

# A BUDGET WITH A PURPOSE?

The Workers' Party  
Budget Submission

January 1991



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## THE CONTEXT

The January 1991 Budget is coming at a time of uncertainty. The government's 'economic miracle' is fading fast. Unemployment, emigration and homelessness are still unacceptably high. The recent increase in interest rates will raise the inflation rate, hit mortgage-holders and add to job creation difficulties. There has been a major outflow of funds and our reserves fell sharply towards the end of last year.

There are continuing strains in the health services; local authorities are still starved of sufficient finance to provide basic services. The disparities of income between rich and poor in Irish society have been inadequately addressed and it is generally recognised that the benefits which flowed from the recently-expired Programme for National Recovery were unevenly and unfairly distributed.

Trade unionists are starting to ballot on the proposals for a new Programme for Economic and Social Progress which have been agreed by the bodies representing the various social interest groups. They will be weighing up the advantages of a particular approach to national bargaining and a particular set of concrete proposals, and less-definite aspirations, against the perceived dangers and limitations of that approach and those proposals. And clearly the government will be seeking to influence that decision on January 30.

## OUR PRIORITIES

The Workers' Party favours comprehensive social and economic planning which seeks to improve economic performance, generate sustainable employment, improve the living standards of all and distribute the benefits of progress equitably in our society. We want to see the creation of an efficient, modern, competitive economy based on equity, social justice and the fullest possible use of all the human talent available — an economy and a society which is truly comparable with the best in Europe and able to share fully in the prosperity of a new 'Social Europe'.

We reject the notion that blind market forces can somehow develop the economy or resolve the many social inequities which exist all around us. We seek a balanced economic and social programme which enables all individuals to develop their role and play their part in industries and services providing products of the highest possible quality, with the state facilitating this

process wherever necessary and appropriate.

We seek the acceptance, therefore, of a long-term strategy for the development and democratisation of all areas of economic, industrial and social life. And we will measure more immediate, short-term budgetary and other proposals by the extent to which they advance this goal.

In the coming Budget, our priorities will be to further advance the concept of participative, long-term, social and economic planning; to support and advocate measures which will be effective in generating sustainable new employment; and to insist on better protection for those members of our society who are poor, sick, elderly, or otherwise vulnerable and marginalised — the victims of past economic failures.

We see four main ways of achieving these objectives:

- through a more highly targeted and innovative industrial policy and a radical new policy for rural and agricultural development;
- through progressive reform in industrial relations, designed to alter and improve relationships, rather than restrict and restrain them;
- through extensive restructuring of the tax and social welfare systems, aimed at redistribution of both work and incomes;
- through specific changes in particular social welfare payments and the health and social services, in order to protect vulnerable and disadvantaged groups in a more humane and effective manner.

The Budget can serve to advance or retard these objectives and we propose that it should advance them as set out below.

## 1. INDUSTRY AND AGRICULTURE

At present, vast sums of Irish and EC taxpayers' money are spent in subsidising industry and agriculture. Neither has been notable for its efficiency or its ability to generate greater output or employment. Furthermore, taxpayers have been poorly placed to judge whether they have been getting 'value for money' because of bad reporting and low accountability.

Taxpayers should be entitled to a full account of state and EC spending on industry and agriculture, with assessments of its effectiveness under a number of criteria. The most important of these criteria, at present, are the creation of wealth and employment; and the ability to compete successfully on both domestic and



international markets.

In our view, the state must be directly and positively involved in a dynamic, planned, integrated and participative approach to both industrial and agricultural development. We welcome the general commitments to this effect contained in the proposals for a new national PESP and will look to the Budget for specific indications that the commitments will be translated into appropriate structural and organisational mechanisms with adequate funding and personnel.

We have frequently criticised the apparently indiscriminate and inefficient use of taxpayers' money to support unproductive and uncompetitive enterprise and have called for more targeted and well-directed use of public funds. Because of the demands of the 'single market' and the need to assist the adaptation of sections of Irish industry to tough new realities, we see little scope for the reduction of overall levels of state support for industry, but we see considerable scope for more effective and socially-productive use of public monies in this regard.

To achieve this, we propose the establishment of a National Development Council to oversee the formulation and implementation of a national industrial development Plan — a rolling plan, incorporating both medium and long-term objectives. This Council would be representative of the Oireachtas as well as the recognised social interest groups traditionally involved in attempted planning of this kind. Its sub-committees and working groups could also draw in representatives of other relevant organisations, as appropriate, to assist and make useful inputs to its work.

