The Community
&
Voluntary Pillar

Protecting the Vulnerable

Securing a viable future in precarious times

Briefing paper on the decisions Government should make

Prepared by:

The 17 members of the Community and Voluntary Pillar

January 2011

Summary
The Community and Voluntary Pillar of Social Partnership does not accept the decisions taken by the current Government in the name of economic recovery. We believe that a smaller adjustment accompanied by a more realistic national recovery plan to reach the 3% borrowing target by 2016 would be a better option. The C+V Pillar strongly urges the incoming Government to give top priority during its initial months in office to addressing the following four issues in a fair and just manner:

1. the scale of the social and economic adjustment is **too severe**
2. the pace of the adjustment is **too fast**
3. the distribution of the impact is **unjust**, and;
4. the **negative impact** it will have on Ireland's potential to recover is **excessive**.

The C+V Pillar's core principles and values as it develops its proposals include:

- Vulnerable people must be protected.
- Social Services and their supporting infrastructures must be protected.
- Public services - and the people who depend on them - must not be sacrificed to fund a superficial recovery.
- All national plans and strategies must include realistic proposals to support and protect vulnerable people.
- Those who can afford to do so should contribute more to the cost of recovery.
- An integrated social and economic recovery strategy is needed to share the burden of adjustment fairly.

The inclusive vision for Irish society set out in the framework action plan *Towards 2016* should be part of any new national plans or programmes

An integrated approach to tackling the country's current problems is essential if they are to be addressed successfully, and the **C+V Pillar has developed a Five-point integrated recovery strategy, which involves:**

1. Increasing the tax take while keeping Ireland a low tax country (through broadening and deepening the tax base and addressing tax-breaks as recommended by the Commission on Taxation).
2. Securing better value for money in the delivery of our public services.
3. Reforming the public sector.
4. Targeting expenditure cuts where required but ensuring that vulnerable people are protected. A good starting point would be the elimination of waste identified in the Comptroller and Auditor General's reports.
5. Focusing expenditure on the common good to provide adequate infrastructure and public services.

Without an integrated recovery strategy designed to share fairly the burden of adjustment, vulnerable people will continue to pay an unfair and unjust share of the price of adjustment, and state investment made to date will be wasted.

Introduction

- Ireland is in an extraordinarily precarious position as it seeks to meet the requirements of the EU/IMF bailout programme.

- Those who are poor and/or vulnerable are bearing an inordinate part of the burden of restructuring which, in practice, is leading to their being dispossessed as their resources (financial and services) are appropriated to pay those who took risks, gambled their resources, lost and are now to be fully re-paid.

- This process may be legal but it is profoundly unjust. It is a process which is securing and protecting the position and resources of those who are rich while taking away even the little they have from those who are poor, vulnerable and on the margin. It should not be allowed to continue.

- The bailout programme should be re-negotiated. This re-negotiation should lead to an outcome:
  - Which is fair and just,
  - Where the 'hit' is shared by all those who caused the current series of crises and
  - In which those who are poor and vulnerable are protected.

- The Community and Voluntary Pillar presents this five-point plan as an indicator of what is required for Ireland's survival. It is an outline of some key issues that should be at the core of any future national programme or national development plan.

C+V Pillar's Stance

- The need to address Ireland's own budget imbalances is fully recognised by the 17 members of the Community and Voluntary Pillar. We have, in fact, long urged Government to address these issues and we have made a wide range of proposals outlining how we believe this could be done while protecting people who are poor and/or vulnerable. We still recognise that this issue remains to be addressed and should be given major priority.

C+V Pillar's Analysis

- The Government's decision to take on the debts of all the banks creates a much more difficult situation that goes far beyond addressing budget imbalances. This bank debt is not sovereign debt. Yet Ireland's Government has accepted that the debts incurred following the reckless actions of greedy bankers, incompetent regulators, reckless developers and others should be borne by Irish citizens, many of whom had no hand, act or part in the actions taken and who did not benefit from them in any way.

