

DÁIL ÉIREANN

AN COISTE UM FHORMHAOIRSIÚ BUISÉID
COMMITTEE ON BUDGETARY OVERSIGHT

Dé Máirt, 22 Meán Fómhair 2026

Tuesday, 22 September 2026

Tháinig an Roghchoiste le chéile ag 3.30 p.m.

The Select Committee met at 3.30 p.m.

Comhaltaí a bhí i láthair / Members present:

Richard Boyd Barrett,	
Cormac Devlin,	
Mairéad Farrell,	
Johnny Guirke,	
Ged Nash,	
Joe Neville,	
Cian O'Callaghan.	

Teachta / Deputy Edward Timmins sa Chathaoir / in the Chair.

Tháinig an roghchoiste le chéile i seisiún príobháideach go dtí 3.53 p.m.

The select committee met in private session until 3.53 p.m.

Pre-Budget 2027 Engagement (Resumed)

An Leas-Chathaoirleach: I ask everyone to turn off all mobile phones and devices or put them on silent. I wish to explain some limitations to parliamentary privilege and the practice of the Houses as regards references witnesses make to other persons in their evidence. They are protected by absolute privilege in respect of the presentation they make to the committee. This means they have an absolute defence against any defamation action for anything they say at the meeting. However, witnesses are expected not to abuse this privilege and it is my duty as Chair to ensure this privilege is not abused. Therefore, if their statements are potentially defamatory in relation to an identifiable person or entity, they will be directed to discontinue their remarks. It is imperative they comply with any such direction.

I advise members of the constitutional requirement that they must be physically present within the confines of the Leinster House complex to participate in public meetings. In this regard, I ask any members participating via MS Teams that prior to making their contribution to the meeting they confirm they are on the grounds of the Leinster House campus. Members are reminded of the long-standing parliamentary practice that they should not criticise or make charges against any person or entity by name or in such a way as to make him, her or it identifiable or otherwise engage in speech that might be regarded as damaging to the good name of the person or entity. Therefore, if their statements are potentially defamatory in relation to an identifiable person or entity, I will direct them to discontinue their remarks. It is imperative that they comply with any such direction.

Today's engagement forms part of our pre-budget 2027 scrutiny. This will lead into publication of the committee's pre-budget 2027 report later this month. From the Economic and Social Research Institute, ESRI, I welcome: Dr. Conor O'Toole, associate professor; Dr. Alan Barrett, research professor; Dr. Paul Egan, senior research officer; and Mr. Donal O'Shea, research assistant. I also welcome Mr. John McGeady, CEO, and Ms Michelle Murphy, research and policy analyst, at Social Justice Ireland and, from the Nevin Economic Research Institute, Dr. Tom McDonnell, co-director, Mr. Ciarán Nugent, economist, and Mr. Paul Goldrick-Kelly, economist.

The committee welcomes the opportunity to engage with the witnesses. I thank them for being here today. I invite the witnesses to make their opening statements.

Dr. Conor O'Toole: I thank the Chair and the committee for the invitation to attend today. I am research professor at the ESRI. I am joined by my colleagues Professor Alan Barrett, Dr. Paul Egan and Mr. Donal O'Shea.

In these opening remarks, we want to set out the broad economic and fiscal context surrounding budget 2027. It has been a recurring theme in recent ESRI commentaries that our narrative contains elements of both optimism and caution. The optimism is based on the continued good performance of the economy. Employment grew this year to the second quarter and now stands at over 2.8 million. Strong VAT returns and consumption growth in the first half of the year also indicate positive underlying momentum in the domestic economy.

As regards caution, our views on the likely future path of the economy continue to be tempered by the potential fragility of the public finances and some concerning features of the global economy. The headline public finance figures disguise vulnerabilities, namely, the unusually high share of corporate taxes in total revenues, the high proportion of corporate taxes that are windfall in nature and the low number of companies paying a high share of corporation taxes. These vulnerabilities in the public finances would always be concerning but in the context of some troubling features of the global economy, the concerns become elevated.

The global economy is being presently pulled between two major cross-currents. First, the conflict involving the US, Israel and Iran has re-escalated in recent days, which has led in turn to oil prices increasing with Brent crude surpassing €100 per barrel. This brings back the prospect of higher inflation rates for a prolonged period and consequent interest rates rises. The second major cross-current is the large-scale increase in capital expenditures globally on AI-related technology and hardware, which has provided a timely upside boost for global prospects. Capital expenditures on the infrastructure needed to run the AI-economy, such as data centres, chips and energy production, have increased considerably. As a globally integrated economy with a large technology sector, Ireland is well-placed to experience upside effects from this AI roll-out, impacting investment and exports in particular.

However, notable downside risks remain and these reinforce the existing vulnerabilities to the public finances and the wider economy. These risks are threefold. First, the investments in AI-related activities may not meet return expectations and this may have knock-on impacts on corporate earnings and employment in the related sectors. Second, technology-related employment may be more sensitive to AI replacement in a knowledge-based economy like Ireland, thus near-term displacement could occur to jobs. Third, the interaction of heightened geopolitical tensions and a further disruption to energy markets could put additional pressures on households and firms. This could lead to increased short-term demands for policy protection which is likely reliant on the uncertain windfall revenues of multinationals.

Another point that must be noted is that sovereign borrowing costs are rising internationally, in particular for those economies with pre-existing fiscal vulnerabilities: high debt levels, large and persistent deficits and low growth out-turns. The potential implications for Ireland of this mix of large fiscal deficits, growing national indebtedness and increasing bond yields across a number of countries are not necessarily all known and understood.

It will be recalled that the first signs of the global financial crisis occurred in US private debt markets, which exposed international credit market vulnerabilities. High indebtedness among euro members compounded these difficulties. While we are not drawing such a conclusion at the present time, the high level of public debt in the US is raising concerns in markets. Of more immediate concern is the possibility that a generalised increase in bond yields will include Ireland. To some extent this is being seen already with Irish rates on an upward path.

Some of the key parameters of budget 2027 have already been announced in the summer economic statement. We would make some points in that regard. First, although a package of €8.5 billion will be consistent with maintaining a general Government surplus, when account is taken of the windfall corporation tax, a deficit emerges. As argued previously, this strikes us as being at odds with prudent fiscal management, especially where windfall revenues are used to fund recurrent expenditures.

Second, an increase of 5.9% on the 2026 expenditure base loses meaning if spending overruns in 2026 become part of the opening position in 2027. This is compounded if there are spending overruns in 2027. The important point is to have credible fiscal plans and to adhere to them, in line with the thinking set out in the medium-term fiscal and structural plan published in December 2025.

Third, fiscal policy should always aim to be countercyclical. Irish fiscal policy has rarely operated in this manner and is currently highly procyclical. We recommend that budget 2027 be characterised by caution whereby a larger headline surplus is targeted this year and a path set for a reduction in the windfall-adjusted deficit over time. While we urge a high degree of caution in managing the public finances, this does not mean specific needs cannot be addressed. However, sound fiscal management does imply targeted approaches should be employed where possible. In that context, we highlight research showing a second, means-tested tier of child benefit could lift 40,000 children out of poverty at a cost of just under €700 million.

