

INOU Pre-Budget Submission 2003



Introduction

This Budget is the last opportunity for the Government to deliver on commitments entered into in relation to the Programme for Prosperity and Fairness (PPF). This is the opportunity for the Government to show that social partnership delivers and that it is worthwhile to enter negotiations for a successor to the PPF. It will also provide the first opportunity to test the Government's commitment to a revised National Anti-Poverty Strategy and their continued commitment to eliminate long term unemployment. We recognise that the current economic climate and forecasted fall in the projected Government surplus may restrict room for manoeuvre in this Budget, but believe it is both possible and necessary to deliver a Budget that will make a meaningful impact on the lives of unemployed people and their dependants. This should be the overarching aim when priorities for the Budget are being decided.

Basic payments

Benchmarking of social welfare payments has been a fundamental demand of the INOU for many years, in order to reduce consistent and relative income poverty in Irish society. The Government, in its response to the National Anti-poverty strategy (NAPS) in February 2002, has committed to raising the minimum rate of social welfare to €150 in 2002 terms by 2007. This is effectively 30% of Gross Average Industrial Earnings (GAIE) in current terms. This compares favourably with the majority view of the Benchmarking & Indexing working committee set up under PPF which recommended a rate of 27% in the short term. (The minority favoured a rate of 30%). However, given that GAIE has generally increased ahead of inflation, the resultant % rate in 2007 could fall below 30%. Therefore, with a view to full implementation of benchmarking in the future, we recommend that we move towards this €150 (in 2002 Euros) over the course of three budgets. Therefore, the process should commence by setting the lowest rate of social welfare at €130 in this budget.

Recommendation: Increase the lowest social welfare payment by €11.20 pw.

Qualified Adults (QA)

The 2000 Budget made a commitment to increase the QA payment rate to 70% of the personal rate over the course of three years. Therefore this target must be achieved this year, or else the Government will be seen to have failed in their commitment. Based on a lowest level of Social Welfare payment of €130 this would mean that the QA rate for 2003 should be €91, an increase of €12.20.

Recommendation: Raise QA payment rates to 70% of the personal rate in Budget 2003.

Payment of Child Benefit

Budget 2002 was to complete the move to synchronising tax and welfare changes from the first of January. While other social welfare payment dates have been changed, child benefit increases have not been changed to January. There is no reason why this payment, which is crucial to combating child poverty, should not come in line with other payments.

Recommendation: Commit to bringing the payment date for increases in Child Benefit into line with weekly social welfare payments.

Increasing social solidarity through the Social Insurance system

The Irish Labour Market is increasingly characterised by substantial levels of job turnover, reflecting the high level of workforce flexibility required to maintain competitiveness and wealth generation in a modern economy. Such flexibility must be underpinned by guarantees of security, and some of these guarantees must come from the welfare system. The effective elimination of long-term unemployment as committed to by the PPF will not mean the end of unemployment. Rather it means that there will be fluctuating numbers of people unemployed for short periods of time, dependant on the economic cycle. This is happening at present with the increase in unemployment since the summer of 2001. Social insurance against unemployment should guarantee replacement of a proportion of lost earned income (for a period of time, and subject to a minimally adequate rate).

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

Supplementary Welfare Allowance

The Social Welfare Act 2000 allows the DSFA to pay 'interim payments' (for people awaiting decision on their claim) and Rent/Mortgage Interest Supplement directly, rather than repeating applications for the Health Boards. This would improve the efficiency of the service, for both claimants and the Department. However, the Minister hasn't yet issued the order required to bring this change into effect. All other weekly SWA supplements administered by the Health Boards should be later transferred to the DSFA.

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

Retention of Secondary Benefits

Given that the gross household income limit of €317 (the old £250) pw for the retention of secondary benefits has not increased since 1994 we propose that it be increased in line with the general costs of living in the intervening period. We calculate that the Consumer Price Index has increased by approximately 30% since 1994 and therefore ask that the income limit be increased by an equivalent amount i.e. €95 (on a rounded up basis) to bring it up to €412.

Recommendation: Increase the income limit for the retention of secondary benefits by €103.