- The Government's Four-Year National Recovery Plan and the EU/IMF bailout documents spell out the details of how these powerful institutions have decided Irish citizens will pay. The C+V Pillar members have major questions and serious concerns about the viability of either of these plans in their current form, including:

1. The scale and pace of the adjustment being sought is seriously damaging the economy.

2. Seeking to achieve two thirds of the adjustment through expenditure cuts rather than tax increases is inappropriate in a country where the total tax-take is one of the lowest in the western world.

3. The impacts of the adjustments to date have had far more negative effects on people who are poor, vulnerable and on the margins

4. The adjustments fail to provide for the employment growth and support that is urgently required if Ireland is to emerge from this series of crises.

Each of these issues is examined in detail below.

1. **The scale and pace of the adjustment being sought is such that it is seriously damaging the economy.** More than €14bn was taken out of the economy as a result of adjustments in the period mid-2008 to 2010. Budget 2011 has taken out a further €6bn. Another €9bn is to be taken out in the 2012-2014 period. The total impact of these expenditure cuts and tax increases will be close to €30bn over a five and a half year period. This level of deliberate contraction is unprecedented. It has already damaged the economy and is likely to continue doing so in the period ahead. In turn this will cast serious doubts on the Government's economic outlook for the years ahead. Furthermore, For example GDP is forecast by government to grow by 1.7% in 2011. However, in the same period domestic demand is set to remain static while investment and government expenditure are set to fall by 5.9% and 3.1% respectively. While exports are set to grow, both employment and unemployment are predicted to fall in 2011!

The unacknowledged reality is that for this scenario to be delivered there will have to be a high level of involuntary emigration. Even then it will be interesting to see if the numbers add up at the end of the year. The Government's growth forecast for 2011 is greater than the forecast for Ireland provided by the EU Commission, the OECD and Reuters Consensus. Failure to achieve the projected growth rate will produce further pressures with the need to take even more out of the economy in the following period if the EU/IMF targets are to be met.

2. Seeking to achieve two thirds of the adjustment through expenditure cuts rather than tax increases is inappropriate in a country where the total tax-take is one of the lowest in the western world. The Government's overall approach has been to achieve two-thirds of adjustments by 2014 through cuts and one third through tax increases. They claim that this approach has less negative economic implications. But this fails to recognise that Ireland's total tax-take as a percentage of GDP is one of the lowest in the EU. If Ireland were to bring its total tax-take up the 34.9% of GDP it would still be a low-tax economy as assessed by Eurostat. Based on the figures in the Four-Year Plan, raising the tax-take to 34.9% of GDP would imply that by 2015 government would be collecting €66bn in total taxation revenue (current taxes + PRSI + local government charges) – almost €18bn more than in 2011. Reaching such a figure would result in Ireland continuing to be a low-tax economy; but it would also assist in providing a realistic and sustainable basis for government to run the country

According to the Budget 2011 documentation tax increases (including social insurance payments) accounted for only €1.4bn of the measures introduced to reach the target of €6bn in savings. The full-year impact of these measures will be €2.2bn. On the other hand expenditure cuts totalled €3.9bn. The €700m balance for 2011 was accounted for through other measures (e.g. asset disposal).

3. The impacts of the adjustments to date have had far more negative effects on people who are poor, vulnerable or on the margins. Recent analysis and commentary in the national media has sought to portray what Government is doing as fair saying that the 'hit' taken by better-off people is higher in percentage terms and in cash terms than the hit being taken by those who are poor. This claim fails to recognise that taking €10 a week from a single poor person on social welfare has far greater impact on that person than taking €100 a week from a middle-income person or taking €1,000 a week from a very wealthy person. While the percentage loss to the poorest is lower the real impact of that loss is far more profound when one is already at risk of poverty. This is especially clear where the working poor are concerned.

