



## Pre-Budget Submission 2012

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### 1 INTRODUCTION



Ireland's unemployment crisis continues unabated with almost 450,000 people on the Live Register; on-going job losses; and poor economic growth. The numbers of people on the register for more than a year has continued to grow and accounts for more than 40% of those signing-on. According to the Quarterly National Household Survey (QNHS) for Q2 2011 the long-term unemployment rate is now 7.7%: in stark contrast to the period Q1 2000 to Q1 2009 when it was less than 2%. The answer to Ireland's unemployment crisis is the creation of decent jobs: a significant challenge but one that the Government must rise to appropriately.

In the Programme for Government it states *"By the end of our term in Government Ireland will be recognised as a modern, fair, socially inclusive and equal society supported*

*by a productive and prosperous economy."* (p3) Critical to realising this vision will be the introduction of a Budget that strives to promote social inclusion, address inequalities and poverty in Irish Society.

In this Pre-Budget Submission the INOU is targeting four key Departments: Social Protection; Education and Skills; Jobs, Enterprise and Innovation; Environment, Community and Local Government. Under each Departmental heading key recommendations are made which focus on critical systemic issues, issues that must be properly addressed if unemployed people are to be given real hope.

The area of taxation will also be covered as the INOU believes that inclusive recovery is not feasible without the creation of a sustainable and equitable tax base.

### 2 SOCIAL PROTECTION



- **Maintain social welfare rates**
- **Choices must be given and be meaningful**
- **A culture of enablement must underpin service design and delivery**

According to the Department of Social Protection's Annual Statistical report in 2010 over 70% of those unemployed are claiming only for themselves; while less than 14% of unemployed people were in receipt of Rent Supplement. Given these statistics it is not surprising to find that the average per recipient cost of Jobseekers payments + Rent Supplement was only €11,298. In reality all of this money goes back into the local economy. So if Ireland is to recover, and in particular get back to the employment growth so badly needed

to get unemployed people back to work, then any measure that further suppresses domestic demand will be counter-productive. In the Programme for Government the Government promised to maintain social welfare rates and in the interests of equity it is absolutely critical that they hold to this promise<sup>1</sup>.

The INOU's call for choices to be given to unemployed people that are meaningful is not just based on principle but has a serious practical dimension as well. At a time of

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<sup>1</sup> The INOU's Pre-Budget Submission to the Department of Social Protection is available on:  
[http://www.inou.ie/download/pdf/inou\\_2012\\_pre\\_budget\\_submission\\_to\\_dept\\_of\\_social\\_protection.pdf](http://www.inou.ie/download/pdf/inou_2012_pre_budget_submission_to_dept_of_social_protection.pdf)

limited resources it is important that the State uses its resources as effectively as possible. It is neither efficient nor effective to send people on the wrong course: which is happening. It is neither efficient nor effective to be designing programmes that have at their core a fundamental contradiction e.g. the TUS programme which is designed to give unemployed people an opportunity to support local community organisations to get work done where they lack the skills and yet participants cannot opt into this programme and must be picked by random selection. Likewise at a time of increased 'activation' it is vital that frontline staff are properly informed of all initiatives and are clear on their role to support the unemployed to make informed choices: which is not happening as it should.

All of these issues must be addressed if the new National Employment and Entitlement Service (NEES) is to truly be a pro-active client centred service. The state must ensure that unemployed people have: access to their fundamental rights and entitlements; an adequate income; and meaningful employment, education and training options. Critical to the development of such a service will be the incorporation of a culture of enablement within NEES: the Department must strive for a first class professional service that unemployed people believe is there to really meet their needs. Meeting unemployed people's needs must also include unemployed people who were self-employed and people who have not made the transition to Jobseekers Allowance because of their family situation.

### 3 EDUCATION AND SKILLS



- Provide a full range of training and education options
- Ensure productive links to employment services
- Ensure consistency of provision and meaningful progression

Over the summer the Department of Education and Skills announced the establishment of a new Further Education and Training body to be known as SOLAS which will incorporate FÁS Training services and ultimately will be rolled out through the VEC structure. The establishment of this body constitutes a significant change in an important part of the education sector that lacks visibility.

