as “tax incentives” to boost “desirable economic projects.” However, in practice, while some of these tax breaks may assist some businesses, they facilitate

4 Budget 2007, pA7 and A29.

tax avoidance by high income earners. In a modern, wealthy, near full employment economy where competition is espoused by Government and business, state subsidies for business should be a thing of the past, particularly on the scale seen in Ireland. Now that we know the real cost of some of these 'incentives' in cash terms, Government should terminate most of them immediately.

The attempt to create a minimum rate of 20 percent on the very highest earners is questionable, when most middle income earners pay at 41 percent. This is because it is the Government, through its vigorous promotion of tax avoidance schemes, which undermines equity and fairness in the tax system.

Consistently, Government actions have undermined these principles and their own pronouncements. This was never clearer than with the decision to greatly expand the Business Expansion Scheme (BES) in Budget 2008, allowing high earners to increase their income tax write-off from €31,000 to €150,000 and to prolong the scheme for seven years. This was contrary to the advice of its own consultants who recommended no tax breaks for longer than three years and that all be fully evaluated before implementation[5]. The expansion of the BES was decided without an independent economic evaluation of the benefits. Further, the massive area-based property tax write-offs, which cost a total of €2 billion in tax foregone by mid 2007, will continue for several years. Further, a number of them continue indefinitely in spite of the Government's own private economic reports, which demonstrated that property-based tax breaks are of little or at best, of dubious value.

5 Indecon report for Dept of Finance, page 308.

Those tax breaks retained demonstrate a clear ideological commitment to the privatisation of the health services, being for private hospitals, private health clinics and private sports centres.

## v) Corporation Tax Competition

***EU member states should collectively address the issue of Corporation Tax coordination, to avoid a 'race to the bottom'***

Congress is of the view that Corporation Tax competition is a race to the bottom by nation states. We believe that tax competition by sovereign governments, in order to woo foreign direct investment, will stimulate a race to the bottom which no state can win. Ireland has had first-mover advantage but soon will be passed in this race. Ireland should join with most member states in the EU and address the issue of Corporation Tax coordination of some sort, while retaining some basic rights for member states.

On the other hand, Congress would be opposed to a Common Consolidated Corporation Tax regime which is based on point of sales, as it would be unfair to Ireland which, as a small open economy, has very high exports and is where many European companies are headquartered. It does appear as if the government could suffer a major loss of revenue if the point of consumption basis takes effect. Thus it is possible that Corporation Tax coordination in the EU may be a more feasible alternative in the long run.

## vi) The Bank Levy

***Congress is calling for a new Bank Levy based on deposits***

The Government abolished the bank levy some years ago. As the banks were major beneficiaries from the reduction of the low 12.5 percent tax rate, it had been expected that the bank levy would continue. This was not the case.

Some have proposed a Bank Levy to raise a very modest amount from the banks each year. Congress holds that with the extraordinary profits being made by Irish banks over the years, particularly with the higher profits which they make in Ireland, the tiny contribution to society by the banks should be increased, through a new Levy based on their total deposits.

## vii) Indirect Taxation & Inflation

***Government policy has contributed to the recent rise in inflation and must now take a lead in reversing the trend***

Congress is perturbed at the sustained high level of inflation over the last two years. As mentioned above, when the first tranche of the *Towards 2016* pay deal was being negotiated, most economists were forecasting inflation of around 3 percent for 2006 and under 3 percent for 2007. The outcome has been 4 percent in 2006 and 5 percent in 2007. The optimistic forecasts have failed to materialise for several years. Ireland's high inflation has eroded workers' living standards and the high price levels make it difficult for many working families to make ends meet.

The main drivers of inflation have been external, particularly the interest rate rises set by the European Central Bank and rising fuel prices, but these were partially mitigated by the rise in the Euro and low price rises for goods. The prolonged high rises in services inflation in Ireland has continued and is worrying. The Government had a role in price rises when it shifted from direct taxes to indirect.

Congress re-iterates its demand that the Government take a lead in price rise reduction by reducing the VAT rate from 21 percent to 20 percent, or even lower.

## viii) Tax Advantages for Private Equity Firms

***Asset-stripping Private Equity firms should not enjoy tax advantages over normal commercial companies***

Congress has been perturbed by the activities of private equity firms which have no allegiance to regions, countries or employees of the firms they take over. Congress has previously called[6] on the Government to ensure that these firms do not enjoy any tax advantages over normal commercial firms. Congress supports the tax deductibility of loan interest as a normal business cost. However, when a private equity firm takes over a commercial firm with employees and loads that firm with debt, then the state should not subsidise the takeover with tax deductibility on the interest on the debt. In order to repay the cost of the takeover, the private equity firm makes the takeover target highly leveraged with debt. It can offset all of the interest on the debt against its tax.

The Government should explore limiting the debt beyond a certain proportion of a firm's shareholders' value, particularly in the case of firms which have been taken over by private equity or similar asset-stripping firms. Denmark has already done so and UK has also made some changes. There might be an exception in the case of firms which build up debt in normal trading beyond the limit set on the tax deductibility of debt. While the role of private equity firms may have diminished with the 2007 Financial Crisis, the issue is one which

6 Irish Independent, March 26th 2007.

Government should and must address for the future. Government should ensure that tax loopholes in the area are also closed, such as carried interest on profit share schemes and where income is shifted into capital gains, which, of course, is only taxed at less than half the marginal income tax rate

When French President Nicolas Sarkozy and German Chancellor Angela Merkel call for greater regulation of international financial markets[7], the Irish government should take note.

## ix) Addressing Climate Change

### a) Biofuels

***A subsidy regime for biofuels would increase food price and would not be environmentally sustainable***

Congress supports measures to seriously address climate change. Climate change and global warming are occurring faster than was previously believed.

We strongly believe there must not be any subsidy regime for biofuels, as this would further push up the price of food. Even the OECD has warned that it may not be sustainable to produce biofuels with current levels of technology[8] and the provision of taxpayers' euros in subsidies to farmers to divert crops from food is a waste of money and inequitable. The EU should consider reducing the taxes on imports of biofuels from developing countries, which can be as high as 50 percent. Further research on biofuels is required before new subsidies are made available to industry and farmers, as it appears that the technology remains undeveloped.

7 On 10th of September 2007 in a joint statement.

8 Brice Lalonde of OECD's sustainable development round table, FT 13 Sept ember 2007.

It is important that Irish taxpayers do not subsidise farmers to produce supposedly eco-friendly fuels which cost more to the environment than oil and gas. For example, the US imposes a tariff of more than 50 cents per gallon on sugar-based ethanol from Brazil, while it subsidises inefficient corn-based American ethanol. It requires more than a gallon of petrol to fertilise, harvest, transport, process, and distill corn to yield one gallon of ethanol in the US.[9] Irish taxpayers must not pay such perverse subsidies to farmers and processors. No biofuel subsidy regime should be introduced without rigorous economic evaluation in Ireland. If it means importing environmentally friendly or cheaper biofuels, then this is the course we should adopt. Congress will not condone state subsidies that push up the price of food, which has already gone up with recent commodity price rises.

