



# INOUE PRE-BUDGET SUBMISSION 2004

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## Sustaining investment in people and jobs

### Key INOU Demands for Budget 2004

- Increase the lowest social welfare payment by €15.60pw
- Standardise CDA payment rates by raising all rates to €21.60
- Increase the income levels for the retention of secondary benefits
- Increase personal tax credits by €592 which will be sufficient to lift single earners on the minimum wage, at €7 out of the tax net.
- Any changes to the ALMP's must be in the best interest of the participants.
- Increase resources and investment to stimulate job creation ■

### Introduction

*In 2003, the unemployment rate has risen consistently and is expected to exceed 5% by the end of the year. Factory closures in all regions and industries are being announced with alarming frequency. This escalating rise combined with a restricted economic climate makes the choices in this budget all that much harder. However, the INOU believes that the Budget priorities should be to focus on the poorest in society and to continue to invest in improving our ability to create employment opportunities. This focus would add credibility to Government's commitment to social partnership and particularly the Sustaining Progress agreement. Through this Budget, serious inroads can be made towards the achievement of targets outlined in Sustaining Progress and the National Anti-Poverty Strategy and this subsequently will make a meaningful impact on the lives of unemployed people and their dependants.*

### 1 SOCIAL WELFARE PAYMENTS

#### Basic payments

The Government recognises in Sustaining Progress that 'breaking the cycle by providing levels of support to those relying on social welfare sufficient to sustain dignity and avoid poverty is central'. Therefore, this Budget must move towards achieving the NAPS target of setting the lowest rate of social welfare at €150 in 2002 terms by 2007. To this end and taking account of inflation, the lowest social welfare rate must increase by €15.60 per week if this commitment is to be attained. The attainment of this target would effectively see the lowest social welfare rates set at 30% of Gross Average Industrial Earnings which compares favourably with the majority view of the Benchmarking & Indexing working group set up under PPF which recommended a rate of 27% in the short term. (The minority favoured a rate of 30%).

#### RECOMMENDATION:

**Increase the lowest social welfare payment by €15.60pw.**

#### Qualified Adults (QA)

The Government has so far failed to honour its Budget 2000 commitment to increase the QA payment rate to 70% of the personal rate over the course of three years. This outstanding commitment must be met in order to reduce the incidence and risk of poverty amongst dependent adults. Based on a lowest level of Social Welfare payment of €140.40 this would mean that the QA rate for 2004 should be €98.28, an increase of €15.48.

**RECOMMENDATION:**

Raise QA payment rates to 70% of the personal rate in Budget 2004.

### Increasing social solidarity through the Social Insurance system

The Irish labour market in 2003 has been increasingly characterised by rising unemployment levels, cutbacks in supports and services and continuous factory closures. This in turn has obviously raised the number of people experiencing short-term unemployment while they seek alternative positions. After paying their PRSI contributions whilst in employment and to reduce them experiencing poverty or social exclusion, these workers should be protected against unemployment with the guarantee that their unemployment benefit will replace a proportion of their 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)

### Retention of Secondary Benefits

Given that the gross household income limit of €317 (the old £250) per week for the retention of secondary benefits has not increased since 1994 we propose that it be significantly increased in line with the general costs of living in the intervening period. We calculate that the Consumer Price Index has increased by approximately 33% since 1994 and therefore ask that the income limit be increased towards an equivalent amount i.e. €103 (on a rounded up basis) to bring it up to €420.

**RECOMMENDATION:**

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

### Payments to Asylum Seekers

The payments under the direct provision scheme for asylum seekers have not increased since it was introduced on a pilot basis in November 1999. 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 €49.92 for a single person and €84.86 for a couple. Also in the interests of ending child poverty as stated in Sustaining Progress the child payment of €9.60 should be raised to the maximum current CDA rate of €21.60.

**RECOMMENDATION:**

Actual cash payment made to asylum seekers should be substantially increased to €46 for a single person, €78 for a couple and €21.60 for a child.

### Supplementary Welfare Allowance – Interim Payments

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. This would improve the efficiency of the service, for both claimants and the Department. However, the Minister has not yet issued the order required to bring this change into effect and we ask that this not be delayed any further.

**RECOMMENDATION:**

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

### Supplementary Welfare Allowance – Poverty Proofing

The INOU seeks an end to the arbitrary and ad-hoc way the granting of 'interim payments' and basic SWA payments is conducted. Applicants must be guaranteed that they will receive these payments where they clearly meet the means test and other qualification criteria. In addition, the appeal system currently operating for a person refused an SWA payment is lengthy, time consuming and impractical given that these are payments of last resort. The INOU asks that the Government put in place the necessary administrative process that will ensure speedy and due process of applications within the existing system and a speedy and transparent appeal for such cases.

**RECOMMENDATION:**

Ensure a more transparent and equitable treatment of granting SWA interim payments.

## 2. ENDING CHILD POVERTY

### Child Dependent Allowance (CDA)

Whilst acknowledging that there have been significant increases in Child Benefit in recent years, CDA rates have not increased since 1996. This allowance is paid at different rates, ranging from €16.80 to €21.60 and we propose that it be standardised at the highest rate which is an outstanding recommendation of the 1986 Commission on Social Welfare. An increase in the CDA's at this time will assist in the attainment of the agreed child benchmark of 35% of the adult rate as recommended by the above Benchmarking working group and endorsed in Sustaining Progress.

