

Budget 2003 Analysis

Introduction

This budget was the last opportunity for the current government to honour its commitments under the Programme for Prosperity and Fairness (PPF). Although recognising the current economic climate, with a forecasted fall in projected government surpluses, the INOU still believed it was possible for the government to deliver a meaningful and decisive Budget.

The INOU argued that given the prospect of such circumstances it was a necessity to ensure that this budget would adequately provide for basic improvements that would make a sustainable and meaningful impact on the lives of unemployed people and their dependants.

In advance of the Budget the INOU had made several key demands, including;

- Increase the lowest Social Welfare rate by **€11.20**
- The Qualified Adult rate should be **70%** of the personal rate
- Standardisation of the Child Dependent Allowance at **€21.60**
- Raising the income limits for Family Income Supplement by **10%**
- Increase in the threshold for the retention of Secondary Benefits

This Budget offered the government the opportunity to publicly acknowledge its commitment to a revised National Anti-Poverty Strategy by implementing changes to benefit those most in need.

1. Basic Payments

Key INOU recommendation:

Increase the lowest social welfare payment by €11.20

Budget 2003 delivers: €6 increase

The INOU pre-budget submission specifically called for a move towards benchmarking of the lowest social welfare payment at 30% of Gross Average Industrial Earnings (GAIE) by 2007 in 2002 terms. To achieve this figure the government should have increased the lowest social welfare payment by €11.20 instead of offering €6.

As with other increases announced in this budget any benefits that could have been derived from this increase, however paltry, have been eroded to the point of being completely useless by other 'stealth' increases in the budget.

Factoring in the various elements of inflation and cost of living increases means that in real terms this €6 increase is ineffective in providing any real increase in income. This meagre increase barely covers inflation and can not be seen as a move towards the benchmarking target.

2. Qualified Adult Payment

Key INOU recommendation:

Raise the Qualified Adult payment to 70% of the personal rate in 2003

Budget 2003 delivers: €4 increase

This budget was the last opportunity for the government to honour its commitment to increase the Qualified Adult payment rate to 70% of the personal rate, within the framework of commitments made under Budget 2000.

However, the budget has failed to honour this commitment by offering a minuscule €4 rise. This means that the QA rate still remains 66% of the personal rate.

We find this wholly unacceptable, given the Minister's stated position that this budget would 'protect weaker sectors in society'. How can a failure to honour commitments to the poorer members of society be construed as 'protection'?

3. Child Dependent Allowance

Key INOU recommendation:

Standardise Child Dependent Allowance payment rates by raising all rates to €21.60

Budget 2003 delivers: Nothing

As long ago as 1986 the Commission on Social Welfare recommended the standardisation of Child Dependent rates, yet over 16 years later another budget has failed to implement this much needed recommendation. The fact that Child Dependent rates have not been increased since 1996, despite inflation and an increase in the cost of living, does not seem to have registered any impact with the Minister.

In seeking a standardised Child Dependent Allowance payment the INOU sought the overdue delivery of these recommendations in conjunction with a range of child-oriented measures that should have been addressed in this budget.

The total failure of this budget to implement any improvement whatsoever in the payment of the Child Dependent Allowance is, in the opinion of the INOU, completely indefensible.

4. Back to School Clothing and Footwear Allowance

Key INOU recommendation:

Raise the BSCFA income limits in line with those applying to FIS, remove the requirement that claimants be in receipt of a CDA, and increase the payment rates to €127 and €190 (for younger and older children respectively).

- Budget 2003 delivers:**
- **BSCFA not linked to FIS**
 - **Did not remove CDA requirement**
 - **Only increase for over 12's by €30**

While the INOU welcomes an increase in the BSCFA by €30 for children over 12, it has been pointed out that this increase "would not even buy one trainer, let alone a pair of trainers". In addition, the deliberate omission of any increase for children up to the age of 12 would appear to suggest that the government is implying that the needs of those children are not of equal importance in comparison with children over 12.

Underlying the basis of the entire BSCFA was the need to raise the income limits in line with those applying to FIS. This failure does little to avoid the extension or widening of any existing poverty traps. Bearing these facts in mind, the response of the Budget to the role of the BTSCFA in addressing educational disadvantage and alleviating income deficiency in low-income households is wholly inadequate.