The cumulative effect of adjustments – illustrated below – may be relatively small in percentage terms but are devastating in real terms on the life capacity of the working poor. Consider that:

- The minimum wage has been reduced.
- The threshold for entering the tax net has been lowered.
- Child benefit has been reduced.
- A Universal Social Charge has been introduced.
- Charges have been introduced or increased on a wide range of services including school buses for example.

The claim by Government ministers and others that it is fair to reduce welfare rates because they have risen dramatically since 2000 must be refuted. These assessments miss a vital point, the increase in welfare rates since 2005 followed a period where the living standards of people in Irish society had improved rapidly while welfare payments had barely changed.

Comparing the poverty rates among different groups of people in 1994 and 2001 is most revealing in this regard.

Table 1: Percentage of persons in receipt of welfare benefits/assistance who were below the 60 per cent median income poverty line, 1994/1997/1998/2000/2001

	1994	**1997**	**1998**	**2000**	**2001**
Old age pension	5.3	19.2	30.7	42.9	49.0
Unemployment benefit/assistance	23.9	30.6	44.8	40.5	43.1
Illness/disability	10.4	25.4	38.5	48.4	49.4
Lone Parents allowance	25.8	38.4	36.9	42.7	39.7
Widow's pension	5.5	38.0	49.4	42.4	42.1

Source: Whelan et al (2003), Monitoring Poverty Trends in Ireland: Results from the 2011 Living in Ireland Survey, ESRI, Dublin, Policy Research Series no. 51, p.31

The huge rises in poverty rates show that these groups had been left behind as Ireland's income grew. Subsequently welfare payments did increase, but this was merely catching up so that recipients could enjoy basic living standards. Government decisions to reduce these welfare rates now are based on a deeply flawed analysis that ignores the historical context.

The CV Pillar does not agree with the claim by Government Ministers that there has been a fall in the cost of living. The Consumer Price Index, (CPI), rose by 1.3 per cent in 2010. It should also be noted that the method used to assess changes in the cost of living, does not reflect the price inelasticity of some basic goods and services that are especially important for people on the margins. For example in the period January 2008-July 2010, the cost of health insurance rose 33%, the cost of bottled gas rose 18%, dental fees rose 18%, petrol rose 11% and diesel rose 4%. As items such as these rise in price, households living on welfare have to choose between items; for example food or fuel. The latest data produce by the Central Statistics office in its EU SILC study (2010) succinctly illustrate this difficulty, highlighting the significant increase in the rate of deprivation experienced between 2008 and 2009. The adequacy of welfare must be considered in the context of the changes to the real cost of living for households living on welfare.

4. **The adjustments fail to provide for the employment growth and support that is essential if Ireland is to emerge from this series of crises.** The background information provided in Budget 2011 shows that Government expects employment to fall by 0.2% in 2011 and rise by 1.3% in 2012. This contrasts with the more pessimistic forecasts provided by the European Commission (a fall of 0.8% in 2011 and a rise of 0.6% in 2012). Government's forecast for unemployment is also more

optimistic than the EU (13.2% v. 13.5% in 2011; 12.0% v. 12.7% in 2012). The Government's Four-Year Plan forecasts unemployment to fall to 9.75% in 2014 a figure that is also more optimistic than other forecasts.

The reality is that while the scale of the economic adjustment is very large by national and international standards no investment of substance has been provided for either job creation or employment support. If economic growth is nearer to the figures suggested by the EU and the ESRI, then the Government's taxation revenue projections are unlikely to hold up and the deficit facing the economy will be even greater than projected. This in turn will lead to more adjustments and an ever-deepening spiral of destruction.

Overall

Overall the C+V Pillar believes the scale of adjustment is **too severe**, the pace of adjustment is **too fast**, the distribution of the impact is **unjust**, and the **negative impact** it will have on Ireland's potential to recover is **excessive**.

A smaller adjustment accompanied by a more realistic national recovery plan, to reach the 3% borrowing target by 2016, would be a better option. We strongly urge the incoming Government to give top priority during its initial months in office to addressing these issues in a fair and just manner.