**RECOMMENDATION:**

Standardise CDA payment rates by raising all rates to €21.60

### Payment of Child Benefit

The synchronising of the tax and welfare calendars to the first of January is complete with the exception of the payment of child benefit. 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.

### Back to School Clothing and Footwear Allowance (BSCFA)

Eliminating educational disadvantage which is a priority of the NAPS and is one of the ten Special Initiatives in Sustaining Progress 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 should be indexed to inflation or CPI to reflect the current costs of living but at a minimum must be raised to €127 and €190 for younger and older children respectively. Also the eligibility criteria needs to be

reassessed to avoid creating significant poverty and unemployment traps. The income limit must 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).**

### 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%.**

### 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 when participating on Active Labour Market Programmes such as Community Employment. 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.**

### 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 develop-

mental 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  
Children aged 6-14**

**€35 per child per week  
€20 per child per week**

## 3 JOB CREATION

As a result of rising unemployment, increases in company closures and decrease in investment greater emphasis on job creation is needed in Budget 2004. Policies to stimulate job creation must target individuals as well as companies.

### Back to Work Enterprise Allowance Scheme (BTWEA)

Since the change in the eligibility criteria for the BTWEA from 1 year to 5 years unemployed has been implemented the number of unemployed people availing of the allowance has decreased substantially. This is unsurprising, as research has shown that the longer a person is unemployed the less likely they are to have the resources, motivation and supports to set up a business. We urge the Government to return the eligibility criteria to one year as the BTWEA has proved to be an effective tool to assist unemployed people to set up their own business and remain off welfare.

In addition, for some BTWEA recipients the income generated from their businesses proves insufficient when the support from BTWEA is finished. Family Income Supplement is currently available to those on BTWA 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:**

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

### Correcting Regional Imbalances in Employment Growth

A much more comprehensive and well resourced approach to job creation is now required, with more effective targeting of state support in relation to both the types of job and location of jobs attracting Government support. There is compelling evidence that the number of job losses are disproportionately located in rural areas. Therefore to achieve the NDP aim of 'regionally balanced development', the proportionate share of jobs created in the Midland and West regions needs to be increased. Government policy must not only ensure that this regional disparity is addressed but also that disparities within the regions are lessened.

**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 all both disadvantaged regions and areas to gain their fair share of jobs.

**4 EMPLOYMENT SUPPORTS****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 its clients. As the number of referrals continues to rise due to the recent increases in unemployment and the roll out of the EAP to all persons who are six months unemployed, competition for these limited options will be heightened. The EAP process must be sufficiently resourced to provide suitable choices to unemployed people if the EAP is to gain credibility. To this end, there is a need for a new investment to ensure the provision of high quality choices to referrals. These include relevant job vacancies, places in employment support programmes /schemes, adequate places on training and education courses etc. Throughout the implementation of this process, no referral should be coerced into inappropriate work / training.

**RECOMMENDATION:**

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

**Active Labour Market Programmes (ALMP's)**

Throughout 2003, there have been severe cuts to the numbers participating in ALMP's without due regard to the participant concerned, the services they provide or the communities that benefit from these services. Following the completion of independent reviews of these ALMP's it is expected that these programmes will be phased out yet the design and delivery of a replacement programme is unclear. The INOU urges the Government that any changes to the current ALMP's maintain at a minimum, the current 2003 budget and places to ensure the continuation of the underpinning functions of the existing schemes:

- an employment opportunity for individuals to gain work experience and skills to progress to the open labour market
- a provider of valuable services to local communities, delivered mostly by organisations in the community and voluntary sectors
- providing a form of "sheltered" employment or non progression option for a number of people.

**RECOMMENDATION:**

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

**Back to Work Allowance**

The eligibility criteria surrounding the Back to Work Allowance (BTWA) which assisted unemployed people to move from welfare to work, should be returned from 5 years unemployed

to 15 months. This would present a realistic option for many people being referred under the EAP process.

**RECOMMENDATION:**

Return the eligibility criteria for BTWA to 15 months unemployed.

**5. TAXATION****Personal Tax Credits**

The INOU calls on the Government to remove those earning the minimum wage from the tax net on social equity grounds. This would ensure that the take-up of low paid employment would lead to increased income. Given that the minimum wage is set to increase to €7 in February 2004, 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 €592 to €2,912.

**RECOMMENDATION:**

Increase personal tax credits to €2912, which will be sufficient to lift single earners on the minimum wage out of the tax net.

**6 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.

Pertinent training issues surround the cuts to the ALMP's as the participants are not only losing their opportunity to move from welfare to work but their training opportunities are also being affected. Any amendments to the ALMP's should emphasise more structured training for the participant in the form of specific skills training, work placement etc., thereby improving progression rates into the mainstream labour market.

Both Sustaining Progress and NAPS are committed to attaining a 90% participation rate of students completing upper second level education by 2006. To help attain this, 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.

**Literacy Programme for Employed and Unemployed People**

As recognised in Sustaining Progress 'literacy and numeracy skills are a prerequisite for learning and for social and economic participation.' With OECD figures continually showing that 1 in 4 Irish adults suffer literacy difficulties, this is still a significant problem. If the restricted literacy levels are to be reduced by 10-20% by 2007, the workplace basic education programme as recommended by the National Adult Literacy Agency's report on *Workplace Basic Education Strategy* needs to be rolled out. A similar programme should also be extended to unemployed people.

**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.

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