A long-standing theme of ESRI commentaries has been the requirement to deploy capital to address well-known challenges in housing, healthcare, water, energy and broader infrastructure. Continued expenditure on capital items that does not vary with the economic cycle will be critical to long-term growth prospects. Investment data have laid bare the continued dominance of multinationals in investment activities. Ensuring the deployment of capital by the Government and domestic firms is critical to building a resilient economic structure and will help to position Ireland to battle shifting global sands. We look forward to members' questions.

Mr. John McGeady: A Chathaoirligh agus a bhaill den choiste, go raibh maith agaibh as ucht an cuiridh inniu. Social Justice Ireland recommends that the Government should prioritise four outcomes in budget 2027: this budget must protect the most vulnerable; it must promote a more equitable distribution of the economic resources; it must invest in our social infrastructure and services; and it must future-proof the public finances.

In terms of protecting the most vulnerable, key priorities are to benchmark core social welfare rates to 27.5% of average earnings and to commit to achieving this over two budgets, increasing core welfare rates by €15 in budget 2027 and a further €10 in budget 2028. We also propose that the Government should introduce a cost-of-disability allowance at an initial rate of €20 a week. Budget 2027 should increase child benefit by €20 and increase child support payments for those under the age of 12 by €10 a week and €18 a week for those aged 12 and over. The fuel allowance should be extended by four weeks.

We welcome the statement by An Taoiseach that budget 2027 will focus on the cost of living. Any fair cost-of-living budget must focus on long-term targeted measures that prioritise the lowest income households. Based on CSO data, we estimate that almost 690,000 people were living below the poverty line in 2025. Of this number, more than 210,000 were children.

The Central Bank forecasts an inflation rate of 3.4% for 2026 and 3.1% for 2027. The impact of inflation is greatest for households in the bottom 20% of the income distribution. If we are to protect those most exposed to price shocks and enhance resilience, we must invest in adequate incomes. *Ad hoc* increases to welfare payments, unrelated to other movements in the economy, fail to address income adequacy in a strategic and sustained manner. We encourage the Minister for Social Protection to commit to indexing welfare rates to earnings. This would

allow the Government to take a long-term approach to the persistent problem of households who are unable to make ends meet.

In terms of promoting a more equitable distribution of economic resources, key priorities for budget 2027 are to increase the PAYE and earned income tax credits by €5 per week and make these tax credits refundable. In terms of fairness, tax credits deliver gains to almost all working households and avoid a situation where many low- to middle-income earners are excluded from budgetary gains. Moreover, the rise of precarious work has created a structural crisis whereby 5.8% of employed people experience poverty in Ireland. Introducing a system of refundable tax credits at a cost of €210 million in 2027 would allow the lowest income workers, who do not earn enough to use the full value of their credits, to have the unused portion of those credits paid to them as a cash refund. Coupled with decisions to adequately increase welfare payments, this would help to deliver a notably fair and progressive budget.

In terms of investment in our social infrastructure and services, key priorities for budget 2027 are to increase planned social housing construction to 20,000 units per annum and extend housing first to families. In line with the Housing Commission's recommendation for an increase in the share of social and cost-rental housing, we propose that the Government should set a target for 20% of all housing stock to be social housing by 2040. We propose increasing the annual target to 20,000 units for the next five years, up from the current commitment of 12,000. The Government should invest €2.2 billion from windfall corporate tax receipts to achieve this target.

In terms of the homelessness crisis, the number of people who had to resort to emergency accommodation exceeded 17,500, including 5,659 children, in the last week of July. Family homelessness has increased by 140% over the past decade. Budget 2027 should therefore extend the housing first approach to homeless families at a cost of €130 million.

In terms of future-proofing our public finances, the key priority for the budget should be to set a tax-take target on a *per capita* basis. The profile of Ireland's population is changing and is projected to reach up to 7 million by 2057. The proportion of the population aged over 65 years is also set to increase significantly. We must be realistic about how much will need to be spent on our social infrastructure and services. Government decisions to raise or reduce the overall level of tax revenue ought to be linked to the demand on resources. We therefore recommend that the Government should set a tax-take target on a *per capita* basis. This would link Ireland's overall level of taxation to population size and the related demand on resources. We propose that budget 2027 should begin the process of moving towards a tax-take target of €29,247 *per capita* over the coming years. We believe these proposals can make a meaningful difference in Irish society.

We would welcome your questions. Go raibh maith agaibh.

Dr. Tom McDonnell: I thank the Cathaoirleach and members and staff of the committee for the invitation to appear before it. We value the opportunity to give our views on the context and priorities leading up to budget 2027 and on budgetary policy more generally.

Most of the big budgetary decisions are already made. The summer economic statement provides for a fiscal package of €8.5 billion in new measures. This is made up of €5.9 billion in current day-to-day spending, €1.1 billion in extra capital spending and tax cuts amounting to €1.5 billion. Much of the nominal increase in day-to-day spending will be absorbed by

inflation, population growth and the demand cost pressures of an ageing population. A deal on public pay that adequately compensates workers will also need to be accommodated. The mooted indexation of the income tax system will absorb most, if not all, of the space for tax cuts – 5% indexation, for example, would absorb all of it. In practice, there will be very little in desperately needed policy innovations - whether a second tier of child benefit to reduce child poverty, as the ESRI mentioned; roll-out of a public childcare model; or game-changer supports for the green transition. Without tax increases, there will remain limited space for new major spending initiatives.

We know the fiscal picture will darken in the years and decades to come. We would, therefore, point to the Commission on Taxation and Welfare's menu of options for raising taxes, from various capital tax reforms to the rolling back of a range of our badly conceived and designed tax breaks.

The economy has grown rapidly in recent years, with economic growth set to continue into 2027. The employment rate is close to its record high and employment continues to grow. Inflation remains high due to the energy supply shock caused by the war in the Middle East and is likely to remain elevated in the short term, with Brent crude in excess of \$100. CSO analysis shows that lower income households are experiencing higher rates of inflation this year than richer households. More than one in seven households were already experiencing enforced deprivation in 2025. Yet it is misleading to frame the cost-of-living pressures as being experienced universally. Many are doing very well. The savings rate is highly elevated, and deposit levels are increasing by hundreds of millions every month. Universal giveaways are not needed. The economy has never been stronger and clearly does not need fiscal support. Indeed, the budgetary package as set out is modestly pro-cyclical and inflationary. A more prudent approach would be a package of net spending growth that is marginally smaller than the economy's potential growth rate of 4.5% to 5%. Higher levels of gross spending can, of course, be funded by broadening the tax base.

Times of economic strength are precisely when we should be increasing taxes and preparing for the future with strategic foresight. This does not preclude us from protecting people from cost-of-living pressures, and we should protect the vulnerable, but it does mean we have to choose who to support and how best to do it. We are an energy importer experiencing a negative terms-of-trade shock, and we are collectively poorer because of it. Fiscal supports to protect households from the energy crisis should, therefore, be understood as distributional in nature. The nature of the supports is about deciding who in Ireland pays the extra cost rather than avoiding the cost *per se*.