### b) Emissions Trading & Carbon Taxes

The EU's emissions trading scheme is largely a subsidy to industry. Congress does concede that many of the industries covered are large employers, providing good jobs and most are unionised. However, in Ireland's case, this subsidy to business comes on top of a long list of business friendly fiscal policies including:

- Corporation Tax reduced from 50 percent to 12.5 percent;
- Capital Gains Tax halved to 20 percent;
- Employers' PRSI is the lowest in OECD;
- Introduction of R&D tax credits;
- Maintenance of an extensive list of tax shelters.

9 Joe Stiglitz, *The Changing Climate On Climate Change*, February 2007.

# The decision to impose an additional tax on profits from oil and gas is welcome.



Nonetheless, capital is mobile. It has no loyalties and will go to where it will get the best return. However there must be some limits, otherwise the implications for social cohesion are very severe. The issue of climate change is one which has to be addressed and taxation must be part of the solution, but it must be framed in a way which is equitable. Congress looks forward to the work of the Commission on Taxation, in this area.

It was Congress which raised the issue of higher taxes on SUVs in our 2006 submission and we are pleased that the Government is now acting on our suggestion, with the study of the best way to tax such vehicles. Congress is of the view that all new vehicles sold from early next year should be taxed on the basis of pollution created and also on the environmental cost of their actual manufacture. Essentially, large, high and heavy vehicles which demand more complex manufacturing should be taxed higher than others and low emission and lower fuel burning hybrids should be given a better deal on VRT. Consideration should also be given to higher duties on SUVs of large size which reduce road visibility to other drivers.

## x) Taxes & Royalties on Oil and Gas

***While the introduction of a new tax on oil and gas profits is welcome, a tax on production would be more transparent and efficient***

For many years the Irish people received virtually nothing from any discovery of oil and gas in our territory, following the abolition of the Royalty Tax of 12.5 percent on production. The Irish people own these resources. With declining world oil and gas stocks, rising prices and greater innovation in offshore exploration and production, the possibility of a large field being discovered off our coast is increasing. Indeed, recent promising finds seem to indicate it is only a matter of time before this happens.

The decision by government in August to impose an additional tax on profits from such fields is welcome. However, Congress believes that a royalty tax - a tax on production, rather than on profits is more transparent and easier to determine, and gives a definite return to the owners of the resources, the Irish people.

## xi) Security of Oil & Gas Supply

***EU law does not prevent Ireland ensuring any oil or gas found here is offered for sale in first in Ireland, rather than on the international market***

If there is a worldwide oil and gas shortage, these resources could still be pumped out of Ireland to other markets and we would have no say in the matter. Any oil or gas company has the right to pipe and sell the produce of an Irish oil of gas field to the highest bidder on the international market, with no preference being given to the Irish people who own the resources. For security of supply reasons, Ireland must have first right of refusal on any oil and gas found in our territories. There is no obstacle under EU rules on competition, as this is a security of supply issue.

We would still hold that the re-introduction of a royalty on production would be preferable to the additional tax on profits. Profits can be manipulated by tax planners, through the re-configuration of the expenditure on exploration and development. Such a tax would have no impact on exploration or production, provided there is a minimum threshold set.

A condition of exploration and production licences must be that the Irish people will have the right of first refusal on all produce from oil and gas fields in the national territory and at reasonable prices, based on the previous year's average price.

The new regime is called the "profit resource rent tax" where the oil or gas company will be taxed on its profits on a scale, with higher rates where the profit ratio is higher, though there will be no tax on the resource itself.

## xii) Capital Taxes – Rewarding Work

***Budget 2008 can start the process of rewarding work, as opposed to favouring unearned income and inherited wealth***

Many Government statements on taxation support the principle of rewarding work and enterprise, yet the tax system is biased in favour of unearned income and inherited wealth. An opening section in last year's Budget statement by the Minster for Finance, Mr Cowen, was headed "Rewarding Work"[10] and the Minister stated that the Irish "economic success is driven by the hard work and the collective effort of the people." In the Programme for Government, the section on taxation is called "A Fair Tax System." It begins by stating that "our first priority remains low and middle income earners."

The best way to assist these people, who make up the majority of our membership, is to ensure that income from all sources is taxed in the same way. This principle of taxation is the key to a fair tax system. While there can be some practical difficulties in taxing gains and wealth under this principle, these can be overcome.

There is a whole industry devoted to tax avoidance, with many involved as some of the strongest tax lobbyists for the wealthy in Ireland, through 'professional' bodies and direct intermediation. Congress welcomes the High Court Judgment[11] which did not allow foreign residence to be used as a mechanism for tax avoidance by a very wealthy individual. Congress believes that the whole area of tax avoidance by extraordinarily wealthy individuals must now be legislated for and action taken to clamp down on the tax exiles.

And while there has been some progress in making the system fairer and more progressive, there are major flaws in a system which allows large amounts of income and wealth to remain untouched or only lightly touched by taxation, while all income from work, especially by workers, is taxed at the marginal or higher rate.

The reform of capital taxes is essential if there is to be a fair tax system and if work and enterprise are to be truly rewarded. A system where inherited wealth and income is virtually untaxed while small income gains are taxed at effective marginal rates of near 50 percent for middle income workers is unfair. It also distorts our system of reward for effort and work. The taxation of capital gains is unfair compared to the taxation of income in Ireland, favouring speculation and unearned income over that earned through work and enterprise.

Congress recognises that there are powerful interests that will oppose a fair and evidence-based tax system, including the well-resourced tax planners, but it is now time to adhere to the values which most people, including the Government, publicly espouse. It is now time

10 Ibid page A9 and it is followed by a section entitled "promoting enterprise and innovation" and the conclusion also stresses that the budget "rewards work."

11 High Court, 31 July 2007 Revenue vs Lorraine Kinsella of the Ryan (Ryanair) family around the issue of tax avoidance of CGT of 20% on €19m worth of Ryanair shares.

# The reform of capital taxes is essential if there is to be a fair tax system.



to walk the talk on tax equity with the proposed Tax Commission, but a start can be made in this Budget!

### xiii) Evasion, Avoidance & Other Taxes

***Revenue must pursue avoidance and evasion in all sectors of the economy***

While progress has been made in tackling tax evasion, Congress is of the view that the Revenue should undertake many more tax audits. These audits generate excellent results and their wide sweep leads to further evasion being uncovered, generating a strong deterrent. Levels of evasion in the construction sector are particularly high and while Revenue has focused on this area, more needs to be done, particularly in dealing with bogus self employment.

