



## Impact of Budget 2018

Presentation to the Oireachtas Committee on  
Budgetary Oversight



## Introduction

*Social Justice Ireland* welcomes the opportunity to discuss the impact of Budget 2018 with the Oireachtas Committee on Budgetary Oversight.

## Assessment of Budget 2018

Budget 2018 sees modest improvements for some but fails to get to grips with the scale of the crises needing to be addressed.

Many Irish people today are facing grave and persistent challenges; over 8,000 people (3,000 of whom are children) are without a home; over 213,000 children, or nearly one in five, are at risk of poverty; over 414,000, or one in three, are experiencing deprivation, and 128,000 children, or 11.2%, are living in consistent poverty. Over 90,000 households are on the housing waiting list. Ireland's two-tier healthcare system and the growing regional divide between those living in urban and rural areas are just two more of the challenges that Irish people are facing.

Budget 2018 must be measured by whether it allocates sufficient resources – based on a coherent vision and strategy - to begin to address these crises and to achieve a more equitable distribution of income, wealth and opportunity in Irish society. On this basis, the choices made in Budget 2018 fall far short of what was required and what was possible.

While there are some welcome initiatives and the impact is mildly progressive, *Social Justice Ireland's* overall assessment is that the Budget fails to get to grips with the major crises and challenges facing Irish society at present. It suggests that Government has not fully appreciated the scale of the response required to address the crises being experienced by so many Irish people.

For almost a decade, Irish people accepted extraordinary levels of austerity as Government sought to deal with the consequences of the economic crash. As we have documented, budgetary choices were made which allocated the burden of fiscal contraction to already vulnerable groups in Irish society and which severely reduced investment by Government at a time when more, not less, investment was required. Today Irish people are reaping the consequences of many of the choices made during those years.

It is now time to devote all the available resources of our expanding economy to tackling the infrastructure and service crises currently being faced by the country, some of which existed even during the years before the crisis. Yet, the choices made in Budget 2018 will only make a small contribution in addressing any of these major challenges. Given the fact that all those engaged in budgetary policy had already acknowledged, if not fully appreciated, the seriousness of the current social crisis the decision to cut income taxes seems both perverse and contradictory. Irish people deserve better than this.

## Tax changes could be much fairer

Even if policymakers felt they had to make some tax cuts, the ones chosen are most unfair. *Social Justice Ireland* is very disappointed with the choices made in cutting the Universal Social Charge and income tax. These changes provide larger gains to those on higher incomes compared to those on lower incomes. For example, a single person earning €25,000 gains €65.87 per annum while a single person on €75,000 gains almost five times more (€328.48 per annum). For the same amount of money income tax credits could have been made refundable (thus tackling the working poor issue)

and every tax-payer could be given an additional tax credit of €100 per annum. In practice this would have meant that everyone would be €100 better off while the working poor would gain a little more.

### **Low total tax-take not sustainable**

An increase in Ireland's overall level of taxation is unavoidable in the years to come; even to maintain current levels of public services and supports, more revenue will need to be collected. Consequently, an increase in the tax-take is a question of how, rather than if, and we believe it should be of a scale appropriate to maintain current public service provisions while providing the resources to build a better society.

The Budget has introduced some welcome changes to the provision of capital allowances for intellectual property assets. However, they represent only a partial attempt to address core structural problems in the corporate tax system. These remain and cannot be ignored.

*Social Justice Ireland* believes that the issue of corporate tax contributions is principally one of fairness. Profitable firms with substantial income should make a contribution to society rather than pursue various schemes and methods to avoid these contributions.

We believe that Government should introduce a minimum effective rate of tax on corporate profits. We have proposed a rate of 6% and regret that Budget 2018 did not do this.

### **Greater public investment required**

Budget 2018 does not address the fact that Ireland has one of the lowest levels of public investment in the EU. While the resources available for distribution were relatively small, Government chose to spend some of these meagre resources reducing the tax-contribution of the better off in Irish society.

Having raised taxes equitably, the net available resources should have been put into public investment. Government should also have sought adjustments to the fiscal rules which are blocking the investment Ireland so badly needs if it is ever to address its infrastructure deficits in areas such as social housing, rural broadband and water.

The approach taken in Budget 2018 towards addressing the need for a substantial programme of building social housing is totally inadequate.