Indexation of the welfare and income tax systems to the higher price or wage growth is, in our view, the most sensible first response to the crisis. This should be combined with generous subsidies to help lower and middle income households to reduce their demand for petrol, diesel and gas over time. The cost-of-living crisis is fundamentally an inadequacy-of-income crisis, and adequacy should be the goal in budget 2027.

As an aside, at a time when the poorest in society are enduring a cost-of-living crisis, it is odd, to say the least, that the Government seems to be focusing on lining up a basket of goodies for those best-off in society via the mooted tax breaks for inheritors and savers. Surely the Government has more pressing priorities.

Overall, the public finances are in good shape in the short term, with a healthy fiscal surplus and a manageable net debt ratio. Yet the headline figures mask severe vulnerabilities and concentration risks. Thus far, the surplus means that Ireland has been spared the recent bond market pressure faced by the United States, the United Kingdom, France and other advanced economies. Yet Ireland has been consistently plagued by unsustainable boom-bust fiscal policies that have arguably been the greatest source of economic volatility over the last half-century. Now is not the time for complacency and short-sightedness. We have recklessly developed a dangerous dependency on concentrated and potentially transitory revenues. We need a mature and honest debate about how we manage the public finances, how we raise revenue and how we allocate our precious fiscal resources. This committee is perfectly placed to fulfil this role.

In this context, there are a number of fiscal principles that we would endorse and that we are happy to elaborate upon. First, always be countercyclical. This means running meaningful current spending surpluses in good times and even in normal times. Second, apply a medium-term target that protects investment spending. This is to ensure that sufficient and stable resources for investment spending are protected across the economic cycle. Third, quarantine potentially transitory revenues. Windfalls and transitory or cyclical revenues should not be made available for use either to fund day-to-day spending or to finance tax cuts. Fourth, start a debate. This debate should encompass multi-annual budgeting, expenditure needs, fiscal sustainability, intergenerational fairness and revenue composition and sufficiency.

To be economically radical and protect our budgetary sovereignty, we will need to be fiscally conservative. Fundamentally, we need to embed and hardwire sustainable budgetary policy into our economic model. If we can achieve this, we will strengthen our economic resilience and protect ourselves from devastating and periodic bouts of boom and bust that culminate in inevitable and painful austerity. The world is a volatile, uncertain place. We should at least ensure we have our own house in order so we can withstand the storms to come. We are happy to take questions.

An Cathaoirleach: Thank you. I now open the floor to members.

Deputy Richard Boyd Barrett: I thank all of the contributors for their very interesting and informative submissions and contributions so far. I will start where we finished, with NERI. Dr. McDonnell referred to the schemes for the already well-off that the Government is proposing. Was part of that a reference to the new Government investment scheme? He might elaborate on that.

Dr. Tom McDonnell: Yes, it is a concern. We have limited fiscal space, as we know. Four years ago, the Commission on Taxation and Welfare talked about the need to increase revenue and broaden the tax base. Therefore, while there is absolutely an issue with how we deploy savings in this country, and too much is held in current accounts, for example, the concern is that such a policy would be necessarily regressive because it disproportionately benefits savers, and we know that would essentially be the top two thirds.

Deputy Richard Boyd Barrett: I might say this from a sort of socialist point of view, but is it just trying to turn everybody into a capitalist? Is it also quite risky for people?

Dr. Tom McDonnell: It does create risks for people. Presumably, the goal of the scheme will be so generous as to insulate households or to make the return very attractive. Again, while

there may be a logic to increasing savings that are available to be redeployed for Irish enterprise, the State or whatever it might be, the concern with a policy like this is that we have a cost-of-living crisis, so we need to focus on other areas like research and development, education, second-tier child benefit and a public childcare system. It is an odd choice during a cost-of-living crisis to devote so many fiscal resources to this. We know, of course, that it will be chiselled out of the €1.5 billion tax package, which in practice means it will be chiselled away from workers, who will get a smaller indexation because of it.

Deputy Richard Boyd Barrett: I engaged with Mr. Nugent recently on the paper that NERI produced on the net wealth tax. That is something we have always advocated, so I am delighted that NERI has done work on it. Does Dr. McDonnell want to talk about that? It underlines the fact that there is a group of people who have plenty of money at the moment and are doing very well, and that a tax on them - the multimillionaires in this country - might be advisable in order to fund assistance for those who are actually struggling with the cost-of-living crisis.

Dr. Tom McDonnell: It was a piece of research we were asked to undertake earlier this year to see whether a net wealth tax would have been viable in the case of Ireland, and to understand why other wealth taxes had failed and how a wealth tax could be designed in a way that would avoid the mistakes of the past. What we discovered was that wealth taxes failed because they were very badly designed. Usually, they had a lot of exemptions and reliefs associated with them, so all you had to do was move around your assets, as we see with inheritance tax at the moment, where business people just buy up farmland because it is treated much better for inheritance tax. A net wealth tax would work in the same way. The only way to get a wealth tax to be successful is to ensure there are no reliefs. To get around the fact that there are no reliefs, it needs to have a high threshold because, otherwise, it captures too many households. We would be looking at designing a tax that would only hit perhaps 1% to 2% of households at most. Because a wealth tax is paid out of income, ultimately, you have to be conscious about the interaction with income tax as well.

It is true that implicit tax rates on capital are much lower than taxes on labour. Obviously, there is a need to reprofile the tax base overall, so there is less of an emphasis on consumption taxes and labour taxes and a move more towards capital taxes. A wealth tax is a good example of that. It is true that this would be a tax that would affect only 1% of households and would have no impact in terms of-----

Deputy Richard Boyd Barrett: I am talking about a tax on multimillionaires that could raise billions, potentially.

Dr. Tom McDonnell: Depending on the rate that is set. If a rate of around 1% is set, you would be looking at a yield of, conservatively, about €750 million or €800 million, or possibly more. Obviously, if you set higher rates, you can get higher yields.

Deputy Richard Boyd Barrett: I thank Dr. McDonnell for that. The ESRI mentioned AI and suggested that it is fuelling a lot of growth. Would the ESRI also mention the possible dangers? There is a huge debate about AI, data centres, the expansion of the infrastructure for that and the impact it is having on the cost of electricity. The ESRI might want to comment on that. I think it was Friends of the Earth that put out a paper suggesting it is driving up the cost of electricity for ordinary people. Perhaps the ESRI has an opinion on that. The *Financial Times* recently said that the whole American economy is one big gamble on AI. I think 80%

of stock market gains are being driven by investment in AI and it accounts for 40% of US GDP growth. It seems like a fair description of what is going on with AI.

Is Ireland, by extension, given its heavy concentration on the digital and IT sector and the planning for the further proliferation of data centres, taking one big gamble on this sector? Is that a big risk, given that there are no profits being recorded in the sector?

Dr. Conor O'Toole: I am happy to come in on that. It is very clear internationally in the past 12 months that investment in AI across the board globally has ramped up massively, be it in the US or elsewhere. Those investments are increasingly concentrated in the infrastructure and hardware in the AI economy. It is quite a strong current that is pushing the global economy upwards. We have had a number of downside shocks in recent years, including the energy crisis coming from the war in Iran. This is a welcome concurrent against that downside pressure but it comes with big risks.