# Section Two
# Better Services for All

# Chapter 4 - Health

This Budget should see an expansion in medical card numbers as part of a move to universal provision, along with proper resourcing for a comprehensive primary care system, free at the point of delivery. Cutbacks, recruitment embargos and privatisation by stealth – the 'co-location initiative - are a recipe for continuing chaos. In addition, to facilitate proper medium and long-term planning the funding system for current spending must change from annual to multi-annual, as it applies for capital spending.

The embargo on recruitment in the health sector is a tried, tested and failed action of the past. It is harming patients and damaging the service itself. Cuts and embargos are crude measures which do not work. Congress is willing to play its part in developing a world class health service. We are not of the view that 'throwing money at the problem' will make the system work. But we are of the view that both a growing population and health inflation mean more day to day spending is required. That is an inescapable reality. Congress has previously set out ideas for health reform in our briefing paper *Addressing the Health Care Crisis*, published in June 2007.

**Privatisation**

The defining issue in Irish health policy in 2007/08 is the continuing ideological commitment by the government to the privatisation of hospital care under the innocuous title of 'co-location'. Congress, virtually all health workers and the vast majority of Irish citizens are opposed to the privatisation of this core public service.

Health care is not a commodity to be sold to the highest bidder, it is fundamental to how our society is organised. The use of new terminology and the mustering of spurious economic arguments do not wash with the Irish public. The decision to push ahead with privatisation of hospital care in spite of the virtual elimination of its political sponsors in the 2007 General Election appears misguided and it is very ideological. The economics do not stand up to scrutiny, with large sums of tax subsidies going to wealthy investors and to state subsidised 'private' hospitals.

Indeed, the true cost of the tax subsidies was first revealed in a Congress study of the health service, by Professor Dale Tussing and Maev-Ann Wren, which was published in November 2005. The study found the subsidies were a poor use of public money and could cost the taxpayer up to €400 million in return for 'hospitals' that remain wholly in private hands and over which Government would have little or no control:

*"It would have been a better use of state funds to invest in a public hospital, an institution which the state controls and to which the Government could ensure all citizens gain equal access based on need."* (The Health Report, Tussing & Wren, November 2005)

The authors found neither merit nor logic in the co-location initiative.

If the 'co-location' of Irish hospital care is successfully implemented, it will have enormous consequences for equity of access and could do lasting, permanent damage. Indeed, the impact of this and other measures in health policy will be to drive increasing levels of care into the private sector where there is no control over standards or quality.

It would take a strongly motivated Government a long time to repair the damage which this state-subsidised privatisation programme will do to our health system. We call on the Government to abandon the programme. If Government will not do this, Congress insists that at very least it should commission an independent, evidence-based review of the financial cost of this initiative and another on its impact on health equity. We believe 'co-location' will not stand up to any sort of serious scrutiny.

**Reform of Health**

In our submission last year, Congress argued that, in spite of the crisis in health care, there also existed a good opportunity for reform: "The sources of strength upon which to build are, first, Ireland has an endowment of well-trained and skilled health service staff. Secondly, the Irish economy is strong. Ireland can afford a health care system which is world class and which our people deserve. Thirdly, Ireland can benefit from four years of deep and insightful examinations of the healthcare system."[12]

While there has been some progress, including the establishment of the Health Forum (a Congress initiative) the main drive seems to be towards privatisation of hospital care.

A key priority for Congress is the provision of well-resourced, modern primary care, free at the point of delivery, over the next 10 years. Ireland can afford this and it will reduce health care costs as illnesses are found early in primary care. In most European countries, access to GP and community care is at no cost or little cost to citizens. Here, in rich Ireland, 70 percent of the population have to pay a substantial fee each time they visit a GP.

12 Congress, 2007, *Spreading Prosperity*: Pre Budget Submission,

Primary, community and continuing care are poorly developed in Ireland. Congress wishes to see the immediate expansion of medical card numbers, with a planned progression to universal provision.

Last year, we called for the delivery of the 2001 Health Strategy targets for publicly provided care of the elderly. Indeed, in 2002 the then Government promised to deliver on the commitment to 3,000 new beds (2,800 to be in-patient) that was contained in the Health Strategy. Those beds are urgently required. Indeed, given the rapid rise in population it could well be argued that this figure is in fact a minimum requirement. Other initiatives on health for Budget 2008 are to:

- Extend Medical Card coverage to 40 percent of the population[13]
- Introduce a Cost of Disability Allowance;
- Increase funds for specialist services working on Violence Against Women;
- Increase income exemption limit for Health Levy (see Income Tax);
- Greatly improve Primary Care in Ireland;
- Greatly improve Community Care;

In addition, Congress is strongly of the opinion that access to dental care is extremely poor in Ireland. Given the PRSI payments made by all working people it seems perverse in the extreme that this does not generate any meaningful entitlement to proper dental care. Budget 2008 must, at very least, begin to address this glaring contradiction.

13 Tussing and Wren, *'How Ireland Cares',* New Island/ ICTU, 2006

# Sufficient resources must be made available for full implementation of the *Towards 2016* commitments.



## Chapter Five - Adequate Resources for a Just Society

This Budget presents an opportunity to begin building the public services necessary to ensure a better quality of life for all.

The Developmental Welfare State has been advocated by NESC and the social partners as the right approach for Ireland to adopt if we are to create a more inclusive and just society. *Towards 2016* developed the idea further by taking a lifecycle approach that promises to assist people as required, at each life stage. However a significant gap remains between that promise and what workers would consider as necessary to deliver on the commitments made in *Towards 2016*.

The lifecycle approach is based on the ambitious vision that public services will in the future be based around the individual's needs and requirements. Congress is seeking the development of the world class public services expressed in this agreement. High quality public services, focused on enhancing the quality of life and well-being of citizens, need to be adequately resourced to achieve this goal. In the context of the greater pressure on public services to provide even a basic service (education, maternity, health) due to an increasing population, this is an ambitious objective.

The NDP established the minimum financial envelope of resources needed for the achievement of key strategic social objectives. Specifically, €49.6 billion for social inclusion measures (children, people with disabilities, etc.); €33.6 billion for social infrastructure (housing, health, justice, etc.); €25.8 billion for human capital (schools, training, higher education, etc.) over the next seven year period, to 2013. This is the first Budget since the plan was launched in January 2007 and this Budget must provide sufficient resources to 'kick start' and give confidence that these essential elements of the plan will be realised.

Budgetary polices should aim for a fair distribution of costs and benefits and provide for a modern social security system that provides income security relative to a person's earnings. We are seeking greater protection for workers with particular life events such as redundancy, unemployment, ill health and disability along with more support for working families and for a greater work life balance.

Sufficient resources must be made available for full implementation of the *Towards 2016* commitments, on the new employment rights regime. In addition in line with other commitments resources must be given to the Labour Court and to the equality infrastructure provided by the Equality Acts to reduce the incidence of discrimination, with a particular priority to remove the current backlog of equality cases before the Equality Tribunal.