Similar policies are proposed by us in respect of the agricultural sector. We favour an integrated approach to rural development, incorporating a balanced expansion of agriculture, forestry, tourism, fisheries and related services. Increased funding should be provided for local authorities to enable them to initiate both urban and rural development teams, in conjunction with such organisations as the IDA, FÁS, CYTP, ACOT, Coillte, IPC and relevant government departments, to stimulate and integrate local initiatives.

## 2. INDUSTRIAL RELATIONS REFORM

The past year has seen new industrial relations legislation. But we have not seen this as real reform. On the contrary: the Industrial Relations Act, 1990, did nothing to change and improve existing relationships, but merely to regulate and further restrict the way in which they are managed and controlled.

Irish industry, and industrial relations, require urgent reform. They require extensive democratisation. They require changes which enable workers to participate at all levels of decision-making, enabling them both to improve their own working conditions and environment and to make greater contributions to performance and competitiveness. Changes are also needed to enable all workers to participate equally in new development and benefit equally from technological and other changes. In particular, improvements are required to enable women to participate more fully and more equally in the workforce, since traditionally so many have been excluded altogether and those who have been included have had their contribution grossly undervalued.

The Workers' Party has long favoured the extension of worker-participation beyond its present very limited frontiers; the reform and extension of the equality legislation; the amendment of many labour laws; and the introduction of new legislation to regulate and democratise occupational pension schemes and to fully protect low-paid and part-time workers. In relation to the latter, we deplored the fact that the government in May 1990 blocked our attempt to introduce appropriate legislation to protect part-time workers; and note that later in the same year, as part of its PNR commitments, it introduced its own, similar Bill. We welcome this Bill and the further commitment, in the new proposed Programme, to enact it "as early as possible" — which we intend to interpret as early 1991.

For us, progress in extending worker participation and appropriate protective legislation is fundamental to the rejuvenation and development of Irish industry along modern and dynamic lines — making it both competitive and humane, successful and responsible, forward-looking as well as caring of the individual and the environment. Hierarchical structures and crude, punitive attempts to command and regulate our intelligent, well-educated workforce, can serve only to minimise job satisfaction, kill creativity and perpetuate unnecessary and un-productive conflict in industry. We see the ending of such conflict as a result of more progressive, modern IR attitudes and practices — not more repressive and restrictive legislation which merely seeks to control and contain it.

## 3. REFORMING TAX AND SOCIAL WELFARE

We seek extensive restructuring of both the tax and social welfare systems, aimed at the expansion and redistribution of work and incomes in our society. In this we envisage harmonisation of the two systems so that they encourage, rather than discourage, the uptake of employment, the more equitable distribution of both paid and unpaid work (especially between the sexes) and a much fairer distribution of income and wealth.

Servicing the national debt and financing present levels of support for industry, agriculture and the social services, all cost the Irish taxpayer a very great deal. Given the historical weaknesses of private industry and agriculture, and their continuing requirement for substantial injections of public monies, we believe, as already stated, that relatively high levels of public expenditure in these areas will be needed for some time. This is particularly so with the advent of the Single European Market and the challenges this poses for them.

Similarly, we see little or no scope for reduced expenditure on social welfare and the various social services as long as unemployment remains at current levels. However, as with industry and agriculture, there is scope for making existing levels of public expenditure more efficient and effective.

It is essential, in our view, that the many victims of continuing economic failure and mismanagement be adequately protected by a humane and understanding social welfare system, that not only provides properly for their material needs, but respects their dignity in so doing. Furthermore, it is essential that they be provided with new opportunities, new possibilities and new



hopes for the future — an even more difficult task in present circumstances.

Thus far more than mere financial support is required. People need education, training, retraining, updating of skills, counselling, confidence-building — real preparation for change, as well as change itself. In a society where unemployment is chronic and endemic, the provision of a job is no longer enough. Far more than that is needed to enable people to work again after a long period of unemployment, or start work if, at a relatively advanced age, they have never had a job before. New forms of education and training, geared more carefully and specifically to the long-term unemployed are an essential ingredient of progress. So too are integrated community services, in both urban and rural areas, which form the basic social infrastructure for development.

In other words, social welfare is no longer enough — and we do not even have adequate levels of social welfare yet. This indicates that more, rather than less, money will have to be spent in these areas in future, even if some of the existing expenditure is better directed.

We propose that in order to enable this to happen, those in our society who have profitted from economic growth and favourable tax treatment should now be required to share some of these benefits with those who have not — primarily the poor. Not, we stress, as any 'penalty' for their successes, but simply as an expression of social solidarity and a commitment to the more balanced development of this very unequal society.

We believe that in Ireland, for various reasons, this sense of commitment and social solidarity is present in all classes, and accounts for the acceptance of unusually high levels of taxation in many quarters. This acceptance can extend to other quarters if accompanied by a conviction that monies foregone in tax are not wasted, but are used in a beneficial and socially responsible manner, e.g. to provide an efficient, comprehensive health service and adequate levels of income support to those requiring it.