Our opening statement and the past number of commentaries - just before Christmas last we also noted this when we looked at the stock market performance of some of the big AI players in the US - indicate these are the same companies that are here in Ireland with major presences. If the return expectations are not met by those firms, which have made very large investments, there could be knock-on auxiliary impacts on profitability for those firms globally and with their operations in Ireland, and on the employment of those firms. Given that we are a digitally interconnected economy that is very well-placed to benefit from AI productivity-based gains, which we hope would be a positive from AI, there are also very serious downside risks.

Deputy Richard Boyd Barrett: I will have to get to Social Justice Ireland on the second round. Apologies. Would Dr. O'Toole agree with the point on AI driving up electricity prices for ordinary people?

Dr. Conor O'Toole: That is not something we have done research on.

Deputy Richard Boyd Barrett: I thank Dr. O'Toole. I will come in again on the second round.

Deputy Johnny Guirke: I thank the witnesses for coming before the committee. Dr. O'Toole mentioned that the ESRI research shows a means-tested tier of child benefit could lift 40,000 children out of poverty for just under €700 million. Has this been raised with the Government? What is its mood in that regard? In theory, this would change the lives of children living in poverty. What does Dr. O'Toole think the Government's counter-argument to implementing this would be?

Dr. Conor O'Toole: This is research that has been completed by my colleague, Professor Karina Doorley, and co-authors. Their research highlights the additional expenditure and impact that spending would have on child poverty. It is not our position to lobby for political or policy changes. Our job is to put the evidence out there for policymakers to make choices on the back of that evidence. Research which highlights the potential impacts clearly demonstrates that choices can be made which are impactful and can be made within the context of the budgetary envelopes we have available. It is part of the broader narrative we have put forward for quite some time across our commentaries that targeted and tailored measures are critical in the current environment, where we are trying to manage the sea of risks and ensure that the apparently healthy public finances we have do not turn, leaving us without options.

Deputy Johnny Guirke: Deputy Boyd Barrett referred to a wealth tax. Dr. McDonnell said it would take in roughly €800 million. Are there any downsides to a wealth tax? A 2% tax on wealth could take in €1.5 billion per year.

Dr. Conor O'Toole: That is not our research and I do not want to comment on the methodologies and calculations in that particular paper. Colleagues of ours did some work on this a number of years ago. There are pros and cons. As Dr. O'Donnell said, often these policies work or do not work based on the calibration and targeting. One of the historic challenge with wealth taxes in Ireland was that a huge amount of wealth was caught up in the family home and the extent to which that would be brought into the wealth tax calculations. We have a local property tax which, in a sense, taxes the value of residential dwellings. There is an instrument that covers that. Again, it depends on the calibration of the taxes as well as the composition of the base that is included. There are a lot of parameters around a tax like that.

Deputy Johnny Guirke: I have some questions for Social Justice Ireland. It urged the Government to pursue employment friendly tax policies that reward work. Is it of the view that the Government and its tax policy have created fear for people who would like to get employment but are worried they would be left worse off if finding employment means losing specific benefits?

Mr. John McGeady: That would not be a particular concern but it is important to avoid the risks around poverty traps. In the summer economic statement, the Government laid out a €1.5 billion tax package and it seems that is what it is going to do. Our primary policy recommendation this year is that targeting it towards lower- and middle-income workers is the fairest way to distribute those resources so that they are not excluded and benefit from that reduction in their income tax. We have argued for making those tax credits refundable. A cohort of people are in work but earn so little that they pay less tax than the full value of their tax credit. If the tax credit is increased, the gap they are not gaining increases even further. Making that refundable is the fairest way to ensure that everybody benefits from that tax package. That would make it worthwhile to pursue work.

Deputy Johnny Guirke: Social Justice Ireland estimates that there were more than 210,000 children living below the poverty line in 2025. What specific combination of social welfare and public service supports would it prioritise to best deal with the worsening situation of children living in poverty or homelessness?

Mr. John McGeady: We always point to the fact that children living in poverty belong to households that are in poverty. They are not in poverty by themselves. As we laid out in our opening statement, we are looking for an increase in child benefit and the supplementary child payment. A crucial element is ensuring that household incomes are adequate and households that are reliant on social welfare have adequate social welfare rates. Increasing the core social welfare rates and linking them to earnings so that they track earnings at an initial rate of 27.5% is the surest way to support those families and the children who belong to those families.

Ms Michelle Murphy: As Mr. McGeady said, household income is crucial for families. In terms of children in emergency accommodation, the housing first programme should be extended to include families. That is an absolute priority, given the impact of homelessness on children's development and life outcomes. On the phrase "making work pay", it is crucial that we design our social welfare system in terms of tapering the benefits so that when someone

enters employment they not do not lose every entitlement they have. That is the issue. We need to make sure we design those thresholds and benefits in a way that they taper off as work income rises. That is a way to ensure people can enter the labour force, manage their household incomes and are not forced to decide whether they can afford to enter the labour force in the first place.

Deputy Johnny Guirke: Social Justice Ireland called for the fuel allowance to be extended by four weeks. Would it also support changes to eligibility so that more households experiencing energy poverty qualify for the payment?

Ms Michelle Murphy: Last year, we welcomed the fact that the fuel allowance was extended to households in receipt of the working family payment, which we had sought for a number of years. The extension is crucial. It was one of the only elements in the two packages that targeted lower income households earlier in the year. There is an argument for extending the threshold and number of weeks. In the longer term, whether we subsidise fossil fuels or not, we need to realign our fuel package with regard to household energy and consider how we support people to move to renewables while at the same time not removing supports from them.

That threshold should be looked at, especially to support working households who are currently above the threshold for the working family payment. That would be of considerable benefit to those households.

Deputy Ged Nash: I will pick up with Ms Murphy on the question of fossil fuel subsidies. We are all concerned about the elevated price of energy and the impact that is having on consumers across the economy. We are divided on how that can best be tackled. The following question can be addressed by all of the contributors from the three organisations. If we are to deal with this issue in a responsible way, is it best to continue with excise cuts and carbon tax reductions? Is the better, more financially and socially responsible way to do this to devise and use a system of targeted energy credits and to use the tax and welfare system to ensure support for those who need it the most to get them through a difficult time?

Ms Michelle Murphy: Universal credits are obviously not the way to go. They were hugely expensive. While they provided some temporary relief to some households, we have seen an increase in arrears and in the number of households in energy poverty. Any supports must be targeted to the households who need it the most. Those households can be identified to the tax and welfare system. It is unfortunate that the energy affordability task force report will not be out until after the budget. We are concerned about what is energy affordability *vis-à-vis* energy poverty and what we are trying to address. We should be addressing energy poverty and supporting those households in arrears. There are targeted measures that can be implemented for rural households to support them towards renewables.

Dr. Alan Barrett: There is almost a hierarchy. I will start by speaking about the way not to do this. The excise cuts are absolutely the worst way of doing this. We can draw on research by the ESRI in that regard. You are essentially giving more money back to wealthier households. The calculation done by the ESRI showed that something like half of the cuts went to the top 30% of households. I might get the precise details wrong. You are giving a lot of money to people in higher income brackets who simply do not need it. I cannot think of any policy where the Government would have an amount of cash and would ask who are the highest

earning people so it could give them more of it and would taper a scheme that way. That approach makes absolutely no sense whatsoever.

