



Submission
 to the
 Joint Oireachtas Committee
 on Finance and the Public Service
 by the 17 members of the Community and Voluntary Pillar
 on the socio-economic impact of the recommendations
 contained in the report of the
*Special Group on Public Service Numbers and
 Expenditure Programmes*

9TH October 2009

We Must Protect Vulnerable People We Must Protect Social Services

Our public services - and the people who depend on them - must not be sacrificed to fund a superficial recovery.

We need a plan to protect vulnerable people.

People who can afford to should contribute more to the cost of recovery.

We need an integrated social and economic recovery strategy to share the burden of adjustment fairly.

We must continue to work to achieve the vision for Irish society set out in the framework action plan *Towards 2016*.

There is indeed a crisis – but it is not just an economic crisis, it’s a social crisis as well.

The seventeen member organisations of the community and voluntary pillar fully accept the gravity of the crisis facing our country and we recognise the current reality of

- severe economic contraction
- high level of job losses and rapidly increasing unemployment
- collapsed tax revenues with a yawning structural deficit
- soaring national debt
- the need for Government to address the near collapse of the banking system
- rapidly increasing levels of poverty and deprivation
- the cumulative impact of cuts to welfare and social services on the most vulnerable
- the highest-ever levels of personal indebtedness¹
- growing levels of inequality

In particular, we are acutely aware that vulnerable people and people experiencing discrimination and inequality have already been severely affected by cutbacks in public expenditure on services and supports.

The extent of deprivation already being experienced by vulnerable people is apparent when we consider that:

¹ The top ten primary debt types include personal loans, utilities, credit cards, mortgages, hire purchase loans, overdrafts, rent arrears, catalogues, fines, and sub-prime loans. (Comptroller and Auditor General, 2009 Annual Report 2008)

- 15.8% of people are at risk of poverty with incomes below €12,000 for a single person or €28,000 for a family of four.
- 31% of all the households at risk of poverty today are headed by a person *with* a job.
- A further 50% are headed by a person *outside* the labour force (i.e. older people and people who are ill, have a serious disability or are in caring roles) and are totally dependent on social welfare.
- Additionally, 38.7% of unemployed people, 37.6% of lone parents and 37.0% of those not at work due to illness or disability are at-risk-of-poverty.
- Children continue to be the age-group most at risk of poverty, with 19.9% of children at risk of poverty in 2007.
- 16.6% of older people are at risk of poverty after all benefit transfers are included.
- In the past 2 years the number of young people that are unemployed under the age of 25 has soared by 173%.

However, while we face a range of interrelated crises it is important to realise that:

- Ireland is not a poor country.
- Ireland's total tax-take is one of the lowest in the developed world and continues to fall *as a percentage of GDP*.
- It is both essential and possible to protect the vulnerable in the choices Government makes.
- An integrated approach to tackling the country's current problems is essential if they are to be addressed successfully.

The 17 members of the CV Pillar are clear that an *integrated social and economic recovery strategy* is urgently required to which all sectors of society should contribute if they can - but two vital principles must be respected:

- ***People who can afford to should contribute more to the recovery.***
- ***Vulnerable people must not pay the price of recovery.***

Those who are most vulnerable in Irish society - long term unemployed people (and importantly those now at risk of becoming long-term unemployed), vulnerable women, the working poor, children and young people, disabled people, older people, Travellers and members of other

ethnic minority groups - must not be sacrificed to budget stabilisation measures. By way of illustrating the unjust sacrifices being considered, The McCarthy report proposes to cut the job seeker's allowance for young people aged 20-24 by 25% without providing adequate education and training supports for young unemployed people and this is totally unacceptable.

We must remember that there was a high level of deficit in social services for these and many other groups prior to the recession.

If implemented in full, the recommendations of the report of the *Special Group on Public Service Numbers and Expenditure Programmes* will decimate public services and impose a wholly disproportionate share of the burden of adjustment on poor and vulnerable people and on those experiencing discrimination and inequality through not having timely access to the services they need.