Child Dependent Allowance (CDA)

CDA's are paid at different rates, ranging from €16.80 to €21.60. Standardising these rates is an outstanding recommendation of the 1986 Commission on Social Welfare. CDA rates have not been increased since 1996; instead, there were to be significant increases in Child Benefit¹, which have taken place in recent years. The intention was to remove an unemployment trap from the system. However, it is opportune to increase CDA's at this time to maintain the agreed child benchmark of 35% of the adult rate as recommended by the above Benchmarking working group. This will further assist with the costs of childcare, which have not been properly factored into child payments up to now. We propose that all CDA's be standardised at the highest rate of €21.60. This will result in this benchmarking level being implemented.

Recommendation: Standardise CDA payment rates by raising all rates to €21.60 (£17.00).

Back to School Clothing and Footwear Allowance (BSCFA)

The PPF states that *"in order to address barriers to participation"* BSCFA will be improved *"with respect to tapering, rate of allowance and income thresholds"*. Eliminating educational disadvantage is a priority of the NAPS, and will play a key role in achieving a full employment society. BSCFA plays a vital role in addressing educational disadvantage in low-income households. However, the current payment rates are inadequate, and the eligibility criteria, although raised last year, need a further increase to avoid creating significant poverty and unemployment traps. They need to be raised to the levels applying to FIS.

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).

¹ Following a recommendation of the Expert Working Group on Integrating the Tax and Social Welfare Systems

Family Income Supplement (FIS)

FIS plays a vital role in increasing the reward from work and in providing low paid households with additional income. The income limits for FIS need at the very least to keep pace with rises in average earnings, but in order to counter any possible disincentive effects of implementing our recommendations in relation to basic Social Welfare payments, we recommend that the FIS income limits be increased by 10%. This takes account of an increase in last year's budget, but this was considered inadequate.

Recommendation: Raise the income limits for Family Income Supplement by 10%.

Back to Work Enterprise Allowance

For those long-term unemployed people who have availed of the Back to Work Allowance Enterprise Scheme (BTWAES), self-employment has offered the chance to create their own jobs. For some however, the income generated from their businesses proves insufficient when the support from BTWAES is finished. FIS is currently available to those on BTWAS as employees, but not to the self employed, which we regard as devaluing their attempts to create their own employment. We therefore recommend that those self-employed people on the BTWAES be included as an eligible group for FIS.

Recommendation: Extend Family Income Supplement to the Self-employed on the BTWAES

Payments to Asylum Seekers

Since the introduction of the direct provision scheme for asylum seekers, on a pilot basis in November 1999, the payment has not been increased. The INOU believe 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. In the interim period, the actual cash payment made to asylum seekers should be substantially increased to €46 for a single person and €78 for a couple.

Recommendation: Actual cash payment made to asylum seekers should be substantially increased to €46 for a single person and €78 for a couple.

Medical Card for Children

The importance of the medical card to low income families is by now well understood. The single most significant barrier to unemployed parents taking up work is the fear of being unable to meet the costs of medical care for their children. This fact has been recognised through the temporary retention arrangements which apply to the medical card in relation to participation on Active Labour Market Programmes such as the Back to Work Allowance. However, the problem is ongoing and the low-income threshold for the medical card is actually contrary to one of the Government's key priorities which is to enable those on social welfare to move into employment.

Recommendation: Extend medical card coverage to all children under 18 years.

Increasing Income Guidelines for Medical Card Holders

The income guidelines governing the eligibility to the medical card has not been increased since 2000. Currently, some social welfare recipients and low paid workers are ineligible for a medical card because the recent increases in social welfare payments has not been matched by increases in the income threshold for the medical card. Therefore, the INOU is seeking that this threshold be increased to extend and include those most in need of the medical card.

Recommendation: Increase the income threshold of eligibility for the medical card.

TAXATION

Poverty Proofing

Recommendation: The Budget should be comprehensively poverty-proofed, and the results published on Budget Day.

Personal Tax Credits

The INOU acknowledges the commitment under the PPF to remove those earning the minimum wage from the tax net on social equity grounds. Given that the minimum wage has slightly increased in 2002 to €6.35 per hour, the case for a targeted tax reduction so as not to dilute this rise and in turn to increase the reward from work, particularly for low paid workers is stronger. Therefore, we propose an increase in the personal tax credits by €461 to €2641.

Recommendation: Increase personal tax credits to €2641, which will be sufficient to lift single earners on the minimum wage out of the tax net.

