



Pre-Budget Submission 2011

1 CONTEXT

Over the past year the Live Register has increased to an extraordinary 449,600¹ people. Long-term unemployment now accounts for 43% of unemployment and the LTU rate² has risen to 5.9%, a figure not seen since 1997. To-date the Government's response to the unemployment crisis has been piecemeal as they have tried to deal with this issue in a cost neutral manner. This is not possible given the scale of the problem to be tackled. The INOU has argued that the challenges facing the public finances cannot be resolved unless unemployment is constructively addressed. In marked contrast the volumes of public resources thrown at the banking crisis is truly staggering and to what end? The banks are not lending, businesses are closing down, further jobs are lost and the international financial markets continue to be unimpressed.

Popular media debate would have us all believe that the crisis in the public finances arises because public expenditure went out of control. Did it? It is very debatable whether Ireland used its new found wealth wisely but it should also be noted that Ireland's population grew during the noughties; Ireland was playing catch-up on previous poor investment in public facilities and services; Irish people's expectations of services and how they ought to be delivered also grew. Ireland's efforts to address these issues were not undertaken on a sustainable tax base but one driven by consumption taxes. In an economic downturn such a tax base is liable to fall and it has: in September 2010 the tax take was €22.2bn; in September 2007 it was €31.5bn, a difference of €9.3bn. In popular debate the public expenditure discussed is that which is voted on by the Dáil annually and includes Government departments, state agencies and a wide range of programmes and services. In September 2007 it stood €32bn and in September 2010 it was slightly higher at €33.2bn. But the Exchequer Deficit in September 2010 was €13.4bn, while in September 2007 it was only €3.1bn, a difference of €10.3bn. The dramatic fall in taxes and the urgent need to address the underlying structural weaknesses is not being dealt with properly by the Government.

The Government are putting their faith in an export led recovery leading to renewed economic growth followed by employment growth. However, there is no guarantee of this as jobless growth is a distinct possibility. Just look at Finland, a country that went through a severe economic crisis in the 1990s. Export led growth got the Finnish economy back on track but employment growth lagged well behind and has never returned to pre-crisis levels. To tackle this dilemma Ireland must produce an integrated Jobs Strategy that will seek to maximise employment growth and ensure unemployed people are being offered the correct education and training options. In the meantime it is imperative that, at a minimum, Jobseekers payments are maintained at their current rates.

2 JOBSEEKERS' PAYMENTS

According to the Department of Social Protection's annual statistical report 75% of people in receipt of a Jobseekers Payment at the end of 2009 were claiming only for themselves. Could you survive on €196 per week? The Vincentian Partnership for Social Justice have undertaken work on a 'minimum essential budget' and noted that an individual unemployed male would be struggling with a shortfall of €68.22³. This work was carried out before Jobseekers payments were cut by 4.1% in Budget 2010.

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IN BRIEF THE INOUE IS DEMANDING THAT THE GOVERNMENT:

- Invests additional resources to address the unemployment crisis.
- Maintains social welfare payments and supports.
- Produces an integrated Jobs Strategy.
- Broadens the tax base – based on the principle that those who can, pay.

¹ This is the seasonally adjusted figure for September 2010, CSO

² Quarterly National Household Survey, Quarter 2 2010, CSO

³ Minimum Essential Budgets for Ireland, www.budgeting.ie

Jobseekers Benefit is an entitlement people build up through their PRSI contributions. Newly unemployed people have been astonished to find that the payment they receive bears no relationship at all to the wage they had earned and most have experienced a significant drop in their income and living standards.

Jobseekers Allowance is a means tested payment that not only takes into account a claimant's cash income and assets but that of their families if they are under 25 or if their partner is working. So generally if you are in receipt of a full JA payment you have little to fall back on to deal with life's expensive moments e.g. Christmas.

According to the CSO's Survey on Income and Living Conditions (SILC) for 2008 unemployed peoples' at-risk-of-poverty was 23% in comparison to a national average of 14.4%. 37% of individuals in households headed by an unemployed person experienced 2+ forms of deprivation: in comparison to a national average of 13.8%. As long-term unemployment rises and becomes more entrenched managing poverty will become a daily reality for more and more people. The Government has set itself anti-poverty targets:⁴ these will not be met unless the cuts made to social welfare payments are restored over the coming period.