It's also imperative that Budget 2008 makes serious progress on meeting the crucial commitments on sport contained in *Towards 2016.*

# Chapter Six - Supporting Working Families

Congress believes this Budget presents an opportunity to fundamentally transform and develop our system of supports for working families and provide for a more child-centred approach to care. This should not be seen as a cost, or a drain on resources, but rather as a strategic investment in necessary supports that will enhance social cohesion, facilitate greater labour force participation and contribute to better competitiveness.

Currently, Ireland is among the worst in Europe in terms of the supports we provide for working parents. Congress strongly believes that this Budget presents an opportunity to begin a radical reform of existing measures and build the supports required by working families. Specifically, we are seeking:

I. Improved Maternity and Paternity Leave;

II. The introduction of a Payment for Parental Leave;

III. A Legal Right to Flexible Working;

IV. Free Early Childhood Care for 3-4 year olds;

V. Better in-work benefits for working parents;

VI. Fair treatment of Same Sex and Cohabiting Couples.

## i) Improved Maternity & Paternity Leave

**Maternity Leave** Congress is calling for an increase of 3 months paid Maternity Benefit. This will increase paid Maternity Leave to 9 months. Unpaid maternity leave will be unchanged and remain at 16 weeks.

**Paternity Leave** Fathers should be provided with one month's paid Paternity Leave. Paternity Benefit should be paid at the same rate and in the same way as Maternity Benefit.

**Shared Maternity/Paternity Leave** We are seeking a further three months paid leave that parents can allocate and divide between themselves, as they wish, on a shared and part time basis. This would mean an entitlement to one year's paid leave during the first year of the child's life that both parents can arrange as they choose. Ireland needs to value our families more and we can do this by introducing a framework that offers real choice and flexibility for mothers and fathers.

**Maternity Benefit and Paternity Benefit** The level of Maternity Benefit needs to be increased to provide a level of payment closer to actual wage levels. At the moment Maternity pay is set at 80 percent of earnings but is limited to a maximum payment of €280 a week. This means that all workers with earnings above €350 a week receive much less than the promised 80 percent of their earnings. In fact a worker on Average Industrial Earnings will receive less than half of their wages as Maternity Benefit. Congress is calling for a substantial increase in the ceiling; a figure of €530 represents 80 percent of average industrial earnings. This would mean that all workers paid up to the average industrial earnings would actually receive a payment that is 80 percent of their wages. As previously stated Paternity Benefit should be paid at the same rate as Maternity Benefit. Pro rata entitlements should apply in respect of Adoptive Leave and Benefit.

## ii) Introduce Paid Parental Leave

Congress believes this Budget should see the introduction of a payment in respect of Parental Leave.

The fact that Parental Leave is unpaid is repeatedly identified by employees as the single biggest barrier to them availing of this entitlement. The absence of a payment means that employees who take up the leave incur a direct cost. The cost to families with a parent on unpaid parental leave is reflected in terms of earnings and pension contributions forgone. For example, parents who take three months leave to care for their child will suffer a 25 percent reduction in their income. This high cost to the family often means that parental leave is not taken – 80 percent of eligible parents have not taken their Parental Leave.

Maintaining a high level of social protection is an objective of Ireland and the EU. It is explicitly included in the tasks listed in Article 2 of the Treaty on European Union. Social Protection represents a fundamental component and a distinguishing feature of the European Social Model. Other EU member states provide Paid Parental Leave: Austria; Denmark; Finland; Germany; Italy; Luxembourg and Sweden all make payments in respect of Parental Leave. In Italy, 30 percent of salary is paid by the employer for up to six months, while in the Netherlands and Belgium collective agreements provide for additional payments while on Parental Leave.

Parental Leave to care for children is now the only form of leave that remains unpaid in Ireland. All other caring leave qualifies for a Social Security Payment.

Unpaid Parental Leave was first introduced in 1998 and it would be timely if Budget 2008 was to see the introduction of a Parental Leave Benefit, to help working parents balance work and family life. This should be pay-related and aim to replace 80 percent of the income of the worker, similar to Maternity Benefit.

## iii) A Legal Right to Flexible Working

Congress is seeking the introduction of a statutory entitlement to flexible working arrangements.

Achievement of an effective balance between the demands of the workplace and the other aspects that make up workers lives is of crucial importance to the positive long-term development of Irish society. Reconciliation of work and family life has become increasingly important over recent years and its achievement is a key objective of EU and national policy. It is widely recognised that the development of flexible working arrangements is a key mechanism through which reconciliation of the different spheres of life can be attained. Workers need to have greater control over their working lives, particularly as their aspirations, commitments, responsibilities and opportunities change both in and outside of work.

For many workers flexible working arrangements are desirable but for some workers they are essential if the employee is to remain in employment. Research carried out for Congress has shown that the impact of the lack of care services combined with the unavailability of flexible working has meant that workers, most often female workers with childcare and other care responsibilities, have had to leave the workforce.

While a lot of valuable work has been undertaken through the National Framework Committee on Work/ Life Balance, our experience is that too many employers are still refusing even simple requests for changes in working arrangements.

Under the legislation proposed by Congress, workers will have a right to request their preferred flexible working option and employers will be obliged to seriously consider that request and only allowed to refuse if there is a substantial business reason. Flexible working arrangements include: reduced hours, flexitime, career breaks, compressed hours and part time, work sharing, job sharing, term time working, e-working etc.  It is important to remember that this right already exists in the majority of EU countries.

## iv) Childcare

To date, Government action on this crucial issue for working parents has been haphazard, piecemeal and anything but strategic. This piecemeal approach does a clear disservice to many, many people trying only to do their best by their children. It has no place in a developed 21st Century society. Congress believes Government must now move swiftly to lay the foundations for a broad infrastructure of care that can meet the caring needs of our society today and into the future.

Congress believes we need radical change similar to the introduction of free education for children. We are therefore calling for one year's free universal early education for all 3-4 year olds. Nothing short of this type of step change involving direct free provision of early childcare and out of school hours' care will suffice.

Meeting the cost of childcare continues to be one of the biggest problems facing working parents. Childcare costs as much as a mortgage. The recent increases in child benefit and the introduction of the Early Childcare Supplement do not even begin to cover the cost. Currently, the average cost is €215 a week for each child which, for a family with two children, represents over €20,000 every year. For a worker on average industrial earnings the cost is unacceptably and often prohibitively high.

Childcare remains one of the biggest obstacles for working mothers. Statistics from the CSO for 2006 show that 88.3 percent of childless Irish women aged 20 to 44 were in employment. However for women with children aged under 3 years, this figure dropped to 58 percent, and for those with children aged 4-5 the figure is 53 percent.

This reflects what parents have been telling us - that they find it difficult to afford childcare and even when they can, it is impossible to find out of school hours care for their children.   Working parents no longer have a supportive extended family close at hand, and the public provision of childcare - both early education for the 3-4 year olds and age appropriate out-of-school hours care up to age 14 - has now become urgent.

