



## Pre Budget Submission 2010:

### Introduction:

Respond! is Ireland's largest not for profit Housing Association. We seek to create a positive future for people by alleviating poverty and creating vibrant, socially integrated communities. We do this through providing access to education, childcare, community development programmes, housing and other supports.

### Context:

Ireland has witnessed unprecedented changes in the past 18 months. While many enjoyed the benefits of the Celtic Tiger, there always remained a portion of the population who were left behind by the affluence and wealth of the late 1990s and early 2000s. For many though, those “good times” are now a distant memory and more people are being affected by this recession than any other previous economic downturn.

- Unemployment has increased by almost 110% in the past 18 months.
- The number of people on the live register now stands at 422,500.
- Presently 12.5% of the workforce is unemployed and it is estimated that this will continue to increase until it reaches levels as high as 15%/16% or more than 545,000 people.
- The rate of long-term unemployed (those unemployed for a period greater than 12 months) has increased by 73% in the past year.
- In the past 2 years, the number of young people under the age of 25 who are unemployed has risen by 173%.
- Local Authority housing waiting lists increased by 30% in the period from June 2005 to June 2008 (before the full effects of the current economic downturn were felt) to 56,249 families.
- It is estimated that those in mortgage arrears is in the region of 25,000 families and these families may be in danger of losing their home once interest rates inevitably increase and the NAMA legislation is enacted.
- In the recent ESRI report on negative equity, it was estimated that those living in negative equity could reach as high as 350,000 by the end of 2010 (if house prices decrease by 50% from their peak in June 2007)
- 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.<sup>1</sup>

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<sup>1</sup> Social Justice Ireland Policy Briefing October 2009

- 31% of all households at risk of poverty are headed by a person in employment. A further 50% are headed by a person who cannot work due to age, illness serious disability or acting as carer for another person and are totally dependent on social welfare.<sup>2</sup>
- 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.<sup>3</sup>
- More than 19% of all children (approximately 200,000) are at risk of poverty.
- More than 16% of older persons are at risk of poverty

### Social Welfare:

Currently the minimum social welfare payment (for 1 adult) stands at €204.30 while the minimum disposable income required to avoid poverty is €229.47<sup>4</sup>. Much has been reported in the media about the falling consumer price index (CPI) but much of this deflation relates to falling interest rates. The most vulnerable members of our society are not feeling the benefit of this. In fact, in the period from June 2008 to June 2009, the cost of childcare increased by 6.4%, the cost of education increased by 4.5% and healthcare costs increased by 3.4%.<sup>5</sup>

In the report of the Special Group on Public Service Numbers and Expenditure Programmes (“the McCarthy Report”), it was recommended that a 5% cut in social welfare payments be made. Respond! strongly opposes this recommendation on the grounds that the most vulnerable in our society would be affected and forced into further hardship. In addition the McCarthy report recommended that those in receipt of social welfare allowance should not also be eligible for Family Income Supplement (FIS). By removing this payment from families, there is the very real possibility that many people will choose not to enter the workforce as it would not be financially viable to do so when childcare and other costs are taken into account. Respond! feels that Family Income Supplement is correctly targeted at low-paid workers and does provide an incentive to work and should therefore be retained.

The McCarthy report also recommended reducing Child Benefit to €136 for each child (meaning a reduction of €30 for the first 2 children and €67 for subsequent children). Respond! disagrees with the reduction on the grounds that parents on low incomes need Child Benefit more than ever in the current economic climate. The April 2009 Supplementary Budget saw the Early Childcare Supplement (ECS) reduced by half (to €41.50 per child from May 1<sup>st</sup>) and this will be abolished by the end of December 2009. While the Early Childhood and Education Scheme (ECES) was introduced offering free childcare places for all children between the ages of 3 years and 3 months and 4 years and 6 months, the ECS provided support to a much larger group of children. Currently approximately 200,000 children are at risk of poverty and reducing child benefit is merely going to put more families and children at risk.

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<sup>2</sup> Social Justice Ireland Policy Briefing October 2009

<sup>3</sup> The Community and Voluntary Pillar “Protecting the Vulnerable”

<sup>4</sup> Social Justice Ireland Policy Briefing October 2009

<sup>5</sup> Vincentian Partnership for Social Justice

### Recommendations:

- **Maintain the basic social welfare rate and reject the recommendation of the McCarthy report to reduce it by 5%**
- **Maintain eligibility for Family Income Supplement to those in receipt of Social Welfare Allowance.**
- **Maintain Child Benefit payments at their current level.  
DO NOT CUT, TAX OR MEANS TEST THEM.**
- **Re-instate the Christmas bonus which is a vital support for the most vulnerable welfare recipients at a very expensive and stressful time of year**
- **A social impact assessment of the McCarthy Report is urgently required before any of its recommendations are decided upon by Government.**

### Work:

With 422,500 people unemployed, it is essential that government focuses on creating employment for those who have recently lost their jobs, encouraging people back to work (especially the “long-term unemployed”) and protecting the “working poor” from bearing the tax burden.