### **Transparency - Hiding facts?**

*Social Justice Ireland's* analysis of the Budget documents supplied by Government raise some questions about transparency. For example, we do not believe that the information and back-up figures on the healthcare budget are really transparent.

There is outstanding expenditure of about €100m being carried forward but no provision appears to have been made to cover this in the allocation for 2018.

While welcome new initiatives and increased overall expenditure on health have been announced it will not be possible to maintain the existing level of service and implement the new initiatives on the budget provided.

### **Budget proofing**

The response to the economic crisis has had a devastating impact on poor and vulnerable people. There is an urgent need to ensure that the annual Budget does not increase inequality, but rather reduces it—in particular that it reduces poverty among all groups living in this situation.

Budget 2018 has not taken any significant initiative to measure whether or not poverty and inequality will fall or rise as a result of the overall impact of the decisions taken.

*Social Justice Ireland* welcomes the Minister's statement that "the Government is working with partners such as the Irish Human Rights and Equality Commission to achieve the goal set out in the Programme for Government relating to equality and gender proofing of Budget measures."

Budget proofing should be an integral part of all future Budgets in Ireland. This means that efforts must be made at policy level to ensure the desired outcomes are achieved. This, in turn, requires resources and commitment particularly from the Government of the day but it should be a priority for all members of the Dáil and Seanad.

### **Making choices that support long-term progress**

Drafting a Budget involves Government in major decision-making about the distribution of available resources which has long-term implications for people. While the resources may be limited in the short term, they should be allocated in a manner that is consistent with the development of a viable and vibrant future for all. These decisions should be based on careful evaluation of the choices available. Do the Budget choices, for example, contribute to increasing social cohesion or will they widen the gap between poor people and the better off in society? The recent UN Human Development Report ranked Ireland as the eight richest country in a world of 188 countries; yet over 8,000 of our people are homeless, over 3,000 of whom are children. This raises very serious questions about the choices being made.

Decisions are based on values. Opinion polls show that most Irish people would like to live in a society based on the values of human dignity, equality, human rights, solidarity and the pursuit of the common good. These values should be at the core of Government decision-making on the distribution of resources and infrastructural programmes in the national budget.

A new policy framework is required - one that rejects the failed approach of focusing firstly on the economy and assuming everything else will follow.

It is critical to recognise the importance of an integrated approach that seeks to deliver the five outcomes outlined in table 1.1 below simultaneously. These five policy areas are interdependent. All must be focused on in tandem if Ireland is to achieve its long term economic, social and environmental policy goals. This integrated approach also recognises the need to plan now to ensure Ireland has the required infrastructure in place to provide for its growing population.

**Table 1.1 - A Policy Framework for a Just Ireland**

<b>Vibrant economy</b>	<b>Decent services and infrastructure</b>	<b>Just taxation</b>	<b>Good governance</b>	<b>Sustainability</b>
Fiscal and financial stability and sustainable economic growth	Secure, well-funded public services and social infrastructure	A tax-take closer to the EU average	Deliberative democracy & PPNs	Increased environmental protection and climate justice
Adequate public investment	Reduced unemployment & underemployment	Increased equity in taxation and reduced income inequality	Social dialogue – all sectors in deliberative process	Balanced regional development
A more just economic structure	Seven social, economic and cultural rights to be achieved	A fair share of corporate profits for the State	Reformed policy and budgetary evaluation	New indicators of progress and Satellite National Accounts

Broken societies are bad for business. Without the integrated approach advocated here Ireland will not become a fair, just, sustainable society but will, instead, continue to be a country being shamed by its poverty, homelessness, unemployment, waiting lists and poor infrastructure.

Further elaboration of this framework together with our detailed analysis and critique of Budget 2018 is available on our website: <https://www.socialjustice.ie/>

### **Conclusion**

Drafting a Budget involves Government in major decision-making about the direction of society and of how the available resources can best be used to address the challenges currently being faced by society while moving towards a desirable and just future.

Budget 2018 included a number of welcome initiatives such as increasing social welfare rates and the minimum wage. However, its failure to address some of the major challenges Irish people currently face, such as the housing crisis or the incidence of Ireland's low pay, on anything like the scale required is very disappointing.

**Social Justice Ireland** is an independent think-tank and justice advocacy organisation of individuals and groups throughout Ireland who are committed to working to build a just society where human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected.

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