Under the EU Lisbon Strategy, the target was to have public or publicly-funded childcare places available for 90 percent of children aged between 3 years and school age (the OECD in 2006 estimated that we are currently at 56 percent)  and for 33 percent of children aged under 3 years (the OECD in 2006 estimated that we are currently somewhere between 10-15 percent). The earliest years of a child's life are critical and providing early care and childhood education for all children will have long term benefits.

The new Community Childcare Subvention Scheme (2008-2010) will come into effect on January 1 2008. This scheme involves significant changes to the manner in which grants are given and will increase the cost of childcare for working parents, make some childcare services unsustainable and place childcare workers at risk.  Under the new scheme, staffing grants will no longer be given to community based childcare providers based on the number of children, these are replaced by subventions, ranging from €30 for those in receipt of FIS to €80 for those on social welfare or in training. However, unlike the existing system, no support will be available for children of working parents. Childcare groups have estimated that they will receive about €35,000 less a year under the new system. Reducing funding to community-based childcare will do nothing to improve standards in childcare, nor to bring about much needed improvements in the pay and conditions of childcare staff.  This new funding structure is likely to result in a reduced social mix, as services to working parents will be undermined.  Introducing means testing for community-based childcare is backwards step.  Congress believes that the increased resources (€153m) would be  better spent by increasing  grant support in way that encourages a good social mix, provides for improvements in the standards of child care and in a manner that drives improvements in wages, conditions of employment and career advancement for childcare workers and importantly in way that improves rather reduces help for working parents.

Congress is concerned to ensure that the funding will be sufficient and resources allocated in such a fashion as to facilitate and ensure the training and development of childcare workers, across the sector. Too often the actual workers are neglected in any debate on this issue. Higher skills and better training will, in turn, improve overall standards of care across the sector, improve wages, conditions and career prospects for childcare workers and make it an attractive career option.

Much more needs to be done to help working parents who must rely on private childcare. This Budget should provide tax relief on employee's expenditure on childcare and private out of school hours' care, as a cost of going to work. There are several alternative ways of making this more affordable by providing financial support, through vouchers or else through tax relief for childcare, including:

- Developing an*exemption from income tax for childcare expenses* scheme similar to the Monthly /Annual Bus/Rail Pass scheme;
- Introducing a*childcare tax credit* and making it refundable to better assist lower paid workers;
- Introducing a *childcare voucher* system.

### v) Improved in-Work Benefits for Working Parents

This Budget is an opportunity for the Government to get the strategy right for working families, establishing the structures necessary to allow people to take up and stay in work and to ensure that work pays for everyone. This should include a new targeted child allowance payable to all families below the poverty line, regardless of work status.

Having a job is not always enough to guarantee that a person lives in a poverty free household. The Combat Poverty Agency has highlighted that "there is a growing pattern of working poverty associated with the major growth in employment in recent years." Characteristics of the household, such as the presence of other low paid or unemployed adults, other adult

# The new child allowance should be available to all families who fall below a certain level of income.



dependants including those with disabilities or a long term illness, along with the number of children, all have an impact on whether families live at or below the poverty line.

The CSO estimates that as much as 7 percent of those in work are at risk of poverty and the Combat Poverty Agency have put the number of working people affected by poverty at 157,000. This is an unacceptable situation and action is urgently required in this budget to improve the situation of these workers and their families. A key aim of *Towards 2016* is to: "Ensure that social protection adequately supports all people of working age whether in the labour force or out of it… Reforms will be introduced that aim to provide those most marginalised with the confidence and supports necessary to accept the risks involved in taking up employment."

In our pre-Budget submission last year, Congress highlighted the need for more to be done to help the working poor. While some positive measures were introduced, particularly the improved means test for rent supplement, overall the government failed to implement our calls for more work-friendly welfare. The social welfare system is unnecessarily complex and it is difficult for workers to foresee and counteract poverty traps. There are too many different means tests and the consequences of a small increase in household income can result in a withdrawal of benefits, leaving the overall financial position of the worker not much better than before. This year should see the introduction of a single transparent means test that takes into account the costs of going to work, such as travel and childcare. Secondary benefits should be paid to people below a certain income regardless of whether they are in employment or not. These measures along with a new employment neutral child benefit supplement advocated below, would provide greater incentives to take up and remain in employment.

Addressing child poverty should be a priority. If going to work means anything it should surely mean that families are not at risk of poverty. One way to address in-work poverty for families is to **introduce a targeted child allowance** paid automatically to all families, both in and out of work, to ensure they do not fall below the poverty line.

This is in line with recommendations from both NESC and the Combat Poverty Agency who have called for the introduction of *"an employment neutral child benefit supplement, payable to all low income households with children."* It is also in line with the commitments in *Towards 2016* which promise: *"Progress towards the existing NAPS target for those relying on social welfare payments, that the combined value of child income supports measures be set at 33-35% of the minimum adult social welfare payment rate."*

Congress is proposing that the **new child allowance** should be available to all families who fall below a certain level of income regardless of whether they are in employment or are on social welfare. We believe that the supplement should be set at the NAPS target of 33 percent of the adult social welfare rate for children below 12 and at 35 percent of the adult social welfare rate for children above 12.

Congress is seeking:

- That the minimum wage remains outside the tax net.
- The introduction of a 2nd tier child allowance paid to all families below an income level regardless of work status.

- Improvements to the Family Income Supplement; an increase in the income thresholds and for the means test to take work related costs such as child care and the annual bus/ rail pass into account when calculating a family's overall earnings.
- Reducethe stigma of applying for secondary benefits by introducing a single means test and increase the amount that can be earned (a minimum of €338 for a single person) before someone loses much needed benefits. Provide for a more tapered withdrawal of benefits.
- Ensure that all families entitled to receive FIS are actually receiving it. A review is long overdue on the 'need' for a 12 page application form.

### vi) Fair Treatment of Same Sex and Cohabiting Couples

For many years one assumption underlying both social welfare provision and the taxation code was that of 'breadwinner father' with dependent spouse and children in a lifelong marriage. This is, however, no longer necessarily the norm in Irish society. Congress is calling for this budget to end unfair treatment and ensure equity of treatment between different household types and recognition for cohabiting and same sex couples and their relationships, in respect of the tax and social welfare systems.

## Chapter Seven - Increasing incomes for those on Social Welfare

Modern social welfare systems are increasingly focused on the need to provide the necessary supports and protection, along with increasing the individual's skill levels and employability. Congress believes this Budget should begin the process of refocusing the Irish model on the needs of the modern economy and society.

Ireland needs a modern social security system that provides adequate income supports that give broad coverage of social protection provisions (unemployment benefits, pensions, healthcare) that help people cope across the life cycle. Economic analysis from the Danish Model confirms that high social protection, high employment and competitiveness are mutually supportive. Modern social security systems increasingly offer decent benefits, along with active labour market policies focused on increasing employability.