The INOU is keenly aware that self-employment is how many people found and are seeking to find a job. However, the nature of the PRSI contribution self-employed people make throws up considerable welfare issues for them if their business fails and they become unemployed. Given the Government's policy to encourage unemployed people to create their own job, the welfare issues arising must be addressed.

Therefore the INOU is calling on the Government in Budget 2011 to:

- At a minimum maintain the basic social welfare rate;
- Re-instate the full rate for 18 - 24 year olds;
- Re-introduce the Christmas bonus;
- Introduce further measures to improve social welfare systems so that:
 - People who become unemployed have their claims processed and paid as quickly as is possible;
 - When people need to re-sign-on that their claims are dealt with speedily;
 - When people are moving from JB to JA their claims are dealt with promptly;
 - The significant delays in the Social Welfare Appeals process are dealt with urgently.
- Ensure that the Supplementary Welfare system is providing a basic SWA payment for unemployed people waiting for their claims to be dealt with;
- Maintain Child Benefit;
- Provide supports to Rent Supplement tenants to negotiate a rent reduction with their landlord;
- Provide adequate supports for unemployed people trying to maintain their own homes;
- Ensure that everyone who is solely dependent on a social welfare payment, or whose income is equal to or less than an appropriate social welfare payment, automatically accesses a medical card;
- Increase the Fuel Allowance to €22 to compensate for rising fuel costs and the inequitable impact of Carbon tax on the less-well off;
- Increase the Back to School Clothing & Footwear Allowance to €215 for children aged 2-11; and to €330 for children aged 12-22;
- Introduce an alternative PRSI contribution for self-employed people to allow them to build up an entitlement to Jobseekers Benefit;
- In the meantime provide welfare supports to self-employed people dealing with unemployment.

3 JOBSEEKERS OPPORTUNITIES

The lack of jobs is the crux of the issue facing unemployed people. Given where jobs have been lost and where jobs are likely to be created, there is a challenge facing many unemployed people and those in vulnerable employment, that their skill set and experience will not get them a 'smart' economy job. Yet this is where the Government and indeed the European Union⁵ are putting their faith - in smart and sustainable jobs. A well resourced and well thought out jobs strategy is urgently required to ensure that today's unemployed are tomorrow's employees. Inclusion is the third element of the European strategy and such a focus is crucially important to the development of any coherent Irish response.

⁴ National Action Plan for Social Inclusion 2007 – 2016 "to reduced the number of those experiencing poverty to between 2% and 4% by 2012, with the aim of eliminating consistent poverty by 2016"

⁵ EUROPE 2020 A strategy for smart, sustainable and inclusive growth, COM(2010) 2020

So what's currently on offer to unemployed people? In August 2010, there were 41,059⁶ unemployed people, lone parents and disabled people on FÁS training and employment programmes. At the end of 2009 there were 57,588 people receiving employment supports through the Department of Social Protection.⁷ Through the Department of Education and Skills (DES) 3,500 places were created for unemployed people in Higher Education. Further Education courses are also open to unemployed people including Vocational Training Opportunity Scheme and the Back to Education Initiative: DES intends to provide "over 41,000 approved full-time places" in 2010⁸. In addition the Labour Market Activation Fund now under the DES seeks to target 11,000 unemployed people. At a glance the range of this provision appears impressive. However, this provision is catering for over 700,000 people as it includes unemployed people, lone parents, disabled people, young people and women from disadvantaged communities.

The current proposal to expand the Rural Social Scheme and the Community Services Programme by 10,000 places will amount to a threefold increase of these two schemes and is not feasible without additional resources. The INOU refutes any suggestion that involvement in these or any other schemes should be mandatory. With almost 450,000 people on the Live Register there are insufficient places available to make unemployed people a proper offer of education, training or employment. Participation must be by choice and must strive to provide the best opportunity for the unemployed person concerned.

The labour market has become increasingly flexible. A return to full-time employment growth is unlikely for the foreseeable future. So it is crucial that the social welfare and employment service systems facilitate people to move between welfare and work, work and welfare. The INOU is conscious that for some types of casual and temporary contract work the system already facilitates this but this is not available across all options. For example, where people get offers of short-term contract work that may not run for the anticipated length of time.

Self-employment is an important employment option for unemployed people living in areas or communities where there is little or no prospect of securing a job in the open labour market. The Back to Work Enterprise and Short Term Enterprise Allowances have facilitated unemployed people to exercise these options. However, additional supports are also required and concerns have been raised with the INOU that further cuts to, for example, Technical Advice Grant or the City/County Enterprise Boards will undermine future development.