The net effect of implementing the recommendations will be a further removal of services and supports to individuals totally dependent on them when they need them the most, and will reinforce the cycle of poverty, inequality and unemployment which many vulnerable people are trapped in. This makes no sense for the economy or for society

Additionally, the lack of consideration for the community and voluntary element of work countering social exclusion is one of the most concerning underlying themes of the report. This can be seen in the totally unacceptable proposed reductions – and in many cases eliminations - to funding programmes that support the community and voluntary sector (offered by the Department of Community, Rural and Gaeltacht Affairs and the Department of Arts, Sports and Tourism); the recommended abolition of the Rural Transport Programme; the ending of exchequer co-financing of Lottery funded, community run social services and the removal of a number of local and county structures which have a community or voluntary element.

The McCarthy Report: Flawed Methodology

The Report of the Special Group on Public Service Numbers and Expenditure Programmes colloquially referred to as Bord Snip Nua or the McCarthy Report was published on July 16th 2009. This Report identified cuts in public expenditure totalling €5.3 billion. If implemented in full the proposals would lead to a loss of at least 17,358 public sector jobs.

These job cuts will have a devastating effect on front line services to vulnerable people. Does the net economic gain make sense at the cost of dismantling our social infrastructure which would take many years to rebuild?

The biggest cut, however, would come in the social welfare budget which would fall by €1.85 billion. This figure would be achieved by reducing all social welfare rates by 5% and reducing child benefit to €136 a month for all children. In practice the latter would be a cut of €30 a month for the first two children in a family and cuts of €67 a month for each subsequent child.

While some of the proposals contained in the Report could and should be implemented, the Community and Voluntary Pillar of Social Partnership totally rejects, among other things, the conclusion of the McCarthy Report that a clear case exists for social welfare rates to be “adjusted downwards”.

While there are proposals in the McCarthy Report with which we agree there are flaws at the core of the methodology used by the Report’s authors. They asked each Government Department to submit an evaluation paper which, among other things, identified “possible options for reductions in numbers and programme expenditure, including through administrative efficiencies and scaling-back or elimination of certain programmes.” The Department of Finance was invited to submit similar papers for each Government Department.

The key flaws in this methodology are:

- **The failure to provide an integrated analysis. A particular individual could lose out under several headings (e.g. health, education, housing, social welfare, transport etc) with a devastating cumulative effect.** If the Report’s authors’ had developed conclusions with the person as the main focus then their conclusions would have been quite different in a great many cases.
- **No social impact assessment was carried out** so the impact on society generally of implementing these proposals has not been quantified.

A social impact assessment is urgently required before any of Bord Snip’s proposals are decided on by Government.

Instead of adopting the narrow, department-by-department expenditure-cutting approach undertaken by *An Bord Snip*, The Community and Voluntary Pillar supports the National Economic and Social Council’s call for *An Integrated National Response* (March 2009) to achieve “a single-minded focus on the social dimensions of the crisis to concentrate, first and foremost, on insulating the most vulnerable against the worst effects of the recession”.

Budget 2010: A Challenging Exchequer Position

The scale and composition of the decisions Government are to make in Budget 2010 are clear - indeed they are clearer than has been the case for any Budget over the last two decades.

In the 2009 supplementary Budget the Minister for Finance published a detailed set of Budgetary parameters to which he committed to adhere over the course of the next few years. These commitments were made to convince the public, investors, international lenders, the European Commission and the European Central Bank of Ireland's commitment to address over five years its fiscal problems and return the exchequer to within the rules of the EU Stability and Growth Pact.

Recent public discourse has ignored these parameters and focused almost exclusively on cutting public services.

As regards Budget 2010, the Government committed to collect an extra €1.75b in taxation revenue, cut current expenditure by €1.5b and reduce capital spending by €750m—a total of €4b of adjustments in the first year and €4.75b in a full year (once all the taxation changes have taken effect).