C+V Pillar Core Values and Principles

The C+V Pillar's core principles and values as it develops its proposals in this context include:

- Vulnerable people must be protected.
- Social Services and their supporting infrastructures must be protected.
- Public services - and the people who depend on them - must not be sacrificed to fund a superficial recovery.
- All national plans and strategies must include realistic proposals to support and protect vulnerable people.
- Those who can afford to do so should contribute more to the cost of recovery.
- An integrated social and economic recovery strategy is needed to share the burden of adjustment fairly.
- The inclusive vision for Irish society set out in the framework action plan *Towards 2016* should be part of any new national plans or programmes.

As Ireland faces a range of interrelated crises it is important to realise that:

- Ireland is not a poor country.
- Ireland's total tax-take is one of the lowest in the developed world.
- It is both essential and possible to protect the vulnerable in the choices Government makes.
- An integrated approach to tackling the country's current problems is essential if they are to be addressed successfully.

The C+V Pillar's Five-point integrated recovery strategy calls on a new Government to:

- Increase the tax take while keeping Ireland a low tax country (through broadening and deepening the tax base and addressing tax-breaks as recommended by the Commission on Taxation).

- Secure better value for money in the delivery of our public services.

- Reform the public sector.

- Target expenditure cuts where required while ensuring that vulnerable people are protected. A good starting point would be the elimination of waste identified in the Comptroller and Auditor General's reports.

- Focus expenditure on the common good to provide adequate infrastructure and public services.

1. Increase the tax-take while keeping Ireland a low tax country

The issue of taxation is central to budget deliberations and to policy development at both macro and micro level. It plays a key role in shaping Irish society through: (i) funding public services; (ii) supporting economic activity; and (iii) redistributing resources to enhance the fairness of society. Consequently it is crucial that clarity exist with regard to both the objectives and instruments aimed at achieving these goals.

At present Ireland's total tax-take is very low by EU standards despite the fact that those paying income tax have made substantial increases in their contribution to the total tax-take recently. Ireland's total tax-take could be raised while still maintaining it at a low level. This should be done by, for example:

- Broadening the tax base and
- Addressing tax breaks, thus making the tax system fairer.

As noted already, if Ireland were to bring its total tax-take up to 34.9% of GDP it would still be a low-tax economy as assessed by Eurostat. Based on the figures in the Four-Year Plan, this would imply that by 2015 government would be collecting €66bn in total taxation revenue (current taxes + PRSI + local government charges) – almost €18bn more than in 2011. Reaching such a figure would result in Ireland continuing to be a low-tax economy; but it would also assist in providing a realistic and sustainable basis for government to run the country.

Implementing the recommendations of the Commission on Taxation report in relation to the 131 identified tax breaks (which benefit well off people) would make the tax system fairer.

The C+V Pillar does not agree with the proposal to tax child benefit. To tax or means-test Child Benefit would demonstrate a failure by Government to recognise its unique value to children and families. The Child Benefit payment is a clear statement by the Irish State that it values all children in Ireland equally. Taxing or means-testing this payment would demonstrate that it does not. Particularly now, in difficult and uncertain economic times, a regular, reliable payment to families is of critical importance.

The Pillar does not accept that targeting Ireland's lowest earners is the best or fairest way to widen the tax base or increase the tax-take. Other, fairer options exist and should be taken up by Government.

The Pillar insists that measures to protect vulnerable people must accompany carbon or property taxes. In this regard the Pillar notes that the Commission on Taxation itself stated in its report (p. 329) that "any increased revenue from carbon and property taxes should be used to improve the situation of the less well off". This recommendation has not been followed by Government. Instead Government introduced a carbon tax in Budget 2010 and failed to protect low-income households and rural dwellers in any meaningful manner from the excessive burden they bear as a result of the new initiative.

