



INOUE POST-BUDGET ANALYSIS 2004

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Budget fails to meet Social Inclusion measures and NAPs commitments

Key INOU Demands for Budget 2004

Demand

- Increase the lowest Social Welfare payment by €15.60

Budget 2004 Delivers

- €10.00 minimum increase on all Social Welfare payment.

Demand

- Standardise CDA payment rates by raising all rates to €21.60

Budget 2004 Delivers

- Nothing.

Demand

- Increase the income levels for the retention of secondary benefits.

Budget 2004 Delivers

- Nothing.

Demand

- Increase Personal tax credits by €592 to lift single earners on the €7 minimum wage out of the tax net.

Budget 2004 Delivers

- €240.00 increase.

Introduction

Budget 2004 was an opportunity for the government to focus on tackling income adequacy issues and the causes of poverty which affect the poorest members of Irish society. Instead of clear, decisive and targeted measures to combat rising poverty the Government chose instead to 'claw-back' some of the existing safeguards and supports of the Welfare system. They also chose to ignore the need to create employment opportunities and paid lip-service to Social Inclusion measures, making it even harder for them to achieve their agreed commitments under the National Anti-Poverty Strategy and NAP'sincl.

This budget was an opportunity to make a positive and meaningful impact on the lives of unemployed people and their dependants. The Government's failure to deliver has wasted this opportunity.

1: SOCIAL WELFARE PAYMENTS

Basic Payments

Key INOU Recommendation:

- Increase the lowest social welfare payment by €15.60

Budget 2004 Delivers: €10 Increase

The INOU called on the Government to increase the lowest social welfare rates by €15.60, to progress towards the attainment of the NAPS (National Anti-Poverty Strategy) target of €150 in 2002 terms by 2007, and to meet its commitments on income adequacy.

Factoring the various elements, such as inflation, the cost of living increases and the 'Savage 16' cuts, means that in real terms this €10 increase is ineffective in providing any real increase in income.

Qualified Adults (QA)

Key INOU Recommendation:

- Raise the Qualified Adult rates to 70% of the personal rate

Budget 2004 Delivers: €6.60

Qualified Adult payments remain one of the strongest direct means of tackling poverty at an individual and family level in low-income Social Welfare households.

In our pre-budget submission we called on the government to honour the commitments of Budget 2000 and raise the lowest Qualified Adult rate to 70% of the personal rate. Once again it has failed to do this. The Qualified Adult payment is still less than 70% of the new personal rate, we find this wholly unacceptable.

Increasing social solidarity through the Social Insurance system

Key INOU Recommendation:

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

Budget 2004 Delivers: Nothing

In demanding that a form of "Social Insurance Guarantee" be introduced the INOU was seeking the re-introduction of a system that would replace a proportion of lost earned income.

Far from improving, the situation is now worse. Those with less than 260 PRSI contributions paid since first entering employment will only qualify for 312 days payment instead of 390 days payment. Coupled with an increase in the number of qualifying contributions required to qualify for Unemployment/Disability and Health & Safety benefits, from 39 to 52, this in effect means people are "paying more" and "getting less."

Retention of Secondary Benefits

Key INOU Recommendation:

- Significantly increase the income limit for the retention of secondary benefits

Budget 2004 Delivers: Nothing

Income limits to allow for the retention of secondary benefits have remained unchanged at €317.43 since 1994. In our pre-budget submission the INOU pointed

out that inflation over this same period is estimated to be 30%. We suggested a similar rise in the retention ceiling was not an unreasonable request and would help eliminate what is a major stumbling block for unemployed people moving from welfare to work.

Payments to Asylum Seekers

Key INOU Recommendation:

- Substantial increases in payments for Asylum Seekers. €46.00 for a single person, €78 for a couple and €21.60 for a child

Budget 2004 Delivers: Nothing

Payments under the Direct Provision Scheme have not been increased since 1999.

The INOU believes that there should be a restoration of full social welfare entitlements for asylum seekers in parity with citizens and an end to the policy of direct provision.

Supplementary Welfare Allowance - Poverty Proofing

Key INOU Recommendation:

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

Budget 2004 Delivers: Nothing

Given the review of rent supplements and changes to SWA payments arising from the Book of Estimates this budget was an opportune time for the Minister to oversee the effective integration of the administration of these interim payments to the Department of Social and Family Affairs.

We are once again disappointed that the Minister has failed to take the necessary steps to simplify this scheme and ensure its effectiveness.

2: ENDING CHILD POVERTY

Child Dependent Allowance (CDA)

Key INOU Recommendation:

- Standardise CDA payment rates by raising all rates to €21.60

Budget 2004 Delivers: Nothing

The standardisation of Child Dependant rates was recommended over 17 years ago by the Commission on Social Welfare. Despite inflation, increases in the cost of living and spiralling levels of child poverty the government failed to implement this recommendation and has done little to alleviate child poverty.

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 2004 Delivers: Nothing

Tax and Social Welfare years were synchronised in budget 2002, yet payment of the increases in Child Benefit still lag behind the majority of other payments.

Traditionally this payment has a key role in addressing Child poverty issues in households that depend on Social Welfare payments. Failing to harmonise these payments continues to prevent the consolidation of income in households that need it most.

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 2004 Delivers: Nothing

The failure to increase the BSCFA, given their inadequate rates of payment, does little to alleviate educational disadvantage endemic to low income

households. Furthermore, the lack of raising the income limits in line with those applying to FIS 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.

