Irish Congress of Trade Unions

# Opening Statement by Patricia King to the Oireachtas Committee on Budgetary Oversight

## Ex-ante scrutiny of Budget 2019, and Budget priorities.

19th June 2018

On behalf of the Irish Congress of Trade Unions, I would like to thank the Chair for the opportunity to appear before the Committee.

Congress's pre-budget submission is currently being finalised and will be launched over the coming weeks.

The short-term outlook for the economy remains positive. The Nevin Economic Research Institute (NERI) projects:

- that economic growth should be around 5% this year and 4% next year;
- that employment should rise by around 100,000 over this year and next;
- and that average hourly earnings should increase by around 3% both this year and next.

We must remember that these wage increases come after years of falling or stagnant wages for many workers – NERI has also found that the average 18-24-year-old worker earned one-tenth less in real terms in 2016 than in 2008, and the average 25-34-year-old saw a real increase of just 1.4% over this period.

The public finances are improving but are still marginally in deficit a decade after the start of the crisis.

Congress concurs with the European Commission assessment, set out in its 2018 Ireland country report, that addressing infrastructural bottlenecks is 'essential' for sustainable and balanced growth in the future.

Public spending *per capita* in Ireland is just 85% of the (weighted) average of similar high-income western European countries, such as France and Germany as well as the Benelux and Nordic. This amounts to an underspend of around €12 billion a year compared to these countries.

Repairing public services, overcoming infrastructural shortcomings, addressing the consequences of a growing and ageing population, and responding to the impact of new technologies, to Brexit and to other emerging risks, all require a substantial increase in investment in the coming years, over and above what is envisaged under the Ireland 2040 Strategy.

In particular, we need to invest more in social and affordable housing, early years' services, education, public health, water, rural broadband, clean energy, public transport and motorways, and R&D and innovation to ensure sustainable, balanced growth over the longer-term.

Given the many challenges facing Ireland, it is our firm view that tax cuts are simply not affordable, would only prevent Ireland from achieving the sound and stable public finances that are necessary to meet the needs of 21$^{st}$ Ireland, and pose a risk of overheating the economy.

As advocated in the Commission's draft country specific recommendations, Budget 2019 should 'limit the scope and number of tax expenditures and broaden the tax base'.

The reality is that the Government simply doesn't collect sufficient revenue, through general taxation and social insurance, to ensure the public services that people in peer countries can rely on. This is mainly due to lower employer social security contributions than in these other countries.

Congress is proposing a number of measures to raise additional revenue next year. In particular, it is time to end the 'temporary' reduction in VAT for hospitality introduced seven years ago. This alone would raise over €500 million - enough to build 2,500 homes or to dramatically increase investment in early years' services.

Congress's pre-Budget submission for 2019 will set out our priorities to ensure that workers and their families receive a fairer share of the economic growth now taking place, and forecast to continue over the short-term at least, and to ensure that people who suffered more than most during the crisis are supported to live a life of dignity.

Budget 2019 should seek to improve the social wage - the non-wage returns to workers in the form of decent early years care and education, health, education, transport and housing services.

It should improve the provision of high-quality childcare, as advocated in the Commission's draft country specific recommendations.

Government childcare policies must also address the problem of poor pay and conditions for workers in this sector, including to ensure that adequately-qualified workers are attracted to and remain in this key sector.

Hundreds of thousands of people are affected by the housing crisis, as highlighted in Congress' housing survey issued last week.

Budget 2019 should prioritise the increased supply of social and affordable homes, the improvement of services and measures aimed at supporting homeless people, the use of vacant homes and sites, as well as swifter progress towards a cost-rental system. Congress is specifically calling for a local authority-led social housing programme involving the construction of at least 10,000 homes annually.

Budget 2019 should aim to make progress towards a well-funded, universally-accessible single-tier health service, as outlined in the Sláintecare report, particularly the expansion of primary and community care services.

NERI has found that public investment on a per student basis in education is low compared to peer countries, particularly in primary and lower secondary education. Public investment in education would have to increase by nearly €2 billion to reach the peer countries' average. Budget 2019 should prioritise investment in the DEIS programme, further reducing early school leaving rates and the number of young people 'not in employment, education, or training' (13% of young people in 2016), as well as in lifelong learning and basic digital skills.

Social welfare payments should be increased by at least a higher percentage than forecast inflation next year.

In addition, the most regressive cuts imposed during the crisis years should be reversed, particularly those affecting young people, lone parents and older people.

The Living Wage, currently €11.70 an hour, is the minimum that all workers should receive. The National Minimum Wage however is just four-fifths of this amount, while €400 million will be spent this year supporting low-paid workers with children through the Working Family Payment (formerly Family Income Support) and €300 million in Housing Assistance Payment. These and similar payments represent the subsidising of low-paying employers. The NMW should be brought into line with the Living Wage.

Brexit pose a considerable threat to the jobs of thousands of workers, particularly those in agri-food and traditional manufacturing, who are mostly based in rural areas.

We are proposing the introduction of a specific measure, a Brexit Adjustment Assistance Fund, aimed at supporting these workers *now* rather than in a few years when they might lose their jobs. This should build on the European Globalisation Adjustment Fund, which has helped around 11,000 workers in the Republic over the past decade, as well as the US Trade Adjustment Assistance programme, which is similar to the EGAF but which has a stronger emphasis on income support.

Finally, Congress wants to see Ireland embark on a path that sees at least 0.7% of output devoted to official Overseas Development Aid (ODA) by 2025, a target that is already exceeded by a number of peer countries.

I would like to thank you for your attention and I would be happy to take any questions.

ENDS