

Will Budget 2015 Deliver?



"The INOU is a federation of unemployed people, unemployed centres, unemployed groups, community organisations and Trade Unions.

The INOU represents and defends the rights and interests of those who want decent employment and cannot obtain it. We promote and campaign for policies to achieve full employment for all.

We also campaign for an acceptable standard of living for unemployed people and their dependents. The INOU is an anti-sectarian, anti-racist, non-party political organisation which promotes equality of opportunity within society."

INOUE Mission Statement

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On 14th October, 2014 the Government announced the Budget for 2015. It was a welcome change to the austerity budgets that have been introduced in recent years. It was also quite different to the type of Budget expected earlier in the year when a €2bn adjustment was still a possibility and indeed advised by many commentators coming at these issues from a fiscal / economic perspective.

However, the cumulative impact of the previous budgets remains and for many unemployed people the changes introduced in Budget 2015 will not address the very considerable challenges they face. This is particularly true for unemployed people who have been in receipt of a Jobseekers payment for less than fifteen months and are not eligible for the reduced Christmas bonus; nor are they in receipt of the Fuel Allowance and so are not eligible for the proposed water subsidy of €100 .

On Budget Day the Estimates for Public Services 2015 was published which outlines where the monies will be spent next year and gives a clearer sense of the priorities for Government. The Comprehensive Review of Expenditure 2015 - 2017 was also published which envisages very small percentage increases in public expenditure over the next three years. This does not bode well for creating a more equitable Ireland.

Building on the INOU's pre-budget submission themes, this post budget analysis will explore the impact on:

- ◆ Adequate income and affordable cost of living
- ◆ Quality education and training
- ◆ Decent jobs and employment programmes
- ◆ Social inclusion and equality

Adequate income to live

Under the theme of adequate income a striking feature of Budget 2015 is more what it did not do. Social welfare payments were maintained at their 2014 levels even though for many recipients they are inadequate to meet an essential standard of living. For people aged 26+ jobseekers payments have remained the same since 2011. Yet the cost of living has gone up for many people since then and will increase further with the introduction of water charges.

The INOU had sought an “extension of the derogation to water charges to all unemployed people” in our Pre-Budget submission. To that end we welcome the introduction of relief for people in receipt of the Fuel Allowance. However, this will leave a lot of unemployed people without this badly needed support. Unemployed people are only eligible for a Fuel Allowance once they have been unemployed for 15 months. This entry point relates back to an earlier duration of Jobseekers Benefit, the unemployment payment accessed through PRSI contributions. In 2008 the maximum duration anyone could be on JB was cut from 15 months to 12 months; then in April 2013 the duration was cut by a further 3 months. It is time to address this anomaly.

On a range of employment programmes, participants can maintain their secondary benefits including the Fuel Allowance, which means these participants should be able to access the water charge relief. However, if a person was thirteen months unemployed and is activated onto a Community Employment programme, for example, he or she cannot then apply for the Fuel Allowance and so will be excluded from the water charge relief. Again it is time to address this anomaly.

BUDGET 2015:

- ◆ Partial restoration of the Christmas Bonus.
- ◆ Extension of the derogation to water charges to social welfare recipients in receipt of the Fuel Allowance.
- ◆ €5 increase in Child Benefit.
- ◆ €800m investment in social housing.

What needs to happen now?

- ◆ **To follow through on the INOU's Annual Delegate Conference call “on the Government to extend the derogation to water charges to all unemployed people”.**
- ◆ **To ensure anyone unemployed for more than 9 months receives a Christmas Bonus.**
- ◆ **Rent Supplement must be increased to realistic levels to support people to find and stay in suitable accommodation.**
- ◆ **Restore the full Jobseekers Allowance rate to people aged 25 and under.**

In the Supplementary Budget 2009 a reduced Jobseekers Allowance payment of €100 was initially introduced for 18 & 19 year olds. Since then it has been extended to people 20 -24 and a €144 introduced for 25 year olds. In the interests of equality and social solidarity this age segregation must end and young people's payments restored to 26+ age rates.

Ireland's reliance on addressing people's accommodation needs through private provision, either home ownership or private rental market has left an increasing number of people struggling with the prospect and reality of homelessness.

The investment announced in the Budget of over €2.2 billion investment in social housing between 2015 and 2017 is to be welcomed. However, the INOU would share the concerns of many other community and voluntary sector organisations, this investment has a medium to long-term focus and is not on the scale required to really address the housing lists.

To address the short-term issues it is imperative that the inadequate levels at which Rent Supplement are set are addressed immediately.

The INOU welcomes the €5 increase in Child Benefit and the proposed increase for next year. It is a welcome development for families.