Energy credits, funnily enough, are marginally better even though they are not targeted. Because the same amount of money goes to every household, it is not as bad as an excise cut whereby more money goes to wealthier households because they have bigger cars and houses and so on and so forth. It is not the worst approach but it is not ideal either.

We are back to targeting and doing it in that sort of manner. That can be done through the social welfare system. It does not have to be like taking an amount off your electricity bill or whatever. It can be a direct payment. That is a much better idea.

As we are on the theme, the following is a matter that the committee can ask representatives of the Department of Social Protection the next time they are before the committee. It relates to the question from Deputy Guirke. There is one thing I do not understand. We seem to be able to target SUSI grants but there seems to be a tremendous reluctance to target other sorts of payments. The SUSI website shows there are very fine degrees as your income goes up a little. At a lower income, you get full fees and whatever payments you need to keep you alive. It tapers all the way up. If you earn up to €120,000, you can get reduced fees. We seem to be able to do it in that case but there seems to be an inability to do it in other areas. There may be very good reasons for this, but after the Ukraine war, in particular, when we had a discussion about the need to target supports, it is a little disappointing that, five or six years later, we do not seem to have made as much progress in identifying mechanisms to direct resources.

Deputy Ged Nash: That is particularly true considering the richness of data now available to the Revenue Commissioners, for example, which was not previously available. If we were able to develop overnight a system of wage supports during the pandemic, surely this should not be beyond us. That is a point worth making.

Mr. Paul Goldrick-Kelly: I will chime in to add a little on targeting. Especially on the fuel excise cuts, it might be a better idea to look at examples in other European states that, for example, offer more generous grants to take up an EV or social leasing scheme. I know that is something that operates in France and some of the data coming back shows that the cohorts you want to target at the bottom of the income scale are the people taking it up. That might address the issue while maintaining consistency with our climate goals. That would probably be a better use of funds.

Mr. Ciarán Nugent: The best way to save is not to consume the energy at all. We need to transition to a low-carbon economy and the best way to do that is to produce our own energy. We are already hearing kite-flying about the phasing out of feed-in tariffs that are already quite low for people with private solar panels. The grants are low and take-up is low. The take-up is only there for people in high-income households. In reality, somewhere in the region of half the country would not be able to afford solar panels even with the grant. That is the way forward. We are now talking about 3.5% inflation but we do not know what is going to kick off in Iran or what the situation will be in a year's time. In terms of long-term resilience and sustainability, that is where that should be going.

Deputy Ged Nash: A paper on carbon tax was published by a colleague from the ESRI last week. It considered its impact on the economy and households and so on. I am paraphrasing, but the conclusion was that the best way to address issues around affordability when it comes

to the carbon tax is to retain the carbon tax but make it more progressive. There is a case for passing legislation to ensure funding is entirely ring-fenced. It would then be easier to make the case for carbon tax. The point made in the paper was that the best way to address any affordability issues that might arise from carbon tax - I am paraphrasing and can be corrected if I am wrong - is to use the tax and welfare system to support those on low and middle incomes. Would the witnesses agree with that assessment?

Dr. Alan Barrett: The Deputy is absolutely right. Everybody understands that the carbon tax is regressive. It is not an ideal tax in that sense. When it was designed and introduced, it was specifically decided that the revenues would contribute on two fronts. One way was via direct payments through the welfare code and the other was retrofits and everything like that. Of course, you could argue that they should be more narrowly targeted or whatever else. The package around carbon tax was what mattered, rather than the individual tax. The idea of that now being pulled away is unfortunate. There is a harsh reality. We obviously do not want to see people suffer but, over time, we need to see people moving away from fossil fuels. It is absolutely the case they need to be assisted, but we want some sort of price signal to exist. If we try to have a world in which the price of petrol is never going to go above €1.50, nobody is ever going to transition to an EV, or whatever else. That balance has to be struck.

Deputy Cian O'Callaghan: I thank everyone for their contributions. I will start on that last point. I ask the following of the representatives of Social Justice Ireland. On the carbon tax, what sort of supports would be sufficient for people on low incomes not to be so impacted?

Ms Michelle Murphy: We are concerned, as a result of the current noises, that carbon tax is going to be increased or paused, considering what it funds. It funds the fuel allowance, the agri-climate rural environment scheme, ACRES, and various other payments. We are also concerned that the full revenue, particularly for just transition measures, has not been spent in recent years. That is of concern to us. We need to use the welfare system, in particular, to target and support households. There are particular measures. It was introduced in the first place to incentivise people to move away from fossil fuels. Certain measures can be introduced. We could target EV grants at rural households. We could consider reinstating the grant for the charging infrastructure. We need to target rural households.

Deputy Cian O'Callaghan: Are EV grants for rural households the key thing?

Ms Michelle Murphy: No, but in terms of a budgetary context in the next fortnight, we need to do something to support people to move. At the moment we are incentivising the wrong things. Even the current discussion and narrative, which is solely on excise and fuel cuts, is not getting beyond-----

Deputy Cian O'Callaghan: Rural houses in particular are faced with extra costs for petrol and diesel, since they have longer distances and fewer public transport options, and they are faced with extra costs for home heating oil. EV grants are one measure Ms Murphy has mentioned, particularly for rural households. Is there anything else?

Ms Michelle Murphy: If they are in contact with the welfare system, depending on household income, the State could also target them with further supports. I am looking at those working households as well. I mentioned extending the threshold for the working family payment, for example, which would entitle them to the fuel allowance but also to the full SEAI package for retrofitting, which is also crucial. It is important to ramp up those measures and

make them affordable for people, but also to allow people to benefit from them. A concern for us is that we are going to see a slowing down of those measures, which will make it harder for us to meet our own targets and to incentivise households.

Deputy Cian O'Callaghan: And harder for low-income families, who end up getting trapped with higher cost.

Ms Michelle Murphy: It will be less affordable for them, yes.

Deputy Cian O'Callaghan: I want to ask the ESRI about the issue of child poverty. Research published recently by the ESRI shows that child poverty has increased. The Taoiseach disputed the methodology used. Does the ESRI have any comment to make on that? Is the methodology used by the ESRI with regard to child poverty and, indeed, generally robust and sound? I would have thought it absolutely is.

Dr. Alan Barrett: I am not here to defend the Taoiseach, but just to make sure we are all on the same page, I think the point he was making was that the data used for the report went back to 2023, I think. His argument was that a number of things that happened between now and then, including things like the extension of free child meals, were not part of the overall calculations. I do not think he was challenging the methodology or anything like that.

Deputy Cian O'Callaghan: The media coverage on it was wrong. He was not challenging the methodology. That is Dr. Barrett's view.

Dr. Alan Barrett: I might be wrong, but that was my understanding at the time when I heard him talk about it. There are always disputes in the measurement of poverty. This is something that has gone on for years - what we include and what we do not include. It is not like there is an absolute, single metric that everybody buys into. There are different ways of slicing and dicing it. From a broader perspective, what everybody accepted and took from that report, and I do not think anybody dismissed it, is that child poverty is remarkably high in Ireland and it has increased.

