



# INOUE'S Pre-Budget Submission 2008

## INTRODUCTION

**Budget 2008** is being framed at a time of a slowing economy and a tightening of the public finances. It is at such a time, the INOU believes, that public policy and practice must strive to ensure that those who can least afford it do not pay the biggest price for the re-prioritisation of policy goals and resource re-distribution.

This is the first budget since the National Development Plan, the National Action Plan for Social Inclusion (NAPSI), and the National Women's Strategy have been launched. In these documents, as in 'Towards 2016' (T16), significant commitments were made to address social and economic exclusion. At this time it is imperative that social issues are not seen as secondary to economic goals.

The Census 2006 shows that in 62 Electoral District areas unemployment runs at 24% in comparison to a national average of 8.5% (using the PES definition). 35 of these areas are in the urban areas of Dublin; Cork; Limerick and Waterford. Such a reality highlights the need for clear progression pathways from unemployment to long-term quality employment. The engagement of employers in addressing the challenges arising is crucial if meaningful outcomes are to be forthcoming.

## 1 INCOME ADEQUACY AND OTHER SUPPORTS

The INOU welcomes the achievement of the NAPS target to benchmark social welfare payment against what €150 was worth in 2002 terms: or in effect 30% of the gross average industrial wage. Given the Government's overall goal within the NAPS to eliminate consistent poverty by 2016, the maintenance of this relationship is crucial.

The issue of child poverty is one that requires further action and the INOU is disappointed at the lack of progress in reviewing child income supports and employment incentives promised in 'Towards 2016'. In the interim it is important that the long sought for increase in Qualified Child Allowance realised in Budget 2007 is built on in Budget 2008.

Queries into the INOU have raised concerns at the increasing emphasis on the provision of accommodation through renting from the private sector, be it in the shape of Rent Supplement or the Rental Accommodation Scheme. In the interests of balanced development, the INOU believes that the public provision of accommodation itself is important. To this end, the vision and targets set out in T16 and the National Development Plan must be met. The slowdown in the housing market presents both challenges and opportunities, to the State in particular, in moving forward on the accommodation issues facing marginalised communities.

### **BUDGETARY RECOMMENDATIONS:**

- ✓ The basic social welfare payment should be increased by 10% to €204.38.
- ✓ The Qualified Adult Allowance should be increased to 70% of the basic rate, bringing it up to €143.07.
- ✓ Qualified Child Allowance (QCA) should be increased to €25.
- ✓ Everyone who is solely dependent on a social welfare payment should be automatically entitled to a medical card.
- ✓ The Fuel Allowance should also be increased to €20.
- ✓ Back to School Clothing & Footwear Allowance (BTSCFA) should be increased to €200 for 2-11 year olds and to €315 for 12-22 year olds.
- ✓ The income limits for accessing BTSCFA should also be raised.
- ✓ Resource the delivery of the social and affordable housing targets.

## 2 WELFARE TO WORK

The INOU very much welcomes the progress made this year in addressing some of the anomalies and barriers in the social welfare system that impacted negatively on people moving from welfare to work, e.g. changes to Rent Supplement and the impact on the family welfare payment when the 'Qualified Adult' secures employment.

However, some anomalies do exist, for example, the impact on the Back to School Clothing and Footwear Allowance on Lone Parents participating on a Community Employment Programme, as the old €317.43 limit still applies. Another example, is that the income limit for a medical card is now lower than the basic social welfare rate.

The most effective way to ensure that the move from welfare to work is as smooth a transition as possible is to ensure an overall net income gain. To this end, the INOU is looking to the Government to increase the daily income disregard and to reduce the percentage deducted from recipients welfare payments.

Similarly, the administration and bureaucracy surrounding FIS acts as a barrier to its take-up and must be addressed if the take-up of this scheme is to approach an acceptable level.

The National Women's Strategy noted "Childcare is considered by many to be the single biggest challenge facing working parents today." (p49) Childcare is expensive and acts as a barrier to women participating in the

labour market. In the National Development Plan and the National Childcare Investment Programme targets were set to address these dynamics. It is crucially important that these targets are met and do not suffer at a time of perceived economic downturn.