Quality Education and Training

In our pre-budget submission the INOU sought: increased investment in appropriate education and training provision for unemployed people; investment in the provision of quality adult education and training guidance; and an acknowledgement of the diversity of learning needs amongst people who are unemployed including people who require literacy and numeracy supports.

Regrettably no additional measures or supports were announced in Budget 2015. Indeed the Department of Education and Skills budget line for skills development is €3.45m lower in 2015. Yet in the Comprehensive Review of Expenditure 2015-2017, the Government notes that the aim of the Skills Development programme *“is to provide opportunities for up-skilling and re-skilling that meet the needs of individuals and the labour market. Under this Programme, the allocation for 2015 will allow the Department to continue to support Ireland’s socio-economic development by:*

- *Maintaining the provision of 270,000 Further Education and Training places; and*
- *Implementing an ambitious Further Education and Training Strategy, further implementation of the Momentum and Springboard programmes as key inputs to delivering on the Action Plan for Jobs and developing new apprenticeships through a call for proposals to enterprise sectors.”*

Without additional resources it is difficult to see how the needs of unemployed people and others distant from the labour market can be met in a learner centred approach that will produce the desired outcomes.

Participating in activation measures including education and training can be costly and difficult for participants to maintain without additional supports. This is particularly true for those more distant from the labour market who may not have other resources to draw on to maintain their involvement. It is important to address this issue given the skills gaps in the labour market and the challenge of accessing employment without the right skill set.



What needs to happen now?

◆ **Adequately resource educational and training supports for unemployed people and others distant from the labour market.**

◆ **Re-introduce additional learners supports to cover the costs of participation.**

Decent Jobs and Employment Programmes

In our Pre-Budget submission the INOU noted that it is not in Ireland's interest to create low paid and precarious work. According to recent research Ireland has the frightening distinction of having the second highest proportion of low-paying jobs amongst OECD countries. The establishment of the Low Pay Commission is absolutely critical.

Amongst the other job, welfare-to-work announcements the doubling of the places on the JobsPlus initiative is welcome, however it is essential that every effort is made to ensure that these jobs are decent and sustainable.

The Back to Work Family Dividend is a welcome support for unemployed people with children for whom the pathway to work can be very uneven. To that end it is welcome that families who are eligible will also be able to avail of Family Income Supplement; and, where relevant, they should be able to hold onto their medical cards for up to three years. It is also welcome that this support will be available to unemployed people seeking to get back to work through self-employment.

To ensure that the other job creation measures deliver for unemployed people it will be essential that employment services work *with* unemployed people to secure the very best outcome for them, regardless of who is providing the employment service.

It will be equally critical that unemployed people get access to the jobs created through this Budget, be they in construction or Civil or Public Service now that the moratorium on recruitment has ended: a development the INOU has long called for and welcomes.

BUDGET 2015:

- ◆ Back to Work Family Dividend.
- ◆ Doubling JobsPlus places to 6,000.
- ◆ €12m to roll-out JobPath.
- ◆ Establishment of Low Pay Commission.
- ◆ €450m capital allocation for DJEI.
- ◆ €260m R&D.
- ◆ €800 million for the housing programme

Social Inclusion and Equality

Integral to achieving a more just and equitable society are taxes, how they are collected and how they are distributed. The INOU was concerned at the income tax cuts debate prior to the Budget as for so many people in this society, living with disadvantage and marginalisation income tax cuts are of little benefit to them. We argued that if income tax changes were to be introduced the most equitable thing to do would be to introduce refundable tax credits. Indeed such a development would have addressed the issue that has arisen with the proposed water tax credit which is unfortunately irrelevant to so many people working in low paid jobs.

We did argue for a cut in the lower rates of USC and an extension of the income bands to which they apply as we deemed them more relevant for those making the welfare to work journey. While welcoming these developments, we are keenly aware that even the introduction of a new higher rate of 8% will not offset the regressive nature of the cut to the top rate of income tax.

The provision of good public services are a critical feature of societies that are more equitable and inclusive. Looking at the allocated gross current expenditure for the next three years it appears that this role of public services is not fully appreciated nor endorsed. Over



the next three years expenditure will increase by only 0.86%, 0.44%, 0.13% hardly conducive to the levels of investment in social development Irish society so badly needs.

BUDGET 2015:

- ◆ 41% tax rate was cut to 40% and tax band increased by €1,000.
- ◆ USC threshold increased to €12,012, new rate 1.5%. 3.5% rate applies up to €17,576. New 8% rate applies on incomes over €77,044
- ◆ Tax relief for water charges at the rate of 20% of the annual water charges paid in the previous year subject to a maximum relief of €100.

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