Family Income Supplement

Key INOU Recommendation:

- Raise the income limits for Family Income Supplement by 10%

Budget 2004 Delivers: €28

While the INOU welcomes this increase in the rate of FIS it is far short of what is necessary to keep pace with rises in average earnings. This €28 increase in this budget does little to promote and encourage a 'discernible' reward from work.

Given other announcements made by the Minister and the effects of changes announced in the Book of Estimates we are completely disillusioned with the government's failure to improve the underlying conditions of the low-paid worker.

Medical Card for Children

Key INOU Recommendation:

- Extend medical card coverage to all children under 18 years.

Budget 2004 Delivers: Nothing

The government has consistently stated that one of its 'key' priorities is to enable those on social welfare to move into employment.

The government's failure, once again, to extend the medical card to all children under 18 runs contrary to the need to ensure that no child is denied access to important and essential health care services - simply for financial reasons.



Increasing Income Guidelines for Medical Card Holders

Key INOU Recommendation:

- Increase the income threshold of eligibility for the medical card

Budget 2004 Delivers: min. increase €1

In its pre-budget submission the INOU called for the inclusion of all social welfare recipients and low-paid workers. While we welcome a maximum increase of €15.50 for married couples aged between 70-79, the minimum increases for others, ranging from €1 to €5 are unrealistic and will continue to exclude those who most need the protection of a medical card.

Childcare

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	€35 per child per week
Children aged 6-14	€20 per child per week

Budget 2004 Delivers: Nothing

Affordable childcare still remains as one of the largest disincentives for women attempting to return to work or access training or education supports. The governments failure to provide practical support to parents in childrearing, either through a childcare payment or the provision of childcare places, continues to run contrary to the recommendations of the Childcare 2000 Campaign and co-ordinated efforts to end endemic child poverty.

3: JOB CREATION

Back to Work Enterprise Allowance Scheme (BTWEA)

Key INOU Recommendation:

- Return the BTWEA to those 1-year or more unemployed and extend Family Income Supplement to those in receipt of this allowance.

Budget 2004 Delivers: Reduced to 3 years

Research shows that those who are unemployed for longer periods of time are less likely to have the resources, motivation and supports to set up a business. While we welcome the reduction in the qualifying period from 5 years to 3 years we urge the government to return the eligibility criteria to its original 1-year period. This will ensure it is fully inclusive of all those who can benefit from the scheme.

Correcting Regional Imbalances in Employment Growth

Key INOU Recommendation:

- Increase the budgets of the job creation agencies such as Enterprise Ireland and speed up investment in the development of the necessary infrastructure, such as roads and telecommunications, to both disadvantaged regions and areas to gain their fair share of jobs

Budget 2004 Delivers:

- Reduced budgets to job creation agencies.
- Proposed decentralisation plan of Government departments

The Budget did little to address regional imbalances. This imbalance is becoming starker with each firm closure announced. 2003 recorded the highest number of redundancies in 19 years. There is still too much reliance on foreign direct investment and the presumption that companies will set up where others have folded. Budgets to job creations agencies such as Enterprise Ireland have been reduced again. Finally, the extent of job opportunities arising from the proposed decentralisation plan remains to be seen. The plan is to be completed over 3 years.

4: EMPLOYMENT SUPPORTS

Active Labour Market Programmes (ALMP's)

Key INOU Recommendation:

- Any changes to ALMP's must be in the best interests of the participants

Budget 2004 Delivers: Rural Social Scheme

The new rural social scheme is a welcome development for small farm holders. It is not open to rural unemployed people. The reliance on Community Employment and Jobs Initiative schemes continues in terms of providing job opportunities for participants as well as providing essential social services. Although the numbers on CE and JI will remain at 2003 levels in 2004, the future direction of these schemes is unknown especially following the collapse of the Standing Committee of the Labour Market which was reviewing ALMPs.

Back to Work Allowance (BTWA)

Key INOU Recommendation:

- Return the eligibility criteria for BTWA to 15 months unemployed

Budget 2004 Delivers: Nothing

Positive steps were taken in 'rolling-back' the qualification criteria for the Back to Work Enterprise Allowance (BTWEA), yet the government failed to acknowledge the valuable role the BTWA has played in assisting unemployed people to return to work. This must be corrected and the eligibility criteria must be returned to its original 15 months period.

5: TAXATION

Personal Tax Credits

Key INOU Recommendation:

- Increase personal tax credits to €2,912, which will be sufficient to lift single earners on the minimum wage out of the tax net

Budget 2004 Delivers: €240

This budget fails to deliver any discernible 'reward from work' targeted at lower paid or minimum wage workers. The government's failure to fully honour PPF agreements means that minimum wage earners are still caught in the tax net unnecessarily.

In addition to factoring in basic cost of living increases, i.e. food, bus fares, etc. this increase is still €352 short of the government's PPF commitment.

6: TRAINING AND EDUCATION

Literacy Programmes

Key INOU Recommendation:

- The Workplace Basic Education programme as referred to in Sustaining Progress must be implemented nationally. Establish a literacy fund that could be used to co-finance paid educational leave to allow employees to get part-time literacy tuition. Put in place an intensive basic education programme to cater to the needs of long-term unemployed people

Budget 2004 Delivers: Nothing

Sustaining Progress clearly identifies literacy and numeracy skills as a cornerstone requirement in social and economic participation. This budget has blatantly ignored these facts. Failing to adequately institute necessary programmes, such as the Workplace Basic Educational Strategy, can only serve to undermine the goal of reducing restricted literacy levels by 10-20% by 2007. Clear and decisive steps must be taken now to institute these programmes to reach these goals in the future.