The table below reproduces the table which outlined these commitments in the April 2009 Budgetary documentation.

Scale and Composition of Future Budgetary Adjustments as Identified in Budget 2009 #2 (April 2009)				
	Budget 2010		Budget 2011	
	First Year	Full Year	First Year	Full Year
Additional Taxation	€1,750m	€2,500m	€1,500m	€2,100m
Current Expenditure	€1,500m	€1,500m	€1,500m	€1,500m
Capital Expenditure	€750m	€750m	€1,000m	€1,000m
Total Adjustments	€4,000m	€4,750m	€4,000m	€4,600m

While there are very difficult decisions to be taken in achieving each of these figures, the focus of debate and discussion on the budgetary process should be on these targets.

The Minister's figures also indicate that Budget 2010 will produce a current budget deficit of €14.5b, a capital deficit of €5.3b, an overall exchequer deficit of €19.9b and a General Government balance of -10.75% of GDP.

Tax take plummets towards record low: Reform Required

Despite significant increases in the tax-take from the PAYE sector in the last two Budgets, the scale of collapse in Ireland's tax revenues has been dramatic.

National taxes (those announced in the Budget and collected centrally) have fallen by over €13b since 2007 with the largest fall in areas such as capital gains taxes, stamp duties, corporation taxes and VAT. Despite the new income levies, the total income tax take has fallen from €13.6b to €12.4b.

Overall, Ireland's tax take as a percentage of national income will decline to 27.41% of GDP in 2009 (32.6% of GNP). These figures represent the lowest tax take for Ireland since Eurostat commenced compiling this data. The implications for our public services will be severe if corrective action is not taken.

While a proportion of the tax decline is related to the recession, a large part is structural and requires attention.

Budget 2010 should start that process. Over the next few years policy should focus on increasing Ireland's tax take to 34.9% of GDP, a figure defined by Eurostat as 'low-tax' but a level sufficient to ensure that Ireland delivers appropriate public services. While Ireland should remain a low-tax economy, Irish society cannot expect to have efficient European style public services unless we collect sufficient taxation.

Ireland's total tax take, 2007-2009			
	2007	2008	2009
National Taxes	€47.50b	€41.07b	€34.40b
Social Insurance	€9.43b	€9.75b	€9.78b
Local Government	€2.70b	€2.75b	€2.83b
Total Taxes	€59.63b	€53.57b	€47.01b
GDP	€189.75b	€181.81b	€171.50b
Tax % GDP	31.41%	29.46%	27.41%

An Integrated Social and Economic Recovery Strategy is required

While the Minister for Finance has stated that the scope for further income tax increases is limited - and that Government will look to expenditure cuts to achieve the adjustment required - the CV Pillar is adamant that if we are to protect vulnerable people and fund services during the adjustment we require a:

Five-point integrated recovery strategy consisting of a combination of

- 1. Increasing the tax take while keeping Ireland a low tax country (through broadening and deepening the tax base and without increasing income tax rates).**
- 2. Securing better value for money in the delivery of our public services (beginning by eliminating the waste identified in the recent report of the Comptroller and Auditor General).**
- 3. Reforming the public sector (by implementing the recommendations contained in the report of the OECD).**
- 4. Target expenditure cuts where required but ensure that vulnerable people are protected. A good starting point would be the elimination of waste identified in the Comptroller and Auditor General's recent report.**
- 5. Focusing expenditure on the common good to provide required infrastructure and public services.**

1. Increasing the tax take while keeping Ireland a low tax country

The issue of taxation is central to budget deliberations and to policy development at both macro and micro level. It plays a key role in shaping Irish society through: (i) funding public services; (ii) supporting economic activity; and (iii) redistributing resources to enhance the fairness of society. Consequently it is crucial that clarity exist with regard to both the objectives and instruments aimed at achieving these goals.