Many commentators on Ireland's labour market noted the skills gap that was emerging during the Celtic Tiger years, a skills gap that is still there and in sectors that have jobs and potential for growth. It is absolutely imperative that unemployed people are offered a full range of education and training options, options that will support their opportunities to secure paid employment. It is critical that SOLAS and NEES have an excellent working relationship, and that local offices are keenly aware to whom an unemployed person should be referred for the necessary advice and guidance.

It is vital that access to quality courses is supported and that there is consistency of provision across the country. However it should also be borne in mind that for some people moving along the continuum or progressing to the next level may not be the best option for them: another course at the same level may allow them build up their skills and confidence and secure a better longer-term outcome.

It is also critical at this time of austerity and significant

change that sight is not lost of the invaluable role played by the discretionary fund that local officials use to cover smaller costs that can act as major barriers to participation. Small discretionary funds that facilitate participation are potentially far more effective activation tools than threatening unemployed people with welfare cuts if they do not participate. There is also a wider issue here for the State. On the one hand Government talks about increased activation of unemployed people and on the other increased fees are introduced or supports are cut which throw up obstacles to people's participation. Effectively the State's own actions in one area are undermining its stated objectives in another related area. It is imperative that Ireland starts to think about these issues in terms of investment, investment that if not undertaken properly will impede Ireland's stated objective of becoming a 'knowledge based' economy.

An even more effective activation tool is the design and delivery of quality provision that delivers increased employment opportunities for unemployed people. A critical element to all of this is the incorporation of literacy and numeracy supports that facilitates unemployed people with less formal education to move up through the FETAC levels and so enhance their employment prospects. There are sound economic, as well as personal, arguments for such investment as increased skills levels impact positively on productivity, as does an improved sense of well-being.

## 4 JOBS, ENTERPRISE AND INNOVATION



- **Work with employment services to create access to decent employment for unemployed people**
- **Ensure unemployed people seeking to create their own employment receive adequate supports**
- **Support local, social and co-operative enterprise developments**

The Departments of Social Protection (DSP) and Education and Skills cannot successively 'activate' unemployed people if the Department of Jobs, Enterprise and Innovation (DJEI) is not delivering on its mission of *"creating the conditions where enterprise, entrepreneurship and innovation can flourish and quality employment opportunities are grown and maintained"*. It is also critical that in striving to meet its mission that DJEI incorporates the principles of inclusion and equality into its work.

One key issue that comes up regularly with unemployed people and recruitment firms is the issue of networking. Unemployed people note that it is harder to hear about potential jobs when one is unemployed: it is an area that the National Employment and Entitlement Service must address. It is an area where the Department with responsibility for job creation and enterprise has a key role to play as well: to ensure that innovative mechanisms are created to inform unemployed people of employment options. Both DJEI and DSP must work

with potential employers and potential employees to ensure that where relevant Family Income Supplement and Revenue Jobs Assist are used to facilitate unemployed people with families to take up employment.

Self-employment is one route out of unemployment and it is critical the DJEI and the enterprise bodies under its remit play their part in supporting such an option. It is vital that the development of any 'one-stop-shop' idea for enterprise supports liaises with NEES to provide an integrated and supportive service.

The Programme for Government also notes the potential role social enterprises could play in "rejuvenating local economies" and the potential of co-operative models of enterprise in a broad range of activity. It is important that in this Budget the Government spells out how these alternative models of economic activity will be supported and how the active participation of unemployed people and local community organisations will be facilitated.

## 5 ENVIRONMENT, COMMUNITY AND LOCAL GOVERNMENT



- **Ensure that the appropriate housing supports are in place for unemployed people**
- **Provide proper supports to local community and development organisations working on unemployment and related issues**
- **Ensure that Local Government plays its part in creating the conditions for job creation and getting people back to work**

The INOU welcomes the recognition by the Department of Environment, Community and Local Government (DECLG) that Rent Supplement has become a long-term social housing support for many families. The INOU has concerns about the quality of much Rent Supplement accommodation and believes the DECLG and the Local Authorities are the appropriate government agents to be addressing such issues.