TRAINING AND EDUCATION

In the current climate of economic uncertainty and escalating job losses, it is vital that opportunities are in place to provide new skills to unemployed people in order that they can maximise their chances of gaining new employment. However, the focus of attention on those recently unemployed should not lead to a shift away from measures for the long-term unemployed. This is especially true given that despite an economic boom in recent years there are still a significant number of Irish people suffering from long-term unemployment and the poverty and social exclusion that go with this. Pertinent training issues surround the proposed cuts to the Community Employment Scheme, which means that not only will participants lose their opportunity to move from welfare to work but their training opportunities will also be affected. Any amendments to the current Active Labour Market Programmes should emphasis more structured training of the participant in the form of specific skills training, work placement etc., thereby improving progression rates into the mainstream labour market.

Presently, 82% of students leave school after completing the Leaving Certificate, this falls short of the Department of Education and Science's aim of 90% by 2003. Therefore educational and training supports must continue to be available those annual school leavers who leave the educational system with the Junior Certificate or with no qualifications as this group are extremely vulnerable to long periods of unemployment.

Full employment is still a realistic aim of public policy, but only if that policy continues to include a specific focus on the needs of this group and a particular sensitivity to the barriers and problems they face.

Employment Action Plan (EAP)

The proportion of people called for interview on the EAP who end up in a job or training one month after the interview has fallen consistently since its launch, due to the lack of available options appropriate to the needs of it's clients. As the number of referrals under this process continues to increase due to recent increases in unemployment and that the EAP

process is likely to be extended to all long term unemployed persons, we propose a new investment is needed to ensure the provision of high quality opportunities if the EAP is to gain credibility.

Recommendation: Resource FÁS to ensure that participants on the EAP are offered a quality employment or training opportunity within one month of interview.

Literacy Programme for Employed and Unemployed People

OECD figures show that 1 in 4 Irish adults suffer literacy difficulties, substantiating the view of many community organisations that this is a significant problem. Literacy should be seen as a right in a developed society. Furthermore, literacy is fundamental to developing other skills required in the labour market, so high levels of literacy problems create a very real limit to economic growth. A major new programme is required to provide literacy training, at both a basic and more developed level, to unemployed people and low skilled workers.

Recommendation: Put in place an intensive basic education programme to cater to the needs of long term unemployed people. Establish a literacy fund which could be used to co-finance paid educational leave to allow employees to get part-time literacy tuition, and could also support employers and trade unions in developing workplace literacy programmes.

A Major New 'Skilling Up' Programme

The PPF *"sees lifelong learning as the key to a future of sustained economic growth and social development"* and has the objective of developing a lifelong learning culture in the workplace. A lot of what is nowadays described as labour shortages can more accurately be accounted for as shortages of necessary skills. We propose a new national programme under the auspices of the Department of Enterprise, Trade and Employment and the Department of Education and Science and to be delivered through the Area Partnership networks. This new programme



would offer quality accredited training and be targeted at low paid workers, the unemployed, employed medical cardholders and BTWEA / BTWA recipients. This programme would support them in acquiring the skills they need, and so increase both productivity and their own earning capacity. The programme's main features should include:

- The right to attend courses
- Training vouchers to pay for courses
- Training not provided by employers, but through release from work
- Compensation for employers (perhaps through PRSI relief)

Recommendation: Establish a major new programme to provide access to quality accredited training for those in low skilled employment.

CHILDCARE

The lack of affordable childcare is now widely recognised as a serious constraint on the ability of women to (re)enter the labour force, and so a major threat to continued economic growth. The fixed cost character of childcare means that it is parents with low incomes who are most in need of support. Many parents need to spend time on training and /or education in order to get a job, and incur childcare costs during that time. Low paid parents would not benefit from tax relief, as they do not earn enough to claim it. Childcare policies must also reflect the extent to which childcare has an educational and developmental role for children, particularly those from disadvantaged backgrounds. Childcare support must be flexible enough to respond to the diverse needs of parents, in a way that prioritises those on low incomes.

These recommendations are part of the Childcare 2000 Campaign, which has at its core the principle that payments to parents and services should be flexible enough to reflect the diversity of needs experienced by parents and children.

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	€30 per child per week
Children aged 6-14	€15 per child per week

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