2. Secure better value for money in Government expenditure

It is clear that the resources available to Government have fallen dramatically. In this context it is crucial that the best possible value for money be secured for all public expenditure – both capital and current. It also applies to interest payments and similar costs which form part of the annual national budget.

Of particular concern is the punitive additional interest rate added by the European Central Bank (ECB) to the loans it is providing to Ireland as part of the EU/IMF bailout.

The interest the ECB charges Ireland on these loans is about double the rate at which it borrows this money in the first place. We refuse to accept the ECB's punitive interest rates for Ireland. it is not acceptable for the ECB to practically double the interest rate it charges on the money it loans to Ireland as some form of punishment for Ireland having to be bailed out in the first place.

In practice this means that Ireland's poor, vulnerable and marginal people together with the ordinary tax-payer are paying:

- To ensure the original gamblers are paid back in full (we note that many of these gamblers were major banks in countries that comprise the ECB).

- To ensure that the full interest as well as capital repayments due on the new loans supplied by the ECB to Ireland are paid (we note that this money will be supplied to the ECB by many of the banks who were the gamblers in the first place).

- To provide billions of euro in profits to the ECB itself to fund its ongoing activities (which doesn't seem to have involved any serious monitoring of these gamblers when they were acting inappropriately in the first place).

We don't believe this arrangement is either fair or just. It should be changed immediately. This would go a long way towards getting better value for Ireland's expenditure.

In seeking to maximise value it is crucial that Government ensures it maintains a long-term focus. The temptation to take initiatives which may have short term gains exists, but long-term negative consequences should be resisted.

Before cutting services, the cost of providing whatever is to take their place, both pay and non-pay, statutory and voluntary, short-term and long-term, needs to be addressed.

3. Reform the public sector

Many of the people represented by C+V Pillar organisations regularly engage with a wide range of different government agencies e.g. health, education, welfare, housing etc. to access their entitlements.

A more integrated structure is required which puts the person at the centre of its activities. This approach was accepted in *Towards 2016* and must be implemented now. In the long run such an approach would lead to savings in public expenditure and increased outcomes.

Reform of the public sector has been proposed for some time. The OECD published a detailed study of the Irish public sector '*Towards an Integrated Public Service'* and made detailed recommendations. These recommendations should be urgently acted on to ensure the public sector's efficiency, effectiveness and relevance.

Reform of public services delivery requires better partnership working between the statutory and community and voluntary sectors. Given a collaborative environment, non statutory organisations can bring their significant resources to bear in facilitating effective provision of services.

4. Carefully target expenditure cuts where required – while ensuring that vulnerable people are protected

C+V Pillar members recognise that the country's finances are in bad shape and need to be rectified. However, Ireland is in this situation because of the activities of bankers, politicians, speculators, developers and many economists. Who should pay for the misdeeds of these people?

As noted already many of the decisions taken by Government to date have had a disproportionately bigger impact on poor and vulnerable people than on the better off. This process must stop and unjust decisions made to date should be reversed. Government Departments must not contemplate any cuts to services on which the most vulnerable are dependent before they have considered all the other possible options and the social impact of cumulative cuts taking place across government.

In this context it is important to realise that tax 'breaks' are in fact Government expenditure and are recognised as such in the Budget process where these breaks are called tax expenditures.

The first expenditure cuts Government should make should be on these tax expenditures. The *Report of the Commission on Taxation* has produced much detailed material to show Government how it should proceed in this area.

5. Focus expenditure on the common good to provide required infrastructure and public services

In the present situation it is also important to realise that actions can be taken that could simultaneously *promote the common good* and *assist economic recovery*. Ireland's infrastructure and public services are far from being at the level that could have been achieved if the fruits of the 'Celtic Tiger' had been used more sensibly. They are also far from the level people in Ireland would desire.

