



## Post-Budget Analysis 2009

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### 1 INTRODUCTION

Budget 2009 was framed in a rapidly changing domestic and international climate and presented considerable challenges for the Government to address. The INOU, in preparing our pre-budget submission, was acutely aware of this scenario and its impact on unemployed people and others distant from the labour market. To this end, we sought increases in the basic welfare rate and other measures that would support the less well off and soften the blow to their living circumstances.

The organisation also sought an increased coherence across a range of Government policies and their implementation in order to ensure the creation of sustainable long-term options. This is particularly important in a context of rising unemployment; and an employment policy that is primarily focused on the upper end of the labour market. A vital question the organisation is asked by our affiliates and one we have articulated ourselves is 'into what exactly are unemployed people and others distant from the labour market being activated?'

So how will Budget 2009 impact on unemployed people and others distant from the labour market? In this post Budget Analysis we explore the budgetary changes under the headings we used in our Pre-Budget Submission.



A major and unwelcome change in this Budget is the doubling of the number of contributions applicants require to be able to access Jobseekers Benefit. The number has gone from 52 to 104. The length of time anyone who has paid over 260 contributions can claim JSB has been reduced from 15 to 12 months. For anyone with less than 260 contributions the period has been reduced from 12 to 9 months. This will push more people into applying for Jobseekers Allowance which is a means tested payment. This has particular implications for young people living at home; and for people who are, for example, saving for mortgage deposit as any savings over €20,000 are taken into account. It's also questionable from the perspective of the European employment concept of flexicurity<sup>1</sup>: as it will add to the complexity and challenges of becoming unemployed. Also the doubling in the weekly wage band limit, from €150 to €300, will have particular implications for low income workers where there is a higher percentage of women.

The INOU continues to be concerned at the long delays facing people recently made unemployed. Additional resources are clearly needed to address this issue so that people can get their applications processed as quickly as possible and access their entitlements.

Given the inflationary increases in basic food and other items, the INOU had sought an increase of €15 for the adult social welfare rate. From a policy perspective such an increase was also required if the Government is to achieve its own target of eliminating consistent poverty by 2016.<sup>2</sup>

Under Budget 2009, unemployment payments will rise by only €6.50 to €204.30 per week. The Qualified Adult Allowance (QAA) will increase by €4.30 to €135.60 which will maintain the ratio of this payment to the full adult payment of 66%. The INOU had, along with other community and voluntary organisations, called for the QAA to be raised to 100% of the main claimant. The INOU had sought a €2.50 increase in the Qualified Child Allowance and welcomes the €2 increase given which brings this payment up to €26.

However, it should be noted that the increase in the minimum contribution for those in receipt of Rent Supplement or Mortgage Interest Relief Supplement has increased by €5 to €18 which effectively negates the increase in the adult social welfare rate.

At present, the biggest item in the Irish tax basket is VAT. Given rising unemployment and the reduction in other tax streams this will continue to be the case. VAT is seen as a regressive tax and the increase in the 21% band to 21.5% will further exacerbate this situation. It will have a negative impact on the cost of living and so further erode the small increase given in the social welfare rates.

The only change to the Back to School Clothing and Footwear Allowance was a welcome increase in the additional income disregard to €150. This will bring the income limit for a couple with one child up to €559.80 and a lone parent with one child up to €406.30. The INOU had sought a €15 increase for children aged between 2-11 and a €25 increase for older children (12-22): these rates remain at €200 and €305 respectively.

The INOU had sought an automatic entitlement to a medical card for anyone who is solely dependent on a social welfare payment. This issue was not addressed and the current debate over this right for people over 70 does not bode well. The increase in income limits for this older age group is welcome: these limits had not changed since October 2005. Currently, for people of working age, the limits are €184 for a single person; €164 if the person lives with family and for a couple under 66 or a lone parent €266.50. In the interests of both equity and realism these rates should be raised to, at the very least, the National Minimum Wage (€337.35).

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<sup>1</sup> Flexicurity is interpreted differently in each member state but effectively seeks to encourage flexible labour markets counterbalanced by good social protection.

<sup>2</sup> This is the Overall Poverty Goal of the National Action Plan for Social Inclusion 2007-2016. It is very important that, with the integration of the Combat Poverty Agency and the Office of Social Inclusion within DSFA, this new entity is given a strong mandate and the proper resources to pursue the goals set in NAPSI.

### 3 WELFARE TO WORK



On the issue of welfare to work and supporting people who are unemployed to enter employment, education or training very little happened in this budget that will aid such a transition.

The eligibility criteria for the Back to Work Allowance and the Back to Work Enterprise Allowance did not change which raises a question about the Government's understanding of and commitment to addressing our radically altering employment / unemployment dynamic.

The income limits for Family Income Supplement were raised by €10 per child and so now start at €500 for a family with one child. The biggest problem with FIS is the low take-up of this scheme. This arises due to a lack of awareness of its existence amongst families who would be eligible and the process of application. The INOU will continue to call for this issue to be addressed in a pro-active manner as part of the State's role of activating people in receipt of welfare payments.