In addition, the number of young people unemployed under the age of 25 has increased by 173% in the past 2 years<sup>6</sup> with Ireland having the fifth highest level of youth unemployment amongst young men in the European Union at 26.5%<sup>7</sup>

### Recommendations:

- **Maintain the minimum wage at the current level of €8.65 per hour.**
- **Introduce employment initiatives aimed at getting people back into the workforce (especially initiatives aimed at the long-term unemployed). Introduce a new Job Creation Programme whereby employers would receive Government subsidies when creating full-time employment for someone in receipt of social welfare. The cost of providing social welfare would be reduced by €750 million and total Government expenditure would be reduced by €450 million (€375 million would be saved on social welfare payments and €75 would be generated through the collection of tax and PRSI by new employees)<sup>8</sup>**
- **Keep the Income Levy threshold above €15,000 to ensure the “working poor” (31% of all households at risk of poverty) is not burdened.**
- **Ensure those earning the minimum wage are kept out of the tax net.**
- **Widen the tax base through the introduction of a third tax band for higher earners. Do not adopt the McCarthy recommendation to introduce a new Job-seekers Allowance of €150 for those aged between 20 and 24 years.**

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<sup>6</sup> Quarterly Household Survey, July 2009 Central Statistics Office

<sup>7</sup> Eurostat News release on Youth Unemployment July 2009

<sup>8</sup> Budget 2010 – Proposal from Social Justice Ireland

## Housing:

Respond! considers that one of the real disappointments of the Celtic Tiger years was the failure to provide adequate levels of integrated social housing. It is interesting to note that during the recession of the 1980s; almost 30% of all new housing built was social housing. It seems illogical that during the economic boom, the number of people who could not provide housing for themselves through their own resources actually increased by 30% from 42,946 families to 56,249 families. The provision of local authority housing never reached the targeted levels of 35,000 homes from 2000 to 2006 whereas private housing construction reached extraordinary levels, peaking at 93,400 homes in 2006. In fact, local authority housing output only reached 66% of the 35,000 target with only 21,355 homes being provided. Similarly, the provision of social housing by voluntary organisations such as Respond! only reached 61% of the target laid out in the National Development Plan 2000-2006 with a shortfall of 6,122 homes. This was not through lack of capacity on the part of the social housing sector but through lack of approvals from the Local Authorities and Government Departments.

In addition to those on Local Authority housing waiting lists who could not be housed, the number of people made homeless during the Celtic Tiger years also doubled. In 1996 2,500 persons were homeless in Ireland but this increased by more than 100% to 5,000 persons in 2008.

In the October Budget of 2008, the minimum amount of contribution that needed to be made by people in receipt of rent supplement increased from €13 to €18. This increased further in the April Budget of 2009 to €24. In the space of 6 months, the financial burden for those in receipt of rent supplement has increased by 85%. The impact of this increase has never been assessed but once again the most vulnerable in our society have borne the brunt of the financial difficulties of the State.

## Recommendations:

- **Meet the social housing commitments contained in the National Development Plan (NDP) and Towards 2016. Given the reduced cost of land, materials and labour, this is an ideal time to increase the country's social housing stock.**
- **Maintain the current Rent Supplement (RS) supports at the current level.**
- **Families on low income should be exempt from any proposed water charges.**
- **Ensure that the remit of the National Asset Management Agency contains a role for the provision of social and affordable housing.**
- **Assist those in mortgage difficulty by adopting the Respond! Homeowners Mortgage Support Scheme.**

## Health:

Despite the falling consumer price index (CPI), healthcare costs actually increased by 3.4% from the period June 2008 to June 2009. As a result of the recession, 13,000 people can no longer afford to avail of private health insurance and this number is expected to increase dramatically as the downturn continues.

Respond! suggests that health issues (and especially mental health issues) will increase as the recession continues and so healthcare needs to be more readily available to those who cannot afford to provide healthcare through their own resources.

### Recommendations:

- **All persons in receipt of social welfare should be automatically entitled to receive a medical card.**
- **Do not implement the McCarthy Report recommendation to impose a €5 contribution per prescription for medical card holders.**
- **All current social welfare payments to people with disabilities are maintained.**

## Older Persons:

Some of the most vulnerable people in society are older people on low incomes who are struggling to feed themselves and heat their homes. Many are dependent on the state pension and state services and because of illness or disability, simply cannot endure any more hardship. The Government has an obligation to protect our most vulnerable citizens when deciding upon the 2010 Budget.

### Recommendations:

- **Increase fuel allowance to reflect the increasing cost of fuel.**
- **Increase the "Living Alone Allowance". The current payment of €7.70 per week is not sufficient and has not increased since 1996.**
- **Older persons on low incomes must be exempt from any proposed water charges and any proposed property tax.**
- **Do not means test Home Care packages.**

### **Overseas Aid:**

Rather than increasing Overseas Development Aid in order to reach the 2012 target of 0.7%, Ireland has reduced ODA three times in the past year. The McCarthy Report's recommendation to reduce Ireland's ODA contribution from 0.48% to 0.39% of GNP in 2010 is a step in the wrong direction. Cut backs in the ODA Budget will result in hunger, increased destitution and even death for some of the most vulnerable and impoverished communities on earth.

### **Recommendations:**

- **Do not reduce further the level of foreign aid in Budget 2010.**
- **Honour Ireland's commitment to reach the United Nations target to provide 0.7% of GNP in foreign aid by 2012.**

**Respond! is one of a number of charities, community organisations and trade unions that have come together to form the Poor Can't Pay Campaign. The campaign is calling for:**

- **There is no cut in the basic welfare payment**
- **There is no cut in the minimum wage**
- **That the traditional Christmas payment gets paid**

**If you would like to learn more about the campaign, or to email your local representative, simply visit [www.thepoorcantpay.ie](http://www.thepoorcantpay.ie)**