At present Ireland's total tax-take is low by EU standards despite the fact that those paying income tax have made substantial increases in their contribution to the total tax-take recently. Ireland's total tax-take could be raised while still maintaining it at a low level. This should be done by, for example, broadening the tax base and addressing tax breaks, thus making the tax system fairer. This could be done without raising the income tax rate.

Implementing the recommendations of the Commission on Taxation report in relation to the 111 identified tax breaks (which benefit well off people) would make the tax system fairer and would be a good start to delivering an integrated recovery strategy.

We profoundly disagree however with the Commission's position that Ireland's total tax-take should not increase - we must increase the tax take as well as broaden the tax base if we are to protect vulnerable people from paying the price of adjustment

The pillar does not agree however with the proposal to tax child benefit

The Pillar also insists that measures to protect vulnerable people must be introduced alongside any carbon or property taxes. In this regard the Pillar is pleased to note that the Commission itself states in their report (p. 329) that “any increased revenue from carbon and property taxes should be used to improve the situation of the less well off”

2. Securing better value for money in the delivery of our public services

It is clear that the resources available to Government have fallen dramatically. In this context it is crucial that the best possible value for money be secured for all public expenditure. In seeking to maximise value it is crucial that Government ensures it maintains a long-term focus. The temptation to take initiatives which may have short term gains but long-term negative consequences should be resisted. Before cutting services, the cost of providing the services, both pay and non-pay, needs to be addressed.

3. Reforming of the public sector

Many of the people represented by C&V Pillar organisations find themselves in situations where they have to engage with a wide range of different government agencies e.g. health, education, welfare, housing etc. to access their entitlements.

A more integrated structure is required which puts the person at the centre of its activities. This approach was accepted in the *Towards 2016* national agreement but it needs to be implemented now. In the long run such an approach would lead to savings in public expenditure and increased outcomes

Reform of the public sector has been proposed for some time. Recently the OECD published a detailed study of the Irish public sector ***Towards an Integrated Public Service*** and made detailed recommendations. These recommendations should be acted on immediately to ensure the public sectors efficiency, effectiveness and relevance.

Reform of public services delivery requires better partnership working between the statutory and community and voluntary sectors. Given a collaborative environment, non statutory organisations can bring their significant resources to bear in facilitating effective provision of services.

4. Carefully targeting expenditure cuts where required – while ensuring that vulnerable people are protected

Community and Voluntary Pillar members recognise full well that the country's finances are in bad shape and need to be rectified. However, Ireland is in this situation because of the activities of bankers, politicians,

speculators, developers and many economists. Who should pay for the misdeeds of these people?

The authors of the *Bord Snip* (McCarthy) report provide a clear answer: from their perspective the vulnerable, the disadvantaged and those living in remote communities should be the hardest hit!

Cuts in welfare rates and in many services will mean that those who are vulnerable will bear the brunt of Government's attempts to balance its budget.

The CV Pillar rejects this conclusion totally.

Government Departments must not contemplate any cuts to services on which the most vulnerable are dependent before they have considered all the other possible options and the social impact of cumulative cuts taking place across government

In this context it is important to realise that tax 'breaks' are in fact Government expenditure and are recognised as such in the Budget process where these breaks are called tax expenditures.

The first expenditure cuts Government should make should be on these tax expenditures. The Report of the Commission on Taxation has produced much detailed material to show Government how it should proceed in this area.

5. Focusing expenditure on the common good to provide required infrastructure and public services

In the present situation it is also important to realise that actions can be taken that could simultaneously *promote the common good* and *assist economic recovery*. Ireland's infrastructure and public services are far from being at the level that could have been achieved if the fruits of the 'Celtic Tiger' had been used more sensibly. They are also far from the level Irish people would desire.

It is important that the forthcoming Budget ensure that investment is focused on the common good. One very obvious area where this could be done would be in tackling the social housing problems that Ireland currently faces with 60,000 households on waiting lists. There are many other examples. What is essential is that Government recognises the need for investment in infrastructure and services and that these investments must form an integral part of any credible, integrated recovery strategy.