Deputy Cian O'Callaghan: The Taoiseach disputed what the ESRI did. He argued that 60% of median household disposable income to measure poverty is a very high benchmark.

Dr. Alan Barrett: It is another method. If the Deputy looks at the Central Statistics Office website, he can see that there are about three different measures of poverty in the census, such as income poverty, consistent poverty and so on. There are different ways of doing it. The ESRI methodology included housing costs. There are different ways of doing, and the data timing was the other issue.

Deputy Cian O'Callaghan: Where does the 60% of median household disposable income come from? Did the ESRI invent it or did it come from somewhere else?

Dr. Alan Barrett: The CSO may have invented it but that would have been about 25, 30 or maybe 35 years ago. The CSO used that as a threshold to measure what is known as income poverty, the idea being that if someone is below 60% of median earnings, it means they are in poverty. It is an *ad hoc* sort of choice; it could be 50% and it could be 40%. The ESRI was involved in the later measurement, which was to add deprivation indices on top of the income measure.

Deputy Cian O'Callaghan: I have a question for the Nevin institute. Social Justice Ireland talked about the goal of setting a tax take target on a *per capita* basis. I want to get the view of the Nevin institute on that and on how we stand relative to comparable countries in terms of tax take *per capita*.

Dr. Tom McDonnell: I am not sure *per capita* is the basis on which I would necessarily compare us with other European countries. There is a huge disparity of income. Bulgaria and Romania would have much lower living standards than we would, so comparisons against those countries would not necessarily work.

Deputy Cian O'Callaghan: It could be compared with high-income European countries.

Dr. Tom McDonnell: It may be the wrong way to look at it. We have to define what we want public services and income supports to do. What are the goals we want to have, what do other countries do and how does Ireland fit into all that? Our sustainable revenue base has to be able to match that. It is going to change over time. As we get an older population, for example, our revenue to GNI* ratio is going to have to increase over time if we want to maintain services at the level they are. There is no right answer *per se* but Ireland is certainly close to the bottom in terms of Government revenue as a percentage of economic output. It is clear in that regard that we are absolutely not a high-tax country. There are some elephants in the room and some obvious areas where tax or Government revenue is very low. Social contributions, or PRSI as we call it here, are the big one. That is where we are completely out of line with most other European countries. There is certainly scope to increase taxes in Ireland to an extent that is not necessarily there in the same way in places like France or indeed the Scandinavian countries. We do have the scope to do that, but then the public services they get in those countries are commensurately better, which adds to people's economic security from cradle to grave and arguably adds to their resilience over the longer term. We absolutely do think there is scope to increase taxes overall in Ireland without necessarily putting Ireland out of line with other European countries in any way.

Deputy Cian O'Callaghan: On the wealth tax, it was said earlier that there is a need to be conscious in its design of how it interacts with the income tax system for high-wealth households or individuals. Will Dr. McDonnell expand on that?

Dr. Tom McDonnell: In the same way that we pay most of our taxes out of what is left after we pay our income tax, if, for example, in a particular year, someone is paying a marginal income tax rate of 50%, there is a wealth tax of 3% and the return on wealth is 5%, it could be argued that the wealth tax is effectively a 60% tax in terms of income, so that 50% plus 60% takes an individual over 100%. We get to a point in terms of wealth taxes where it becomes self-defeating. Individuals effectively have to start using their wealth to be able to pay their wealth tax, if that makes sense.

Deputy Cian O'Callaghan: In Dr. McDonnell's opinion, it should be designed not to do that.

Dr. Tom McDonnell: I just picked figures there and am not necessarily linking them to anything. The point is that there is a natural upper band in terms of what is feasible in wealth taxes, which is probably lower than most people anticipate.

Deputy Cian O'Callaghan: Thank you.

An Leas-Chathaoirleach: I have a few questions for Dr. Barrett and Dr. McDonnell. I have a general comment on reducing or increasing excise duty. Would the witnesses not agree that the Government is trying to find a balance here? There is already about €4 billion being collected between VAT and excise duties on fossil fuels and so on. Is it actually true that it is helping the wealthier? Have we done any research on it? I would almost see the reduction in the petrol and diesel as akin to an income tax break. The main beneficiaries are people who are driving to work, although other people drive as well. The wealthy have modern, newer cars that are more fuel-efficient and are often electric. It is actually the people who are less well off who have older cars that are less fuel-efficient. I would not really see the excise cut as a support to wealthy people. I would see it more as a support to workers and people driving inefficient cars.

Dr. Alan Barrett: I see the point the Leas-Chathaoirleach is making. The analysis by ESRI colleagues was taking the household budget survey, which is the representative information from across the country. Accepting the points the Leas-Chathaoirleach makes, and at the margin those sort of things might make a difference, it is still fundamentally the case that wealthier people drive bigger cars with more powerful engines.

An Leas-Chathaoirleach: Not more fuel. They can be more fuel-efficient than other cars with smaller engines.

Dr. Alan Barrett: They might be. All I am saying is that the data which the CSO collected, which is our most reliable picture of consumption and expenditure patterns for the country, shows that there are higher fuel expenditures among wealthier people. By definition, then, if we cut the taxes on those, we are disproportionately benefiting wealthier people.

An Leas-Chathaoirleach: I would be interested in seeing that data. On a separate point, the topic of windfall corporation tax receipts comes up all the time at this committee. I want to ask Dr. McDonnell about the idea of ring-fencing that. I understand Norway has a rule.

If we bring in some legislation, and Dr. McDonnell mentioned it in his report, we can fix exactly what the windfall is and how it is calculated. It is obviously complex. The Central Bank said last week that it is well over €17 billion, half of the total corporate tax receipts. What do the witnesses think of the idea of bringing in some kind of legislation to fix that so it is not discretionary money, so to speak, at budget time?

Dr. Alan Barrett: I will say a quick word on that. In a sense, we did something similar to this many years ago. It is long-forgotten, but this State set up the National Pensions Reserve Fund in 2001, I think, when Eircom was sold. The much-maligned Charlie McCreevy took that windfall, put it into a fund and then 1% of GDP was added to that fund every year. It was always with the idea of having a fund that would assist the State in dealing with the cost of the population ageing. Of course, that money went during the great crisis----

(Interruptions)

Dr. Alan Barrett: Indeed, but it was a very worthwhile policy at the time, so we have done this previously. We are currently building----

An Leas-Chathaoirleach: Was it more a practice rather than having a legal basis?

Dr. Alan Barrett: I am always struck when I am before this committee that it was set up in the wake of the great financial crash precisely to keep an eye on some of these sort of issues. I and probably a lot of us on this side of the room do often ask the question: "In 20 years' time what will have happened to all this windfall?" We may not be here any more. We may not be drawing in these sorts of extraordinary amounts of money so there is the idea of building up a wealth fund along the lines the Leas-Chathaoirleach just described that would be directed in a particular way, would build up over time and would deal with these sort of issues. In 20 years' time, and maybe some of the members will still be around, the issues will be around the care of our massively larger older population, for example, with a much-diminished workforce. Those are going to be sort of things that we will be talking about, and it will be terribly sad if people are sitting in the members' position saying, "It is an awful pity that we did not put some of that money aside".