5. Family Income Supplement

Key INOU recommendation:

Raise the income limits for Family Income Supplement by 10%

- Budget 2003 delivers:** **€17 increase**

For many people FIS plays a key role in increasing the reward from work. The INOU asked for an increase of 10% across all FIS rates, an increase that would not only keep pace with rises in average earnings, but counter any possible disincentive effects of implementing our recommendations in relation to basic social welfare payments.

The €17 increase in this budget is miserly. It does nothing to promote and encourage a 'discernible' reward from work. Given other failures within this budget to honour existing commitments, we are completely disillusioned with the government's failure to improve the underlying conditions of the low-paid worker.

6. Retention of Secondary Benefits

Key INOU recommendation:

Increase the income limits for the retention of secondary benefits by €103

Budget 2003 delivers: Nothing

The INOU notes that the Minister has made no mention of an increase in the income limits to allow for the retention of secondary benefits, which have not been changed from €317.43 since 1994.

In our pre-budget submission the INOU pointed out that inflation in the same period is estimated to be 30% and we suggested a similar rise in the retention ceiling to reflect this. It was not an unreasonable request to rectify what is a major stumbling block to taking up employment.

We ask that the Minister make a statement to the effect that the income ceiling for secondary benefit retention is raised from the unrealistically low figure of €317.43 to €412.

7. Medical Card for Children

Key INOU recommendation:

Extend medical card coverage to all children under 18 years

Budget 2003 delivers: Nothing

In this budget the government has failed to make any major announcement in the extension of the medical card to children under 18. Although in the past the government has come to recognise the importance of the medical card to low-income families, through temporary retention arrangements, which apply to participation on Active Labour Market Programmes, it appears to have ignored the need to extend the medical card scheme to all children under the age of 18.

The INOU identified, in its pre-budget submission that the refusal of the government to extend the medical card to children under 18 is contrary to one of the government's key priorities in enabling those on social welfare to move into employment. It must be again pointed out to the government that this extension would only ultimately benefit the health and best interests of the child by ensuring that no child is denied access to important and essential health care services for financial reasons.

8. Personal Tax Credits

Key INOU recommendation:

Increase personal tax credits to be sufficient to lift single earners on the minimum wage out of the tax net.

Budget 2003 delivers: €140 increase

Despite the Government commitment given under the PPF agreement to remove those earning the minimum wage from the tax net, a single person on a minimum wage is still a PAYE worker.

This budget presented the Government with an occasion to demonstrate its desire to improve the underlying conditions of low-paid workers, and actively encourage Social Welfare recipients back to the workforce. The minimum wage worker could be completely removed from the tax net by means of a simple increase of €462 in the personal tax credit.

Budget 2003 has failed to do this. Instead the worker on the lowest legal wage amount takes home an extra €2.67 per week, half of which will be spent on increased bus fares. The INOU once again calls on the Minister to recognise the importance of fulfilling the Governments commitment under the PPF by means of a targeted tax reduction.

	2002	2003
Tax Credit	2180	2320
Minimum Wage @ 40 hours	€254	€254
Tax payable per week	€8.85	€6.18

9. Employment Action Plan

Key INOU recommendation:

Resource FÁS to ensure that participants on the EAP are offered a quality employment or training opportunity within one month of interview

Budget 2003 delivers: Nothing

The stated objectives of the National Employment Action Plan included a commitment to a more systematic engagement of the employment services with the unemployed. While the proportion of people called for interview on the EAP who have ended up in a job or training one month after the interview has fallen consistently, the number of referrals continues to increase.

Given the current economic climate, this budget presented the government with an opportunity to review the EAP and enable the allocation of appropriate resources and supports within existing service providers, namely FÁS, to meet present and future demands for quality and focused services.

The government has failed to implement any new investment policy specifically aimed at ensuring the development and provision of high-quality employment and training opportunities within the context of the EAP; a failure which can only result in an underperforming and diminishing return on those services already in place.

10. Parents Childcare Payment

Key INOU recommendation:

Introduce a new Parents' Childcare payment, paid to all parents in receipt of Child Benefit. This payment would be taxable, ensuring that all parents receive childcare supports, while guaranteeing that those most in need receive a larger amount.

Children aged 0-5€30 per child per week

Children aged 6-14..... €15 per child per week.

Budget 2003 delivers: Nothing

We know that 6 out of 10 families living in poverty are headed by a person not in the labour force, and that a major factor in poverty is lack of income. We know further that a major factor preventing women with children from returning to work or further education/training is lack of quality, affordable childcare.