In Budget 2011 the INOU is calling on the Government to:

- Urgently develop an inclusive and integrated Jobs Strategy;
- Deliver, as an integral part of this Strategy, a full and appropriate range of education and training options for unemployed people who need to re-educate, re-train and re-skill themselves;
- Re-introduce the Back to Work Allowance and target it at the long-term unemployed and other long-term social welfare recipients;
- Create a mechanism whereby participants on the Work Placement Programme would receive supports to cover the cost of going to and participating in work;
- Deliver a flexible social welfare system that meets current needs by, for example looking at the total working hours in a week and not working days. The daily income disregard of €20 with a max of €60 per week should be increased to a max of €75 per week;
- Develop an on-line facility for people to be able to sign-off / sign-on to facilitate people accessing short-term contract and piecemeal work;
- Address 'in-work' poverty, by automating access to Family Income Supplement through a flagging mechanism within the tax/welfare systems. FIS could also be used to address the 'in-work' poverty issues for self-employed people;
- Increase the income threshold for accessing a medical card to meet the National Minimum Wage level;
- Improve access to supports to make self-employment a more viable option for unemployed people. Extending the time period on the Enterprise Allowances would be an important development in this regard.

⁶ Department of Finance Monthly Economic Bulletin, October 2010

⁷ DSP Statistical Information on Social Welfare Services 2009

⁸ Department of Education and Skills Annual Output Statement 2010



The Social Welfare (Miscellaneous Provisions) Act 2010 will bring in a range of changes that will have an impact on unemployed people and how services are delivered to them. The Department of Social Protection will now be responsible for social welfare services, employment services, and active labour market programmes including Community Employment, Jobs Initiative, Community Services Programme and the Rural Social Scheme.

Integrating social welfare and employment support services at Departmental level could make little difference to unemployed people's lives unless there is improved integration on the ground as well. In consultations held with unemployed people they have noted that the thinking and culture within the system needs to change: it needs to be geared towards the individual's needs and be more innovative in its responses. Services need to have a goal and be realistic. As part of this is the reality that employment growth for the foreseeable future will be piecemeal, part-time, short-term contract work.

And so the INOU is calling on the Government to ensure that:

- Employment and social services start with the person and that participation is by choice and is meaningful. Personal contact aimed at guiding the individual would be more positive and would facilitate better decision making;
- The local Social Welfare Office moves from an authoritative and processing mind-set to that of assisting people. On the first visit to SWO the unemployed person should be advised up front of the total range of entitlements including information on the role of the (Jobs) Facilitator.
- Timely access to relevant information is improved. It is urgent that communication across all schemes and providers seeks to facilitate positive participation. To that end maximising the use of online facilities is recommended;
- Employment and related services understand the qualifications unemployed people already have and explores how they progress further. One recommendation coming from unemployed people is that FÁS could be re-orientated as a training facilitator as opposed to provider and used to fund individuals taking up professionally run training courses;
- Services do all they can to make work placements and work experience available to the unemployed: given experience is crucial to getting a job. However, work placements must be relevant to the person's needs and must not be used to replace paid jobs. One avenue that could be explored is the State itself taking unemployed people on work placements.



The INOU along with other community and voluntary sector organisations is challenging the commonly held position that the adjustment the Government will make in Budget 2011 must come from cuts to public expenditure. Such an approach will disproportionately hit the less well-off including the unemployed and further deflate the Irish economy. The bigger challenge facing Ireland is the significant loss of tax revenue and the urgent need to address this issue if Ireland is to have a sustainable and inclusive future.

In the public discourse on the banking crisis it is evident that many people regard Ireland as an unfair society whose past economic growth benefited a select few but for whose mistakes the many are now paying. To that end any changes to the tax system must target the better off and not those struggling on low income.

Therefore the INOU is calling on the Government in Budget 2011 to:

- 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. As the Commission notes tax expenditures have the potential for unequal distribution of public resources, can facilitate tax avoidance, lack cost restraints, lack visibility and are rarely reviewed. They estimated that these tax expenditures cost Ireland €8bn;
- Introduce a Property/Wealth Tax for high earners with assets greater than €1million;
- Apply PRSI and Income Levies to all income, regardless of source;
- Remove anyone earning less than National Minimum Wage from the tax net. This progressive policy decision was reversed in the Supplementary Budget with the application of the Income Levy from incomes greater than €15,028.