An Leas-Chathaoirleach: I am all for that, by the way, and reducing the growth. It has been 9% for the last number of years and it is going to go down to 6% or whatever for the next few years, which in my opinion is slightly late. Does Dr. O'Toole want to come in? I want Dr. McDonnell to come in and I am conscious of time.

Dr. Conor O'Toole: I want to make one point that is one of the most important aspects to remember on this. The analogy with Norway is a good one. Why did Norway set up their wealth fund on the oil revenues? It was because they knew it was finite. They knew it would not go on forever and they were only going to be able to generate these funds until the particular point in time when that resource was used up. We need to start thinking about these corporation tax receipts in those terms. They will not be around forever. They are going to run out-----

An Leas-Chathaoirleach: One hundred per cent.

Dr. Conor O'Toole: -----and we need to save as much of them as possible for the future to deal with all of these challenges we have talked about.

Dr. Tom McDonnell: Following on from that, I agree with both of those comments. In fact, in terms of the Norway situation, they were conscious that they did not want to spend the money domestically because it would simply add to inflationary pressures and destroy the competitiveness of their economy. That is another rationale for not recycling that money back because a lot of it is not based on what is actually happening in Ireland. As we know, it is to do with the location of intellectual property assets. It is acting as a pump which is adding to inflationary pressures in the economy.

I completely agree with the point that further analysis needs to be done to identify exactly what percentage it is, whether it is €17 billion or however much. We should not be touching that and should be saving it and pumping it into the Future Ireland Fund or into capital investment. However, the problem with capital investment is that we have a hard constraint in terms of the amount of construction workers we have in the country and the amount of infrastructure we can do on a yearly basis. Some of it could certainly be used to help finance the green transition, subsidies for an electric vehicle fleet, for example, as a once-off transition measure which helps bring down our greenhouse gas emissions, but fundamentally I would be saving most of it and then living off the returns-----

An Leas-Chathaoirleach: Living off the returns like Norway does. There is something I am interested in that is related to that and Dr. McDonnell mentioned it in his opening remarks. We

should be doing five-, ten-, 15-, or 20-year budgets. What does that look like in practice? How can we make it happen to have a longer budgetary cycle? It is completely related to the windfall tax question.

Dr. Tom McDonnell: We do exactly what the Leas-Chathaoirleach suggests and push for legislative change to force the government of the day to engage in five-, ten-, 15- or 20-year budgetary forecasting. Ideally, once governments come into power, they would set out their five-year budget and then not necessarily change it from year to year. Things such as cost-of-living or energy crises can obviously affect that, but in terms of those windfall receipts we should not be using that money fecklessly now but holding it and investing it abroad so that we have that return in the 2040s and 2050s, when we have the fiscal crisis that is coming at us head-on.

An Leas-Chathaoirleach: I take slight exception to Dr. McDonnell's comment about the basket of goodies. The main tax thing for doing is income tax.

Dr. Tom McDonnell: For sure.

An Leas-Chathaoirleach: I think that only €1 billion of it is covered in indexation anyway. The Government will still get in more income tax receipts. Someone referred to higher wage inflation or inflation in the economy. I think that is a reasonable thing to do and that will be the bulk of tax breaks. In fairness, the inheritance tax has been fairly suppressed for 20 years now.

Dr. Tom McDonnell: That is true, but what the Commission on Tax and Welfare pointed out was that this was essentially unearned income in the sense that while people will argue that inheritance tax is a double taxation, all tax is double taxation. For example, VAT is when you pay your-----

An Leas-Chathaoirleach: I know. We could talk all day about that.

Dr. Tom McDonnell: We would see that a priority would be a nurse working overtime or something like that who has to pay half-----

An Leas-Chathaoirleach: Those kind of taxes have not been indexed over the last 20 years. The inheritance tax threshold was higher 20 years ago than it is today.

Dr. Tom McDonnell: Sure, but the inheritance tax for business and agricultural assets-----

An Leas-Chathaoirleach: That is different. That is unique.

Dr. Tom McDonnell: That is already so generous that it puts you into the top 1% of households automatically in terms of the scale of the tax break. Even the €400,000 as it stands puts you well into the top half of wealth holders, even if nothing else happens. As a final point, it is only a small proportion of people in Ireland who actually end up paying inheritance tax. It is quite a niche issue. We must also remember that where there are multiple children in a family, for example, the pot is divided up and can quite quickly get to very high numbers.

Deputy Mairéad Farrell: I apologise that I missed this. I had a number of clashes at the same time. It is always more difficult to come in when conversations have already been had because obviously it is easier to follow on from a conversation.

I might just take one point that was said about the point of this committee being set up. On this day two weeks, we will have budget day. We are the budget scrutiny committee but tomorrow night we will have the two Ministers in and there is no way they will give us the type of information we need to scrutinise in a pre-budget way. Even for the likes of the existing level of services, they will not even give us the information to be able to find out how that is calculated. That is an issue for this committee because if the Ministers and the Departments are not taking it seriously then we have an issue. In two weeks' time on budget day things will be announced, but at the end of the day we know then that there will be Revised Estimates, etc., and we are nearly told that is the real budget. There is a serious issue for this committee, generally, about how it will work in the future and when generations look back to see how it worked.

There is a bit of theme in some of the opening statements that I find quite interesting; I think it was Social Justice Ireland and NERI. I noted the phrase "The cost of living crisis is fundamentally an inadequacy of income crisis" in NERI's opening statement. It is something that I really feel is not talked about enough both in this House and the Seanad, and also in the media. The reality is the number of people who just cannot make ends meet because they are simply not paid adequately.

Another strong theme in here related to what the actual plan is in terms of social welfare. It annoys me in a lot of senses that this place can be so out of touch with the realities of people's lives and that people this out of touch are making decisions about a few extra euro for somebody on social welfare, disability or whatever else it may be, while at the same time passing legislation that increases rent for people. It does not make sense and we know council rents have increased in a lot of places as well.

One of my questions for Social Justice Ireland, and something that really stood out to me, is about the 120,000 aged over 65 who are experiencing poverty. Something I have increasingly noticed in my clinics is older people who are getting notices to quit in insecure housing. Once they retire will not be able to pay the rent and will end up in emergency accommodation and homelessness. At the moment it is generally up to the council to try to stop that happening.

If that trend continues, they will not be able to do that. I ask the witnesses to talk about that. Also, does what is seen as the poverty line include housing or how does that work? It is something I look into every year and then I forget. Will the witnesses from Social Justice Ireland look at that, followed by Mr. Nugent?

Mr. John McGeady: Yes. I will take the second part of the question first. Actually, it was already mentioned. The poverty line we draw upon is that which is set out by the CSO when it comes out with its survey on income and living conditions, SILC, every year. That looks at household income and it is looking at 60% of median household income. It is equivalised then and divided up by person in the house.