There are important lessons to be learnt from those Nordic countries where the concept of 'flexicurity' originated, most notably Denmark. The Danish model combines generous social protection arrangements with employment protection measures. Danish workers facing economic dismissals have long notice periods (three months) providing them time to find another job before their existing job ends. They have a right to continuous training to increase their skills, along with a guarantee of 80 percent of working salary for 48 months. This means that Danish workers feel the highest degree of job security and job satisfaction in EU-wide surveys.

Budget 2008 provides an opportunity to make a serious start in improving the income standards of those who rely on social welfare. *Towards 2016* contains a number of specific commitments to significantly improve the incomes of those who rely on social welfare. The agreement specifically commits to: "Achieve the NAPS target of €150 per week in 2002 terms for lowest social welfare rates by 2007. The value of the rates to be maintained at this level over the course of the agreement, subject to available resources."

Within the National Anti-Poverty Strategy, the Government committed itself to reaching a minimum social welfare payment of €150 per week by 2007 and linked this target with 30 percent of gross average industrial earnings (GAIE). Congress considers that bringing the lowest social welfare payment up to the Towards 2016 target rate should be treated as a priority and we are calling for an minimum increase of €14.20 a week, bringing the lowest social welfare payment up to €200 a week. Pro rata increases for other payments in line with commitments should be made.

However a lot more needs to be done to bring payment levels up to the amount that workers would consider adequate to offer them income security in the event that they were to lose their employment. The income replacement function of the unemployment benefit is very weak and is unlikely to meet workers living expenses or mortgage repayments. Congress believes that its time to consider the re-introduction of a Pay Related element to Unemployment Benefit so as to ensure greater income security that guarantees that workers would receive a greater proportion of their previous wages.

### Increase Qualified Adult Dependant Allowances

Government has promised to increase the qualified adult payment for state pensions to 100% of the non contributory pension rate over the next two years.  Congress is calling for action in this budget. All other qualified adult dependant payments should reach 100% of the non contributory level by 2010.

An all too frequently neglected aspect of social welfare adequacy is the amount paid to spouses and partners. The gender bias of the social welfare system towards the traditional 'breadwinner' model is not always explicitly stated, but it becomes clear when the reality is examined, although the system of qualified adults is purportedly gender neutral, over 95 percent of qualified adults are women. Congress has long identified that the presumption that there are economies of scale based on an assumption that "two can live cheaper than one" has not been objectively arrived at. Even where economies do exist, they are unlikely to be of such a benefit to justify a drop to 66 percent of the adult rate of payment.

### ii) Direct Provision for Asylum Seekers

This Budget should reinstate child benefit as a universal payment, paid to every child living in Ireland.

Congress is seeking an increase in the 'direct provision' payments for people waiting for a decision on their claim for asylum or leave to remain in Ireland to €60 per week for adults (from €19.10); and  to €35 per week for children (from €9.60). In the future these payments should similar to social welfare payments be indexed to average industrial earnings.

# Congress strongly condemns the increased practice of closing defined benefit schemes.



## iii) Increase Payment to Carers

Congress is calling for a significant increase in the Carers Benefit and Allowance to €250 a week, we are also calling for the income disregards to be increased to allow carers earn more from part time work.

We are also calling for more imagination in the scheme, measures to allow caring to be shared by relatives and to change from full time to reduced / part time hours would improve the scheme. We are calling for employees to share an entitlement to Carers Leave for example on a one day a week basis. We are also requesting that workers be provided with a right to flexible working arrangements that will facilitate a better combination of carers leave and work. Carers should be allowed to continue in employment because this can be very beneficial to the carer not just financially but also because it allows the carer the opportunity to stay in contact with their work and career.

## iv) Pensions & Older People

Congress strongly condemns the increased practice of the closure of defined benefit occupational schemes. This is employers defaulting on their responsibilities and transferring risk to workers. The Government must develop a strategy for older people that covers all areas of policy relevant to their quality of life, such as pensions, care, health care, housing and employment. Congress is calling for an increase in and reform of the State pension, for more to be done to protect defined benefit occupational schemes and for incentives to improve pension take up.

## v) Ensuring Income Security in Retirement

This Budget should support the development of improved pension provision and the reform of the Old Age Contributory Pension to include an earnings-related component.

While Ireland's pension system is not under the same urgent pressure from population ageing as elsewhere in the EU, our dependency ratio is 16.5 percent meaning that there are six workers for everyone over 65. This will decline to 20 percent by 2016 meaning that there will be four workers and to 32 percent by 2050. Trying to ensure that more people have adequate pension coverage must become a significant Government priority. Almost 50 percent of the workforce – some 900,000 workers – do not have supplementary pension coverage. Further action is needed to ensure workers' income security and shield workers from a drop in living standards on retirement.

Workers are obliged to contribute to the state insurance fund through their PRSI to establish an entitlement to the Old Age Contributory Pension (OACP), the payments of which are not means tested nor are they affected by earned income. However despite a workers' contributions increasing in line with their income (at the moment up to the PRSI ceiling), the pension is flat rated and currently paid at €209.30 a week regardless of how much or for how long a worker contributes to the fund. This means that the State Old Age Contributory Pension is really more about poverty reduction than about entitling workers to a pension linked to an income replacement objective.

The National Economic and Social Council in their recommendations on the Developmental Welfare State (May 2005) have outlined the benefits of introducing an earnings related component to the OACP which would reflect the value of a workers contributions over their working life. The introduction of an additional pay related component may strike an appropriate balance between guaranteeing the replacement value of the pension into the future and the sustainability of the pensions system in the long term. Particularly as it has the merit of alleviating pressure on defined benefit occupational schemes as the majority calculate the pensionable income net of the OACP.

Budget 2008 must take the first steps towards:

- Introducing an additional earnings related component to the Old Age Contributory Pension to guarantee workers an increased level of income replacement based on earnings in retirement, on a tripartite basis with workers, employers and Government contributing.

- In light of evidence that retired people currently face a high risk of poverty, giving priority to increasing the flat rate of the Contributory and Non Contributory pension. The State contributory pension must increase to at least €225 a week, bringing it to 34 percent of GAIE in this year's budget working on a stepped and speedy basis towards the objective of 40 percent of GAIE.

- Given the higher at risk of poverty rates among women in old age this budget must deliver significant progress towards meeting the government commitment to increase the qualified adult payment for State pensions, paid mostly to women, to 100 percent of non-contributory pension.



## vi) Improved Benefits for those over 66

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 the upward adjustment of the current weekly income disregard of €38.09, which has remained unchanged for several years, to €100 per week in Budget 2008.

The Household Benefits package (Electricity/ Gas Allowance, Telephone Rental Allowance and Free Television Licence) has 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 €12,433 for a single person (€19,796 for a married couple).