Investments already made to improve social inclusion in the provision of education, health, housing, public transport and other services will pay long lasting dividends. It makes no sense to demolish such valuable infrastructure now.

Without an integrated recovery strategy designed to fairly share the burden of adjustment, vulnerable people will pay the price of adjustment and state investment made to date will be wasted

Will this alternative approach work?

The answer is yes – if we recognise that the social and economic aspects of our lives cannot be separated from each other – we need high levels of social investment and services if we are to have a healthy economy and vice versa.

We can have a fair and equal society, with an adequate income and meaningful work for all, where everyone has a good standard of living and everyone can participate freely.

We can have a society where efficient and effective services are available to everyone on the basis of need - and not on the basis of their ability to pay.

Most importantly, we can have a society where all this activity is supported by a strong and sustainable economy, where everyone pays their fair share - so that we never face a crisis like this again.

We can achieve all of this if we focus on achieving the goals contained in the framework action plan ***Towards 2016***, with its vision of public services tailored individually to each of our unique needs. **Towards 2016 is clear that we can have an Ireland:**

- where children are respected as young citizens with a valued contribution and a voice of their own;
- where all children are cherished and supported by family and the wider society,
- and where they enjoy a fulfilling childhood and realise their potential.
- where all people of working age have sufficient income and the opportunity to participate as fully as possible in economic and social life,
- and where all people and their families are supported by quality public services to enhance their quality of life and well being.
- which provides the supports, where necessary, to enable older people to maintain their health and well being, as well as to live active and full lives, in an independent way in their own homes and communities for as long as possible.

- Where people with disabilities have, to the greatest extent possible, the opportunity to live a full life with their families as part of their local community, free from discrimination

If we do these things, we can create the Ireland that we want to live in, an Ireland where all of us are valued and supported as individuals and members of families and communities.

For further information on the content of this report please contact

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ABOUT THE COMMUNITY AND VOLUNTARY PILLAR

The Community and Voluntary Pillar is one of the five pillars of social partnership alongside the Employers Pillar, the Trade Union Pillar, the Farmers Pillar and the Environmental Pillar. The Pillar consists of seventeen organisations invited by Government to provide voice and representation for vulnerable people and communities in developing Ireland's social and economic policies.

The members of the Pillar and their contact details are:

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|---|--|
| 1. Age Action Ireland | (Eamon Timmins, 087-968-2449) |
| 2. Children's Rights Alliance | (Jillian van Turnhout, 087-233-3784) |
| 3. Congress Centres Network | (Sylvia Ryan, 087-055-7025) |
| 4. Disability Federation of Ireland | (John Dolan, 086-837-0072) |
| 5. Irish National Organisation of the Unemployed | (Bríd O'Brien, 086-608-9641) |
| 6. Irish Rural Link | (Seamus Boland, 086-249-1153) |
| 7. National Association of Building Co-operatives | (Bernard Thompson, 01-661-2877) |
| 8. National Women's Council of Ireland | (Orla O'Connor, 087-648-3516) |
| 9. National Youth Council of Ireland | (Clodagh O'Brien, 087-781-4903) |
| 10. Protestant Aid | (David Wright, 086-255-7851) |
| 11. Social Justice Ireland | (Seán Healy, 087-237-5328) |
| 12. The Carers Association | (Catherine Cox, 056-775-3603) |
| 13. The Community Platform | (Anne Costello, 087-657-7666) |
| 14. The Irish Council for Social Housing | (Dónal McManus 086-827-4950, or Karen Murphy 086-824-0775) |
| 15. The Irish Senior Citizens Parliament | (Máiréad Hayes, 086-349-8848) |
| 16. The Society of St. Vincent De Paul | (Jim Walsh, 087-254-1700) |
| 17. The Wheel | (Ivan Cooper, 087-809-3083) |