The present levels of support are patently inadequate. This has tended to be obscured by the practice of discussing most changes in percentage rather than absolute terms. Thus people who are not themselves dependent on social welfare tend to hear about benefit levels increasing 'in line with inflation', or perhaps 'in excess of inflation' — and if the latter means something in double figures, like 10% or 12%, this sounds excellent. But the fact is that the lowest social welfare payments — Unemployment Assistance and Supplementary Welfare Allowance — are still only a MAXIMUM of £45 per week; and if, because of the means test you do not qualify for this princely sum, you could be receiving a great deal less. How many people who are not unemployed could imagine living on such sums — not just for a week or two, but perhaps for many years?

#### A MINIMUM PAYMENT

In July 1986, the Commission on Social Welfare recommended a minimum social welfare payment of £50—£60 per week for each adult, and £80—£96 for

couples. Updating the midway figures, this means £62 per week for each adult and £100 per couple, at present. So an increase of 38% is needed, immediately, for those on the lowest payments — an extra £17 per week for someone on maximum U.A.

Successive governments have studiously avoided the recommendations of this Commission (except in such areas as social welfare fraud control); so we particularly welcome the government's recent commitment, in the PESP proposals, to implement this important recommendation over the period of the new Programme, if it is accepted. We would hope that at last this year's Budget will make the necessary provisions, as sought by us in the last three years' pre-Budget submissions, irrespective of the acceptance or rejection of the PESP.

What is needed is *at least £62 per week* for every man and woman dependent on social welfare. No one in this day and age can live on less. If people on £45, £48, £53 etc. cannot be raised to this level in 1991, they must be given a flat £10 per week addition this year, and a promise that the balance will definitely be met next year.

In the long run, what is required is a dramatic redistribution of income and resources through progressive integration of the tax and social welfare systems for the purpose of providing a guaranteed minimum income for all. The amounts involved should be similar to those recommended by the Commission on Social Welfare, suitably updated: i.e. at present £62 per week for individual adults and £100 for couples. A minimum income system would also have to be accompanied by minimum wage legislation, to ensure that it did not simply operate as a subsidy to low-wage employers.

A minimum income system would ensure full equality, albeit at a basic level, between all citizens, irrespective of sex, marital or family status, or occupational situation. It would also allow much greater flexibility as regards the extent to which people participate in paid employment as opposed to voluntary, social, community, family or other types of work whether paid or unpaid.

As part of a move towards such a system, we seek the removal of various restrictions which prevent flexibility of this kind and the extension of pilot programmes affording welfare recipients in selected areas the opportunity to participate in education, voluntary work etc. without loss of benefit. We also seek substantial increases and changes in the payments for dependents of people receiving social welfare.

#### DEPENDENTS

The Workers' Party made a detailed submission to the Review Group on Payments to Households which was set up in the wake of the May 1989 debacle (when the government reduced certain payments to unmarried couples, rather than increasing the payments to married couples, following the Supreme Court's affirmation that equalisation was required by EC law).

We deplore the fact that this Review Group has still not reported publicly; and note the reference, in the PESP proposals, to its report being made available for consideration by a sub-committee to be set up under the Programme. If this means that it is to remain



confidential, we see this as undemocratic and unacceptable — if the report is complete, it should be published immediately as it is already long overdue.

Our view, as expressed in (and prior to) our Submission to the Review Group is that pending the attainment of a minimum income for every individual regardless of sex, occupation, marital status, etc. *at least 70%* of the relevant social welfare payment should be paid to people currently classed as the 'adult dependants' of such recipients. This payment should be made *directly* to the adult concerned, unless *both* adults opt to be paid jointly, as a first small step towards abolishing the outmoded concept of 'adult dependency'.

For child dependants we seek *40% of the relevant adult rate* (so if the latter is increased in 1991 to a minimum of £55 p.w., this means at least £22 p.w. for every child). We also want this proportion (of the relevant adult rate) to increase to *55% at age 15 and 70% at age 18*, if young people are living at home and are in full-time education or training.

These modest improvements in social welfare — for those concerned — will of course cost money. But if Irish society is to be responsible and caring towards all its citizens, we must face up to the need to meet this cost. In particular, we must face up to the need for fundamental tax reform, which will spread the burdening of financing necessary state spending fairly and equally across all who can pay.

#### **CHILD BENEFIT**

Despite the fact that up to 50% of Irish children are estimated to be living in poverty, that the relative position of families with children has worsened substantially, and that child poverty has grown dramatically, the level of Child Benefit in Ireland is still among the lowest in the EC. Increasing this benefit is the best way of helping to redress the balance in favour of families with children.