## vii) Better Services for Older People

The development of third age communities or retirement villages as a semi independent place to live within existing communities needs to be supported by local authorities. Some acute and general hospitals currently estimate that up to 40 percent of their bed capacity is being used to support older people who could be served in alternative home-based or community facilities (sheltered or residential centres) with appropriate formal care support (medical and para-medical). This high number of older people in a hospital setting (5.5% of over 65 second highest in the EU) contradicts older people's preference (9 out of 10) to be looked after in their own home and community for as long as possible.

- Support and expand home support packages that provide care and priority access to community health services such as the Slán Abhaile programme to a national basis. This programme enables older people to return home after being in hospital due to the support of carers seven days a week. It also provides access to community services such as physiotherapy and occupational therapy. On average the older person receives 18.5 hours of care each week.

- The Department of Health & Children estimates that the growing number of older people alone will require a 14 percent increase in the number of acute beds over the period 2000-2011. There needs to be an increase in home care packages along with a sustained increase in residential beds for those who can no longer live in their homes.

- Ensure sufficient funding for palliative care and other supports in the community

- The social services inspectorate needs to be given adequate resources and the standards set by HIQA for long term residential homes need to be adequately enforced.

- The new subvention scheme needs to be implemented as soon as possible to ensure fair and equal treatment of all older people in long term residential care

- Home Help services need to be extended to all those who need them and the number of hours need to be increased.

- Increase funding and coverage of the rural transport initiative to ensure that older people living alone can get more active in rural communities.

- Issue travel vouchers to older people living in rural areas who cannot access public or other transport

- Provideadequate funding to community centres to provide facilities for older people

- Increase the Age Tax credit to ensure older people can earn more.

## viii) Improvements in the lives of People with Illness or Disabilities

The social welfare system needs to respond effectively to the real needs of people with disabilities. The National Disability Strategy and *Towards 2016* both create new opportunities for people with disabilities. The 2008 Budget will be the first occasion for this new government to commence fulfilling these commitments. Reform is needed to schemes and services which support people with disabilities so that they do so in a manner which facilitates participation in work and society and which provides for a level of income which ensures a quality of life. More needs to be done to provide income security for workers who experience a sudden serious illness.

Congress is therefore seeking improvements in the weekly rates of payment (to €200) along with the reintroduction of a pay related element to ensure that workers income while out on invalidity pension in respect of a serious illness meets average income levels. We are also calling for more to be done to provide options to assist people with disabilities to be able to remain in and take up employment, importantly

# Congress calls for the extension of the wage subsidy, back to work allowances and supported employment schemes.

the retention of the medical card. Congress is seeking action on:

**The Cost of Disability Payment** A significant proportion of people with disabilities face extra costs of living. People with disabilities incur additional costs in day to day living associated with the nature and degree of the impairment. The lowest international estimate for a person with an impairment is about €40 a week and for those with greater impairments the amount is closer to €120 a week. The need for this payment was confirmed by NESC which recommended that: the Government strongly consider the case for a separate 'cost of disability payment' that, in line with its analysis in the Developmental Welfare State, "would be personally tailored and portable across the employment/non employment divide." Congress is seeking the introduction of this Cost of Disability payment at €40 per week. The primary purpose would be to equalise living standards and promote participation in society for the person with disabilities. It would be paid to a person in or out of work.

**Better in Work Benefits** Congress calls for early implementation of the welcome commitment in the Programme for Government to *"Allow people with disabilities to work without losing key essential medical card cover after three years";*

**Employment Supports** More needs to be done to help people with disabilities to remain in work and to take up work. Congress notes that there are only 418 people with disabilities on the Wage Subsidy Scheme. This compares with 4,457 in sheltered workshops. Congress calls for the extension of the wage subsidy, back to work allowances and supported employment schemes to assist people with disabilities in the labour force.



**Sheltered Workshops** The recent media interest in sheltered workshop services is welcome, and comes after many years of Congress calling for the draft code of practice for sheltered workshops to be implemented. It is to be hoped that the attention now focused on the issue will finally bring about the political will to seriously address the issue. The Government, particularly the Department of Health and the Department of Enterprise Trade and Employment, must now implement this code of practice, create the regulations and statutory allowances and direct resources to ensure that people with disabilities receive their rights and adequate supports.

**Second Tier Invalidity Payment** While emphasising the importance of focussing on measures that assist people with disabilities to remain in work (or to take up work) it is nevertheless important to recognise that for some people, because of the severe nature of their illness, condition or disability this is not an option. In fact, their condition is most likely to deteriorate over time. Common sense and compassion require such an acknowledgement. Along with this acknowledgement must come a commitment to secure a standard and quality of life for the person and their family.

Congress is seeking the introduction of a Second Tier Invalidity Pension payable to those who because of the seriousness of their condition will not be in a position to earn in their lifetime an average income. We are proposing that the level of this payment should be pay related with an upper ceiling set at the average wage. This is to compensate the worker concerned who has no opportunity to improve their financial circumstances during their working age. We are therefore proposing a maximum payment into the family of 100% of Gross Average Industrial Earnings.

### Proposals for a Second Tier Invalidity Payment

| | |
|---|---|
| Claimant | **€387.00** an increase of **€197** and 58% of GAIE |
| Qualified Adult | **€279.00** an increase of **€143.50** and 42% of GAIE |
| Total family weekly income before tax is €666 and 100% of GAIE | |
| *The child dependant allowance is not taken into account.* | |

**Severe Illness Benefit** Workers who experience a sudden severe illness are inadequately protected against the sudden drop in income. Currently the worker will receive only €185 a week on illness benefit. Congress recommends that the Government examine the introduction of a social security payment which will offset the negative income consequences and provide for income security for a period of at least the first 6 months to cushion workers who are out of work due to a severe illness.

## Chapter Eight - Migration & Social Integration

Labour mobility brings benefits to society and to the migrant themselves, but the degree to which this occurs can be dependant on the extent to which social inclusion and social integration are facilitated, supported and achieved.

### Achieving Social Integration for Migrants

Mobility can have a negative side, it includes the risk of social exclusion and exploitation especially for those migrants who may already be vulnerable. Evidence from around the EU demonstrates how unmanaged migration, discrimination and the social exclusion of migrants can pose a risk to a country's social cohesion. Reconciling migration, social inclusion and integration involves addressing the barriers that cause labour market vulnerability in the migrant and local community. Otherwise as workers face increasing competition for jobs certain groups of migrants may be made scapegoats of unemployment and insecurity. We want to avoid a situation where local communities will become characterised by limited social integration and tensions between neighbours. We should not allow the growth of polarised dissatisfied excluded second generation communities evident in other EU member states. If we are to avoid this, pathways to social inclusion and social integration need to be thought through, properly planned and provided. This requires investment - it cannot be left to chance.