It is important that forthcoming Government decisions ensure that investment is focused on the common good. Tackling the social housing problems – 60,000 households on waiting lists – is an obvious example, and there are many more. It is essential that Government recognises the need for investment in infrastructure and services and that these investments form an integral part of any credible, integrated recovery strategy.

Investments already made to improve social inclusion in the provision of education, health, housing, public transport and other services will pay long lasting dividends. It makes no sense to demolish such valuable infrastructure now.

Without an integrated recovery strategy designed to share fairly the burden of adjustment, vulnerable people will pay the price of adjustment and state investment made to date will be wasted.

Will this alternative approach work?

Yes. We must recognise that the social and economic aspects of our lives cannot be separated from each other: we need high levels of social investment and services if we are to have a healthy economy and vice versa.

We can have a fair and equal society, with an adequate income and meaningful work for all, where everyone has a good standard of living and everyone can participate freely.

We can have a society where efficient and effective services are available to everyone on the basis of need - and not on the basis of their ability to pay.

Most importantly, we can have a society where all this activity is supported by a strong and sustainable economy, where everyone pays their fair share - so that we never face a crisis like this again.

We can achieve all of this if we focus on achieving the goals contained in the framework action plan *Towards 2016*, with its vision of public services tailored to the needs of the person. The Community and Voluntary Pillar is clear that we can have an Ireland:

- Where **children** are
    - Respected as young citizens with a valued contribution and a voice of their own;
    - Cherished and supported by family and the wider society and where they enjoy a fulfilling childhood and realise their potential.
- Where **people of working age** and their families
    - Have sufficient income and the opportunity to participate as fully as possible in economic and social life,
    - Are supported by quality public services to enhance their quality of life and well being.
- Where **older people** have
    - The supports, where necessary, to enable them to maintain their health and well being;
    - All that is required to live active and full lives, in an independent way in their own homes and communities for as long as possible.
- Where **people with disabilities** have, to the greatest extent possible,
    - the opportunity to live a full life with their families as part of their local community, free from discrimination

Finally the issue of **governance** is of major importance for the Community and Voluntary Pillar as well as for society at large. There is a substantial role for civil society in the huge task that Ireland currently faces. Social dialogue is a critically important component of any effective decision-making in a modern democracy. All aspects of governance must be characterised by transparency and accountability. We believe governance along these lines can be developed in Ireland.

The Community and Voluntary Pillar seeks real, effective engagement with the new Government – an engagement that reflects the value of social dialogue and the need for good governance.

If we follow the five-point integrated recovery strategy set out in this document, we can create the Ireland that we want to live in, an Ireland where all of us are valued and supported as individuals and members of families and communities.

For further information on the content of this document please contact

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ABOUT THE COMMUNITY AND VOLUNTARY PILLAR

The Community and Voluntary Pillar is one of the five pillars of social partnership alongside the Employers Pillar, the Trade Union Pillar, the Farmers Pillar and the Environmental Pillar. The Pillar consists of seventeen organisations invited by Government to provide voice and representation for vulnerable people and communities in developing Ireland’s social and economic policies.

The members of the Pillar and their contact persons are:

Age Action Ireland	(Eamon Timmins)
Children’s Rights Alliance	(Jillian van Turnhout)
Congress Centres Network	(Sylvia Ryan)
Disability Federation of Ireland	(John Dolan)
Irish National Organisation of the Unemployed	(Bríd O'Brien)
Irish Rural Link	(Seamus Boland)
National Association of Building Co-operatives	(Vincent Keenan)
National Women’s Council of Ireland	(Orla O'Connor)
National Youth Council of Ireland	(Clodagh O'Brien)
Protestant Aid	(David Wright)
Social Justice Ireland	(Seán Healy)
The Carers Association	(Catherine Cox)
The Community Platform	(Anne Costello)
The Irish Council for Social Housing	(Dónal McManus)
The Irish Senior Citizens Parliament	(Máiréad Hayes)
The Society of St. Vincent De Paul	(Jim Walsh)
The Wheel	(Ivan Cooper)