The introduction of the 1% Income Levy will exacerbate the issues facing the working poor including people on Active Labour Market Programmes e.g. Community Employment. Though the Government's decision not to impose the Levy on people earning less than the National Minimum Wage (€17,540 pa) is welcome, it should be noted that a couple earning their income through CE will be paying this levy. Again it is an example of the State giving with the one hand and taking it right back with the other. To address this issue and to ensure consistency across the system the level at which this levy is paid should be raised to the level at which people start to pay PRSI (Under Class A, which most employees pay, PRSI is not paid by those earning €352 or less per week or €18,304 per annum).

The issue of affordable and accessible childcare continues to be an issue and unfortunately the State's rather clumsy attempt at targeting through the Community Childcare Subvention Scheme will exacerbate this problem. Trying to 'activate' lone or both parents without adequate provision of childcare is not feasible: it is effectively sending people up a hill to fall off the cliff at the top. This brings us back to a crucial question - 'into what exactly are people being activated?'

### 4 ACCESSING EMPLOYMENT



The budget for Community Employment (CE) has been increased by 2% to €450m through which the Government expects to employ a minimum of 22,500. CE is a scheme where demand for places outstrips supply as for many people distant from the labour market it has been the only accessible point. Affiliates have raised concerns with us that local projects are facing closure because they cannot fill existing CE places due to FÁS budgetary constraints. The mere 2% increase in this budget line will not address this issue. Nor will it address the increasing calls for places for those made unemployed recently. While the prospect of unemployment is facing many of the current CE participants, as they see little chance of alternative employment in the current climate.

The last point raises an issue that was not adequately addressed during the Celtic Tiger years and that is: the lack of access to the Irish labour market for people because they are disabled; from communities / families living with the effects of cumulative disadvantage; lack the necessary educational and training skills levels to access the jobs that will allow them cover the cost of employment in particular childcare. In failing to address this side of the equation, the INOU is concerned that unemployed people and others distant from the labour market will be further marginalised in a more competitive environment<sup>3</sup>.

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<sup>3</sup> The reduction in funding to the Equality Authority is very regrettable in this regard as a strong focus on equality and its realisation is crucial to addressing social and economic exclusion.

Concerns have also been raised across a broad spectrum of commentators that the skills required to fill existing vacancies and emerging jobs are not matching up with those facing redundancy or the unemployed. Work needs to be undertaken to improve the matching of jobs and unemployed people. How will such a development link into the activation policy and its implementation? If it does not happen in a systematic fashion with clear end goals, then the current gap in the skills required and skills levels will widen. The provision of timely, accurate and clear information will be essential in addressing these issues.

As a pro-active measure and as part of this continuum the INOU will continue to call for an early warning system for redundancy situations. The resulting longer lead-in time could then be used to attract alternative investment and re-skill those who are losing their jobs. Enhanced inter-agency co-operation to provide replacement jobs would add value to this development.

## 5 LIFE LONG LEARNING



What was very striking about Budget 2009 and this policy area was the complete lack of joined-up thinking across the lifecycle<sup>4</sup> from children to older people. For example, the main focus of employment development was at the high tech end of the labour market in what is termed the knowledge based economy; while at the same time the 'Schools Information and Communication Technologies Activities' budget line in the Department of Education and Science budget for 2009 has been cut by 29%.

The 9% increase in the allocation from the National Training Fund (NTF) for unemployed people to €208.2m is welcome yet FÁS allocation for training and integration supports is down 5%. While the proposed reduction in expenditure from the NTF for those in employment raises further challenges: in particular ensuring that, in an increasingly globalised world, the focus on supporting workers to adapt to a changing labour market is properly resourced. This is a key element of flexicurity.

In order to ensure that the drive for a knowledge based economy does not further exacerbate socio-economic exclusion greater integration across Government policies focusing on education, training and employment is required. Greatly enhanced co-operation between the Departments of Education and Science; Enterprise, Trade and Employment and their respective agencies are also essential. And in the interests of coherence, a three way approach with the Department of Social and Family Affairs to complement their increased role in the area of activation / active case management. The INOU along with other community and voluntary organisations will continue to seek such a tri-partite approach in partnership with groups working directly on these issues.

In the National Development Plan 2007-2013, the role of human capital development in addressing social exclusion is acknowledged, as is the need for "service delivery that is accessible, flexible and focused on the need of the individual" (p237). Though Ireland is facing difficult economic times, if we do not invest in people and their communities' socio-economic exclusion will be exacerbated. There are not only social arguments for equitable development but sound economic ones as well: pro-active policy development and implementation is more cost effective than a reactive approach. In effect if we do not sow today what can we hope to reap tomorrow?

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<sup>4</sup> "The lifecycle approach places the individual at the centre of policy development and delivery, by assessing the risks facing him/her, and the supports available to him/her to address those risks, at key stages in his/her life. The key lifecycle stages are identified as: Children, People of Working Age, Older People, and People with Disabilities." P6, 'Towards 2016'