### Building Integrated Workplaces

The workplace is one of the key locations where integration or problems arising from migration can occur and the importance of the leadership role being played by Congress and our affiliated trade unions on the issues of racism, integration and equality needs to be recognised. This leadership not only promotes good workplace relations and practice but also provides a cornerstone around which our wider society can seek to eliminate racism and promote equality.

Congress welcomes the appointment of the Minister of State for Integration and the planned formation of the Integration Task Force and urges that it be fully resourced so that it can do its very important work. Congress seeks adequate representation for trade unions to participate in this task force. In addition we are seeking resources for more partnership programmes, such as language training and anti–

discrimination, bridge building, positive relations, integration actions at the level of the enterprise so that employers and unions are able to meet the challenge posed by the broad cultural diversity now present in the Irish workplace.

**Building Integrated Communities**
Some communities now comprise 30 percent immigrant population but insufficient resources, human and financial are in place and there are limited integration programmes and opportunities for everyone living in these communities. Despite the boom some communities experience three times the national unemployment level. Resources should be made available in this Budget to fund pilot, innovative community integration programmes in these areas.

We are calling for the provision of a dedicated budget line to support the development of the refugee community and other immigrant-led organisations. The recommendations of the Fitzpatrick Report commissioned by the National Action Plan Against Racism form a very useful guideline in this area.

**Arts Culture and Sport as a Bridge to Migrant Communities**
In *Towards 2016* the social partners underlined the importance of arts and culture in the economy and in the quality of peoples' lives. Sport too is recognised as playing a part in the social and economic development of the country. The benefits of the investment can be assessed in terms of physical and metal wellbeing of the population, social and cultural development, education, personal development and economic impact. The potential role of sport in building bridges to the migrant community and in supporting integration should not be underestimated. In this regard Congress is calling for resources to reach the Irish Sports Council targets and for increased supports for sports infrastructure and sporting organisations particularly those that can address exclusion, inequality and integration.

**Combating Second Generation Exclusion**
Likewise resources to fulfil the Towards 2016 commitment to enhanced support for the effective integration of non English speaking children of migrants at both primary and second-level through the provision of an extra 550 language support teachers by 2009 and the reform of the current limit of two additional teachers per school must be provided. Without English language training all migrants will remain permanently excluded and open to exploitation.

## Chapter Nine - Additional Issues

**Measures To Combat Indebtedness**
Consumer credit has been increasing at a significant rate and Irish people now owe more than their disposable income. Whether we call it credit or debt, borrowing is a reality for the majority of workers. There are few workers who are not in some sort of debt in that they are committed to the repayment of monies they have borrowed for their home, car, education or to simply meet household necessities.

The casualties of the current credit boom will be those people for whom credit becomes unmanageable debt. At the moment over-indebtedness, where expenditure exceeds income, affects only a minority of workers however it is clear that a change in their circumstances whether from increasing interest rates or a life event such as illness or unemployment or even a loss in overtime, bonus

# Debt can cause incredible stress and place added pressure both on family and work.



or commission payments has the potential to place a worker and their family under immediate financial pressure. In other cases borrowers have simply over extended themselves in a society where credit is vigorously promoted. In a report entitled *Too Deep?*, the ESRI found that two out of three borrowers feel that their debts are putting a burden on their household finances. And one in ten households report that they are 'experiencing debt problems arising from ordinary living expenses'. This figure of 10 percent is up from 8.7 percent in 2004 and reveals an increasing trend towards indebtedness.

What the statistics don't show is how debt is taking a toll on the lives of those who find themselves on a fine line between being able to manage repayment of their commitments and plunging into serious debt.

Workers who have become over-indebted face problems meeting the repayments to a wide range of creditors on loans, overdrafts, credit cards, mail order, hire purchase, mortgage and utilities bills. Debt commitments range across a variety of agreements from mortgages, credit cards and car finance arrangements to credit unions, credit sale, hire purchase, utility credit sales and money lending loans. The Money Advice and Budgeting Service have repeatedly drawn attention to the distress that debt causes to people.

Debt can have a devastating impact on people's lives. Debt can cause incredible stress and place added pressure both on family and work situations. Dealing with debt is stressful in many ways: having to cope with spiralling debts and the constant demands for payment from creditors, whilst trying to continue in employment and manage household expenditure on a tight budget.

Financial pressures often lead to arguments and relationship breakdowns. Debt can cause mental ill-health or aggravate existing health difficulties. People who are over-indebted report sleepless nights worrying about how to pay their bills. This worry about debt exacerbated by inappropriate collection methods can cause depression. Many people report feeling ashamed, they often keep their debt problems to themselves. Keeping the problem secret from work colleagues, partners and other family members can cause isolation. Some creditors even phone people at their workplace in spite of the legal protections that should prevent this happening (Section 11 of the Non –fatal Offences Against the Person Act, prohibits this practice).

Aggressive collection practices and the pressure involved lead many to make unwise and unaffordable offers of repayment and this frequently increases the level of debt and the distress involved as one of the most common responses to over-indebtedness is that people borrow more to try to clear the debt, getting into further high-cost credit to try to settle debts.

Congress believes that the way we deal with indebtedness and debt enforcement is in urgent need of overhaul. We believe that our debt enforcement system needs to be changed to treat the casualties of credit in a humane manner rather than in a punitive way. We are calling for this budget to make available the resources required to establish an alternative debt settlement tribunal to:

- abolish imprisonment for non payment of debt;
- provide an alternative forum for voluntary debt settlement;

- provide an opportunity for a person to ask for the tribunal to determine an affordable offer of payments that suits their means;
- allow the tribunal to freeze interest and schedule repayments of debt;
- giveprotection to workers in employment who are complying with debt settlement agreements;
- firmer regulation of lending and creditor practices that can exacerbate a person's financial distress;
- enhanced recourses and role to the Money Advice and Budgeting Services to protect workers who have become over-indebted.

Finally, Congress welcomes the Government commitment to improve the legislation in regard to prohibiting Pyramid Selling. Congress recommends that the reform of the legislation would also address the recent growth in 'earn at home' schemes some of which have characteristics similar to Pyramid schemes and charge the person much more money than they could hope to earn from the scheme.

**Overseas Development Aid**

Congress welcomes the attainment of the interim target of 0.5% of GNP by 2007 and urges further increases in this budget to ensure the attainment of Irelands commitment to reach 0.7% by 2012, and towards the next interim target of 0.6% by 2010. Congress notes the current review of Irish Aid's management capacity and urges significant investment in staff development to ensure the full implementation of the White Paper.

**Tax Treatment of Charities**

Introduce a V.A.T. Refund Scheme whereby V.A.T. is refunded on qualifying expenditure to Registered Charities.

**Trade Unions Subs**

Increase the Tax Credit for trade union subs to €120.

www.ictu.ie

32 Parnell Square
Dublin 1
T +353 1 8897777
F +353 1 8872012
congress@ictu.ie

Carlin House
4-6 Donegall Street Place
Belfast
BT1 2FN