Deputy Mairéad Farrell: So there is a problem with it then if that is the way things-----

Mr. John McGeady: No. What it is showing fundamentally is what people's incomes are and, therefore, what is an adequate income, rather than looking at costs. Whether or not 60% is going to be adequate depends on what costs are, but insofar as it is useful to have some sort

of a line that looks at where people are in terms of their incomes relative to one another in society is where it is actually very useful. In some ways it is both a-----

Deputy Mairéad Farrell: To see who is wealthy and-----

Mr. John McGeady: Exactly. In some ways it is not only useful as a poverty rate but also as a way of looking at inequality in society.

Deputy Mairéad Farrell: Yes, that is fair.

Mr. John McGeady: Fundamentally, while it is absolutely essential we get a handle on material poverty and it is crucial we recognise when people cannot make ends meet, we also need to always recognise that poverty must be understood as not having enough income to live a socially acceptable normal standard of living in our society. If we reduce it simply down to clothes, shelter and heating, we sometimes lose the recognition that if someone cannot participate for want of money because their income is too low, they are in poverty.

Deputy Mairéad Farrell: I will bring Mr. Nugent in on that now because I am conscious of time. I am finding more and more people who, from what I can see, are in poverty, and I do not know if they are all reflected.

Mr. Ciarán Nugent: On the living wage technical group, whose report will come out next week or in the next couple of weeks, they go to a supermarket and count up how much a minimum essential standard of living is. Regarding the poverty threshold, earlier on we were talking about the Taoiseach saying 60% of the median income being too high a bar but I think it is way too low. It is way too low compared with the living wage calculation. The poverty threshold for a single adult household is somewhere in the region of €18,000 or €19,000 net. That would be different for a pensioner who has paid off the house compared with someone younger. For someone in their 20s, it turns out to be €450 or €500 a week. I did some calculations recently, especially on the minimum wage in terms of housing costs, rental costs, independent living and all those things. It is a much lower threshold which has no relationship to the cost of living. The consistent poverty rate is another way to bring that rate down.

Today, our colleague, Dr. Lisa Wilson, produced a paper yesterday from a Working in Ireland Survey that was conducted last year, and about a third of workers are under this minimum essential standard of living. It is an hourly rate but it is based on full-time workers. We can calculate these things over the cost of rent and people facing this with no earnings. Sometimes the lived experience of individual members of the family are obscured at the household level, so more and more young adults are living at home, etc., because they do not have the income to pay rent. They are still at home, and yet their incomes and their poverty rates are lower because of the fact that they are still at home. I would say it is much lower. The living wage is about €30,000 a year gross and the at-risk-of-poverty rate that we use as an arbitrary line, and it is not a poverty line but an income inequality line, is not really capturing what most social scientists understand as poverty.

Deputy Mairéad Farrell: Are the witnesses noticing that an awful lot more pensioners are falling into the bracket if they do not have the secure housing? We have always talked about pensioners having their mortgage paid off but we are seeing, as I am sure the witnesses are too, increasing numbers of pensioners who do not have that and who are in dire situations.

Mr. Ciarán Nugent: Obviously, not every pensioner has a house paid off. Over the past 20 years it is the case that deprivation for over-65s has fallen while it has increased for younger adult households and children. In or around 10% of all those who are materially deprived are over 65. In a cost-of-living crisis, if they have low incomes, their pensions are not going to go so far, especially if they are in the rental sector.

Deputy Richard Boyd Barrett: I thank the witnesses from Social Justice Ireland because I did not get to ask them a question but I agree with the general trajectory of what they have been saying. A lot of their stuff will be in there. We may go a little bit further in some areas but I agree with the trajectory. I refer to the targeted thing, and this relates to some of the stuff from the ESRI. If we talk about what is coming in to our clinics, while we agree with the witnesses that we have to lift everybody out of poverty, raise the rates and target the people who are really suffering, a thing I am getting all of the time is people who are angry. There is enormous anger from people who are just over those thresholds. These are not rich people. To be honest, it is causing quite bitter division between working-class people. You are 13 years on a housing list and, all of a sudden, all those 13 years are gone, your income is too high and you get nothing. This, to my mind, is the argument for universality and catching the rich, the multimillionaires and the people on the very high incomes over €100,000 through taxes, the wealth tax and all the rest of it, rather than what often turns out to be this division between the people who are the poorest one third and the people just above them. I would like some comment on that. There is a big problem with these cliff edges and there is also surely a question about the administration. Have we really done a cost-benefit analysis? The amount of time I spend dealing with Departments on the question of means testing is unbelievable. You are fighting with Departments because somebody is just over some means test threshold, and these are not rich people. Then I think about the multimillionaires and the huge profits being recorded and I wonder why so much energy is being directed at trying to ascertain if somebody is above or below a threshold rather than a bit of energy being directed at the multimillionaires and the big corporates.

Ms Michelle Murphy: When the Deputy mentioned the division and the impact on social cohesion of people above and below thresholds, it goes back to Deputy Timmins's point. We do not index the thresholds either. We do not index welfare payments. We also do not index the thresholds to movement. The last time any of those thresholds were amended was over 12 years ago. When you look at what has happened since, that is something we need to look at. I mentioned the tapering and cliff edges. I am conscious of time so I will let others come in.

Dr. Conor O'Toole: Deputy Boyd Barrett and I may have had a discussion on this at a previous iteration of this committee.

It is always tricky to pick a threshold. Whenever a threshold is chosen to target a policy, someone will always fall just on the far side of it and it is difficult to design policies where those kinds of edges are removed. The best way to do it, and this is a point I made previously, is for people to make sure when designing a policy that they have good data to understand what proportion of households or enterprises being targeted, for example, fall either side of that threshold. The threshold can then be moved around depending on how many data points fall into it.

Deputy Richard Boyd Barrett: That is one way to approach it, but does a cost-benefit analysis not at least have to be done, and perhaps this is something for the committee to look

at, between that and universality as a cheaper, more efficient way to do it? People can then be caught another way. Income taxes and, potentially, if we design them properly, wealth taxes might be easier to administer and would deal with the problem Dr. O'Toole wants to deal with.

An Leas-Chathaoirleach: Or stepped thresholds could be used in certain cases.

Dr. Alan Barrett: I have a lot of sympathy for the Deputy's point, but I will add something to the cost-benefit analysis. The problem if everything is universal is that the State will become a lot bigger and a lot more expensive, which might be fine, but then a lot of taxes have to be loaded to get all that revenue. I think we all agree that, at a certain point, taxes can start having a negative effect on the economy, if things are really being distorted and work and investment incentives are being reduced. I agree with the point about cost-benefit analysis, but one of the costs has to be around what level of taxation would be needed.

There are parallel arguments around basic income. People have said for many years that the State should primarily provide a basic income, which would be collected with tax, but it tends to break down on the taxation issue.

Deputy Richard Boyd Barrett: I thank all the witnesses.

An Leas-Chathaoirleach: I thank all the witnesses for attending our meeting.

Cuireadh an comhchoiste ar athló ar 5.12 p.m. go dtí 6.30 p.m., Dé Céadaoin, an 23 Meán Fómhair 2026.

The joint committee adjourned at 5.12 p.m. until 6.30 p.m. on Wednesday, 23 September 2026.