



Inclusiveness for the Jobless

INTRODUCTION

The following document sets out the key INOU priorities for the 2006 Budget. These priorities reflect the need to maximise the opportunities for unemployed people to successfully make the transition from social welfare into sustainable employment while at the same time ensuring that those who cannot find work have an acceptable standard of living. This submission reflects the priorities and commitments negotiated in Sustaining Progress and the National Anti-Poverty Strategy as well as the feedback the INOU has received from unemployed people, welfare rights information providers and people facing job losses during the year. It also reflects the fact that funding for outstanding commitments under Sustaining Progress must be allocated in the 2006 budget if the terms of the agreement are to be fulfilled.

The INOU has always contended that the best route out of poverty is through employment. While this is still predominantly true, the INOU is very concerned about the increasing numbers of people who are working but who are living in relative poverty. In order to successfully achieve the INOU goal of a full employment society, it is crucial that there is a clear focus both on improving the rewards from work and removing the still very considerable barriers that prevent some unemployed people from taking-up work.

1 SOCIAL WELFARE PAYMENTS

Basic payments

The outstanding agreed Sustaining Progress and NAPS target of setting the lowest rate of social welfare at €150 in 2002 terms by 2007 is a key target. In order to achieve this, this Budget must increase the lowest social welfare rate by at least €14 per week in order to remain on track to fulfil this commitment.

RECOMMENDATION:

Increase the lowest social welfare payment by €14 per week.

ISSUES COVERED INSIDE:

- Social Welfare payments
- Improving the rewards from work
- Ending child Poverty
- Removing existing unemployment traps
- Employment supports
- Employment action plan
- Taxation

2 IMPROVING THE REWARDS FROM WORK

National Minimum Wage Earners

While the decision to take National Minimum Wage (NMW) earners out of the tax net in last year's budget was welcome, the Government failed to prevent NMW earners from paying tax when the National Minimum Wage was increased in April. If the implementation of the Minimum Wage increase is brought forward to January to synchronise with taxation changes, this would prevent this situation developing. The INOU calls for fully removing NMW earners from the tax net.

RECOMMENDATION:

Remove all those on the minimum wage out of the tax net.

RECOMMENDATION:

Synchronise National Minimum wage increases in line with tax changes by implementing the increases in January.

3 Ending Child Poverty

Family Income Supplement (FIS)

FIS was introduced to increase the reward from work by providing low paid households with additional income. However, currently less than one in three families who have an entitlement to a FIS payment are receiving it. A similar benefit for low paid workers in New Zealand has a 92% take-up. This needs to be addressed as a matter of urgency. The best way to achieve this is to ensure people receive the payment automatically. The INOU calls on the Government to implement the National Economic and Social Council recommendation to link FIS with a Child Dependent Allowance payment.

RECOMMENDATION:

Link FIS to the Child Dependent Allowance payment.

In the interim in order to improve the financial benefits of low paid work, FIS needs to keep pace with increases in average earnings. FIS is currently calculated at 60% of the difference between net weekly income and the income limit for the family size. The INOU calls for the income limits to be increased and for the calculation of FIS to be re-examined to ensure a discernible reward from work is maintained.

RECOMMENDATION:

Raise the income limits for Family Income Supplement. Review the calculation of FIS.

Part-Time Unemployment Payment for parents of children under 12

At present, many people, the majority of whom are women, seek part-time work because of other commitments. However as a result they are categorised as economically inactive and are therefore ineligible for an unemployment payment because they fail to meet the 'genuinely seeking work' criteria which focuses only on full time work. The introduction of a part-time unemployment payment for parents of children under 12 would facilitate more women to make the transition from home duties to employment.

RECOMMENDATION:

Introduce a part-time unemployment payment for parents of children under 12 years old.

4 REMOVE EXISTING EMPLOYMENT TRAPS

Retention of Secondary Benefits

The gross household income limit of €317 (the old £250) per week for the retention of secondary benefits is unchanged since 1994. This is unacceptable and is causing unnecessary unemployment traps for people wishing to move from social welfare to employment. We call on the Government to increase this threshold significantly in line with the general costs of living in the intervening period. We calculate that the Consumer Price Index has increased by approximately 34% since 1994 which, if added to the income limit would lead to an equivalent increase of €108 (on a rounded up basis) bringing the figure up to €425. As an interim measure, the INOU calls on the Government to increase the limit by €50.

RECOMMENDATION:

Increase the income limit for the retention of secondary benefits by €50 to €367.