#### **BUDGETARY RECOMMENDATIONS:**

- ✓ Preferably remove the old limit of €317.43 where it still applies or increase it to €400.
- ✓ Ensure consistency across schemes with regard to eligibility and the potential impact of participation on secondary benefits: any necessary adjustments should be upwards.
- ✓ On the following Department of Social and Family Affairs programmes the eligibility criteria should be reduced to twelve months: Back to Work Allowance and Back to Work Enterprise Allowance.
- ✓ FIS should also be extended to participants on the Back to Work Enterprise Allowance.
- ✓ The income limits for Family Income Supplement (FIS) should be increased further.
- ✓ Accessing FIS should be automated through a flagging mechanism within the tax/welfare systems.
- ✓ The daily income disregard should be increased to €25 or three hours work at the minimum wage rate.
- ✓ Reduce to 45% the deduction (of the net wages) from the welfare payment where a claimant has child dependents.
- ✓ Resource the delivery of accessible and affordable childcare.

### **3 ACTIVATION**

In the NDP, T16, and in particular the NAPSI, the Department of Social and Family Affairs were identified as having an increasing role in the area of activation. In particular through a new programme focusing on 'Economic and Social Participation'. A funding line of €50m over seven years was identified and targets set to reduce by 20% long-term dependency on social welfare. The INOU welcomed the broad thrust of these developments but would have particular concerns about how this programme will be rolled out in practice.

A crucial question for the State to address is: 'into what will social welfare recipients be activated?' This may appear a strange question but unemployment is starting to float upwards. And with the focus of employment growth on the knowledge economy there are considerable challenges facing policy makers and practitioners in terms of matching potential employees and emerging jobs. All of this demands a level of clear and accurate information delivered in a timely and integrated fashion that is lacking from public services at present. An example of this is the fear many unemployed people have of losing their medical card when accessing work: too few people are aware that they can maintain their card for up to three years.

Active Labour Market Programmes have played a key role in supporting people distant from the labour market. For example, they have created access points for marginalised groups and individuals to what is arguably the most accessible segment of the labour market – the community and voluntary sector. Access to the other elements of the labour market is equally important and progression into these sectors must be supported and resourced. Though many commentators argue that the Irish economy has reached full employment, active labour market programmes continue to have a key role to play in addressing the labour market needs of disadvantaged groups and communities. For example, the Jobs Initiative (JI) scheme was successful in attracting older men who had been long-term unemployed. As recruitment to this programme has effectively been stopped JI is slowly but surely disappearing. The INOU is calling on the Government to re-invigorate this programme: and to ensure that Community Employment is adequately resourced.

Evaluations of the National Employment Action Plan administered by FÁS and overseen by the Department of Enterprise, Trade and Employment have noted its role in reducing unemployment in Ireland. However, gaps in provision remain: in particular in the areas of responsive information dissemination and matching the right people to the right jobs in either the immediate or longer term. With the reduction in the referral process under the NEAP from 6 to 3 months a more pro-active and client focus service is required. It is equally important that this service dovetails constructively with the Department of Social and Family Affairs work in this area.

#### **BUDGETARY RECOMMENDATIONS:**

- ✓ The immediate provision of funds to rollout the 'Programme for Economic and Social Participation'.
- ✓ Recruitment to the Jobs Initiative programme should recommence.
- ✓ Resource FÁS to ensure that participants on the NEAP are offered an option of quality employment or training within one month of interview.
- ✓ Improved provision of information to facilitate economic participation.

## **4 FLEXICURITY**

The EU's Employment Guideline no 21 seeks to 'promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners'. According to recent redundancy figures from the Department of Enterprise, Trade and Employment redundancies in 2007 are running at 10% more than redundancies in 2006. If the current rate of 2,100 redundancies per month is maintained up to the end of the year then 2007 will be a record year for the number of redundancies.

A major issue in this regard is how to ensure that people who lose their jobs are supported into alternative employment and if necessary upskilled. In Denmark where the concept of 'flexicurity' originated, people who lose their jobs maintain 80% of their previous salary and are given access to training to improve their employment prospects. If flexicurity is to be rolled out in Ireland and the vision in T16 realised then it is important that a structured approach is adopted. To this end, the INOU is calling for the re-instatement of pay related social welfare payments for those who lose their jobs.

#### **BUDGETARY RECOMMENDATIONS:**

- ✓ Re-introduce a guarantee that Jobseekers Benefit will replace a reasonable proportion of lost income through PRSI.
- ✓ Provide realistic supports for life long learners who are participating in part-time or adult education courses.
- ✓ Follow through on commitments to improve public service provision with the delivery of accurate and timely information on entitlements; training and employment opportunities.



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