Provision of a Parents' Childcare payment would have provided a start, particularly for women wishing to access training or education, or who wished their children to benefit from attending a playgroup. This recommendation of the Childcare 2000 Campaign, while not radical in itself, afforded what is needed by persons raising children, namely, flexibility.

This type of payment would have functioned as an "equal rights" payment, in that the poorest would have received the most benefit. It would have been recognition of the real costs of raising children and the differing needs of parents.

Yet again childcare needs have been completely disregarded by the Government. A major crisis in childcare exists... the Government must do something about it.

11. Other Recommendations

Payment of Child Benefit

Key INOU recommendation:

Commit to bringing the payment date for increases in Child Benefit into line with weekly social welfare payments.

Budget 2003 delivers: Nothing

The 2002 Budget planned to synchronise tax and welfare years. The last step would have been to bring the payment of child benefit into line with other payments. On the face of it there appears to have been no valid, practical or logical reason not to complete the harmonisation of these two systems, inclusive of the Child Benefit payment.

The complete failure to synchronise this payment with other Social Welfare payments actively prevents the consolidation of income in households that need it most.

Supplementary Welfare Allowance

Key INOU recommendation:

All weekly interim payments and rent/mortgage interest supplements should be administered directly by the Department of Social and Family Affairs

Budget 2003 delivers: Nothing

Interim Payments

Interim payments form a 'cornerstone' of the Supplementary Welfare Allowance (SWA) system, mainly affecting people in a state of transition, either from employment to an Unemployment Payment/Social Welfare payment or persons moving from one type of Social Welfare payment to another within the wide range of payments available under the current system.

Rent Allowance/Mortgage Interest Supplements

The process of applying for either of these supplements is, generally speaking, reasonably straightforward. The process could be made simpler and speedier by facilitating applications through the local Social Welfare office.

It is clear that applicants do experience unnecessary delays and difficulties in applying for and receiving these supplements. The INOU has asked that the Minister take prompt action to implement the transfer of the payment of all weekly interim payments and rent/mortgage supplements to the Department of Social and Family Affairs as sanctioned under the Social Welfare Act 2000. This would immediately relieve the considerable strain placed on the limited resources, supports and personnel at local Health Centres and in turn would improve the level, quality and delivery of an essential service to those who most need it.

Social Insurance System

Key INOU recommendation:

(Re)introduce a guarantee that Unemployment Benefit will replace a proportion of lost income. (PRSI)

Budget 2003 delivers: **Nothing**

The INOU is demanding that a form of "Social Insurance Guarantee" be introduced, which will replace a proportion of lost earned income – for a specific period of time, and subject to a minimally adequate rate, in conjunction with a basic Unemployment Benefit payment.

Again no action has been taken to re-introduce this type of Pay-Related Benefit system.

Welfare to Work Section - Ready Reckoner - 2003

Payment	2002 €	INOUE Demands	Rates 2003 €
Short term UA (<1 year)	118.80	130.00	124.80
Long Term UA	118.80	130.00	124.80
Unemployment Benefit	118.80	130.00	124.80
		<i>Failed to (Re)introduction of Social Insurance income</i>	
Qualified Adult	78.80	91.00	82.80
Child Dep. Allowance	16.80	21.60	16.80
One Parent Family Payment			
Under age 66	118.80	130.00	124.80
Aged 66 and over	134.00		144.00
Child Dep. Allowance	19.30	21.60	19.30
Disability Benefit	118.80	130.00	124.80
Disability Allowance	118.80	130.00	124.80
Qualified Adult	78.80	91.00	82.80
Child Dep. Allowance	16.80	21.60	16.80
Pre-Retirement Allowance	118.80	130.00	124.80
Qualified Adult	78.80	91.00	82.80
FIS			
1 child	362.00	398.20	379.00
2 children	388.00	426.80	405.00
3 children	413.00	454.30	430.00
4 children	438.00	481.80	455.00
BTSCFA		<i>Failed to Raise Income limits in line with FIS limits</i>	
Aged 2-11	80.00	127.00	80.00
Aged 12 - 17	120.00	190.00	150.00
Asylum Seekers		<i>Direct provision payments</i>	
Adult	19.10	46.00	TBA
Couple	38.20	78.00	TBA
Child	9.60	21.60	TBA
Secondary Benefit Retention	317.43	412.00	TBA