Increasing social solidarity through the Social Insurance system

Despite high levels of employment growth Ireland currently experiences very high levels of redundancy. Despite the fact that it is over ten years since the key related elements of PRSI were abandoned, many people who lose their

jobs are dismayed that their Unemployment Benefit payment does not reflect a percentage of what they earned. Social insurance against unemployment should provide a guarantee that Unemployment Benefit will replace a proportion of lost earned income for a period of time, subject to a minimally adequate rate.

RECOMMENDATION:

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

5 EMPLOYMENT SUPPORTS

Back to Work Enterprise Allowance Scheme (BTWEA)

The BTWEA is one of the few supports available to individual long-term unemployed people trying to set up their own business. However, the numbers of people eligible for the BTWEA is limited as the qualifying period is 3 years for a person in receipt of an unemployment payment. 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 15 months as the BTWEA has proved to be very effective in assisting unemployed people to set up their own businesses in the past.

RECOMMENDATION:

Return the Back to Work Enterprise Allowance to those 15 months or more unemployed.

Furthermore we call for the extension of FIS to BTWEA recipients along the same lines as it is available to Back to Work Allowance (employee) recipients.

RECOMMENDATION:

Extend Family Income Supplement to those in receipt of Back To Work Enterprise Allowance.

Back to Work Allowance

The decision to increase the eligibility criteria for unemployed people on the Back to Work Allowance (BTWA) from 12 months to 5 years has removed this very important employment support from many unemployed people. Changing the eligibility criteria to allow long-term unemployed people to access the BTWA

would present a realistic option for many people being referred under the NEAP process.

RECOMMENDATION:

Reduce the eligibility criteria for Back To Work Allowance from 5 years to 12 months for people in receipt of unemployment payments.

6 EMPLOYMENT ACTION PLAN (EAP)

Employment Action Plan (EAP)

The INOU is very concerned that apparently over 40% of unemployed people who had been through the NEAP said that 'FAS had little or nothing to offer them'.¹ This needs to change urgently. It is clear that a comprehensive suite of options needs to be available and should be offered on a voluntary basis and be appropriate to the referral concerned. They could include relevant jobs, places in ALMP's or places on training/education courses etc. This is especially true for those who are already long-term unemployed and who are now engaging with this process and may require additional assistance to help them return to work.

RECOMMENDATION:

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

7 TAXATION

It is well known that Ireland is a low tax economy in comparison to the rest of the EU. In 2002, Ireland's tax take as a percentage of GDP equalled 28% in comparison to the EU average of 41.44%. If our social services infrastructure is to improve, additional revenue must be generated to fund it. Suggestions to increase exchequer finances could include introducing the promised carbon taxes, examining corporation taxes, exploring land taxes and abolishing unjustifiable tax relief schemes.

RECOMMENDATION:

Introduce methods of increasing Ireland's tax take to fund the necessary improvements to the social services infrastructure, as outlined in the NESC report "The Developmental Welfare State".

¹ From the Indecon review of the NEAP.



INO KEY RECOMMENDATIONS FOR BUDGET 2005

ISSUE	RECOMMENDATIONS
Social Welfare Payments	<ul style="list-style-type: none">• Increase the lowest social welfare payments by €14• Increase the income limit (currently €317) for the retention of secondary benefits by €50
Ending Child Poverty	<ul style="list-style-type: none">• Introduce a part-time unemployment payment for parents of children under 12• Link FIS to the Child Dependent Allowance payment• Increase the income limits for FIS
Employment Supports	<ul style="list-style-type: none">• Increase the number of options open to unemployed people being referred through the EAP process for it to be more effective• Resource FÁS to ensure that participants on the EAP are offered a quality employment or training opportunity within one month of interview• The qualifying period for the BTWEA should be returned to 12 months and recipients should be eligible for FIS• Reduce the qualifying period of the Back to Work allowance to 12 months
Taxation	<ul style="list-style-type: none">• Increase Ireland's tax take through the introduction of various taxation measures• Remove all National Minimum Wage earners from the tax net• Bring forward the National Minimum wage increases to January so as to synchronise this with taxation changes

Other INOU Recommendations

- Job creation policies must promote growth in all sectors at all levels and be regionally dispersed.
- Raise Qualified Adult payment rates to 70% of the personal rate in Budget 2006.
- End the policy of direct provision. In the interim, substantially increase the actual cash payments made to asylum seekers to reduce their risk to poverty.
- Raise the Back to School Clothing and Footwear Allowance income limits in line with those applying to FIS, and increase the payment rates to €125 and €190 (for younger and older children respectively).
- Government and Doctors need, as a matter of urgency, to reach agreement to ensure the immediate implementation of the Doctor Only/GP Visit Medical Card. Increase the income threshold of eligibility for the medical card. Ensure that every person solely dependent on a social welfare payment should automatically receive a medical card.

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