However, in addressing these issues it is important that unemployed people and other social housing tenants are facilitated to exercise choice and in particular are

supported to remain in the community or area they have established as their home.

Similarly, a significant number of unemployed people are struggling to pay their mortgages and keep a roof over their heads. Much discussion has taken place about moral hazard if proper supports are put in place to facilitate those struggling with their mortgages to maintain their own homes. However, what will be the cost if Ireland does not assist those that are struggling? There will be increased homelessness, demand for Rent Supplement will increase, and people will struggle to

move to where there may be better employment options. It is therefore critical that proper supports are put in place to assist unemployed people to remain in their own homes.

As a national network the INOU is keenly aware of the vitally important role local and community organisations play in the design and delivery of key public services. Local organisations have a keen insight into what is happening in their area, what has worked to address issues arising, and what needs to happen if local communities dealing with exclusion and disadvantage are not to be further marginalised by the current socio-economic crisis.

To that end it is vital that local and national community organisations are supported in the development of their work. At a time of austerity it can be too easy to equate reform with retraction and value for money with cutting expenditure. However, it is critical to view these challenges from a perspective of investment. Sustainable communities that are attractive places to live; that have active residents working together to address issues of common concern; communities that are seeking ways of

developing their areas socially, environmentally and economically have an important role to play in restoring Ireland's image and belief.

The Programme for Government talks about *"a single business and enterprise unit within Local Authorities. This will allow streamlining of local job creation and support functions, increased shared knowledge capability and resources while saving on administration costs."* (p27) It is important that such a development identifies from the start how it will link to the work of NEES and SOLAS. This will be particularly important for unemployed people who seek to address their unemployment through self-employment.

Similarly, social enterprises are often community led and have an important role to play in addressing local needs including job creation. It is important that any reconfiguring of enterprise supports at the local level includes proper supports for the development of social enterprises. One important avenue local government could explore is how it could use local community based enterprises to deliver key services or fulfil certain contracts e.g. retrofitting.

## 6 TAXATION



- **Broaden the tax base by taking immediate action on the Commission on Taxation's recommendations on tax expenditures / breaks – with the exception of Child Benefit**
- **Introduce a Comprehensive Property / Wealth Tax to be levied on all assets - which should initially apply only to income earners above €100,000**
- **Remove anyone earning less than National Minimum Wage from the tax net - the introduction of the Universal Social Charge was a regressive step**

The INOU is challenging the commonly held position that the adjustment the Government must make in Budget 2012 must be 2:1 cuts to tax. Such an approach will disproportionately hit the less well-off including the unemployed and further deflate the Irish economy. The ratio must be reversed and Ireland must start to work on designing and rolling-out a broader, more sustainable and equitable tax base. To that end the INOU is calling on the Government to ensure that all tax expenditures are fully quantified, subject to a comprehensive cost-benefit analysis; and that the Department of Finance publishes an annual report on their economic, distributional and equality impact of these expenditures. Billions in income is foregone by the State annually and it is unclear what if any benefit the State enjoys.

The INOU is conscious that property tax is a culturally sensitive issue in Ireland. However we are unusual in not

having a property or wealth tax, a steady stream of income in other countries. If the Government's vision for Ireland of becoming *"a modern, fair, socially inclusive and equal society supported by a productive and prosperous economy"* is to be realised then the creation of a sustainable and equitable tax system is critical. The introduction of a flat rate Household charge is not the way to proceed on this issue as it is as inequitable as the Universal Social Charge (USC).

To that end the introduction of the USC was a regressive step as it brought people with very low incomes into the tax net and starts charging the highest rate of 7% around National Minimum Wage levels. The tax system must be based on the principle of those who can are those who pay. Otherwise inequalities and social exclusion will continue to grow in Ireland, growth that Ireland should find unacceptable.