Initially, Child Benefit should be almost doubled, to £30 per month per child (and £40 p.m. for a fourth and subsequent child — since large families are known to be at disproportionate risk of poverty). Eventually, we envisage both the child dependent allowances (payable to people on social welfare) and the Child Benefit (payable to everyone) being subsumed into a universal minimum income in respect of all children, and related to age, as described above (i.e. 40%, 55% and 70% of the adult minimum income).

#### **LOW INCOME FAMILIES**

Substantial increases in child income support will improve the position of many low-income families. For the same reason, we welcomed the July 1990 improvements in the Family Income Supplement (FIS), even though the take-up of this payment is still low and it does not, of course, address the causes or solve the problem of low pay and poverty. Nevertheless, we believe that the scheme is worth improving further so as to provide better assistance to families dependent upon low wages. This can be done by use of net pay rather than gross pay in determining eligibility, and by further extensions of the earnings limits and maximum payments.

Low paid workers must also be removed from the tax net and exempted from PRSI contributions. (See below).

Fundamentally, of course, the low pay problem must be tackled through a more dynamic and effective industrial and agricultural development policy, as proposed by us in Section 1 above.

#### **CARER'S ALLOWANCE**

The Workers' Party welcomed the introduction, in October 1990, of a new Carer's Allowance — something for which we had long campaigned. Unfortunately, however, there are serious flaws in the allowance as introduced, which prevent it from providing adequate protection for all carers. A number of important changes should be made in the Budget:

- The rate (£45 p.w.) is too low: it should be increased to £55 p.w. immediately, and then to £62, in line with other minimum rates.

- The allowance should be payable irrespective of the income of the person receiving care, or of the carer's spouse.

- The requirement that 'full-time care and attention' be provided, on a residential basis, should be altered to allow for various other possibilities (e.g. full-time day care with carers returning to their own homes at night; or caring which is shared between two or more different people; or part-time care which could be paid for on a 'pro rata' basis).

- The requirement that the person cared for must be an incapacitated pensioner should be broadened to cover other persons requiring full-time care, notably the handicapped and disabled.

- Carers must be allowed to build up credited PRSI contributions so as to maintain their health and social welfare entitlement — many will otherwise be severely disadvantaged following the death of the person being cared for and the consequent loss of allowance.

#### **PRSI**

The Workers' Party favours the retention of a specific contribution towards social welfare costs from employers, the self-employed and most employees. We are opposed to any changes which would reduce the contributions made by companies, given that so many pay little or nothing by way of tax. We favour increasing the contributions made by the self-employed (to the level recommended by the National Pensions Board — 6.6% — for the reasons explained by the NPB). And we favour some changes in respect of employer contributions.

First we want full and comprehensive PRSI cover for all groups, including part-timers, other 'atypical' workers, and people working on government schemes (SES etc.). Contributions should be paid on all income, although the exemption limits should be raised substantially. The ceiling for contributions should be raised, over a number of years, and then abolished altogether, to ensure that better-paid workers pay the same proportion of their income as everyone else.

Also, the PRSI tax-free allowance should be raised substantially and converted into a tax credit, to ensure that it is of equal value to all taxpayers (rather than being of greater value to the highest paid, as at



present).

## TAXATION

Since the campaign for tax reform began in the 1970s, the tax system has actually become *less* progressive. The revenues from capital, inherited wealth, property and the farming and corporate sectors have actually fallen, as a percentage of the total. And various subsidies and reliefs have been increased or introduced even though their value, in terms of agreed social and economic priorities, is repeatedly questioned.

We cannot and do not argue for reductions in the total tax take, and regard as socially irresponsible those that do. The priority must be to share the tax burden more fairly, on the basis of ability to pay. This means bringing into the tax net all incomes, wealth and property on which no real contribution is currently levied; and it means reducing the scope for minimising this contribution. It means more effective capital taxation, the reduction of CAT and CGT thresholds, and the introduction of a minimum rate of corporation tax to ensure that every profitable company makes some social contribution — say 10% of profits. At present their average effective rate of tax is only 7–8% of profits, and six out of seven companies pay no tax at all. The various loopholes in the Section 23 and BES schemes must also be closed.

It also means an increased tax take from wealthy farmers; abolition of VAT refunds for unregistered farmers; and an increase in the rate of PRSI charged to farmers and other self-employed people for their pensions — from 5% to 6.6% as recommended by the National Pensions Board.

As regards local authority financing: the Workers' Party has opposed the introduction of piecemeal local charges and has argued for a national, planned system of financing by statutory block grant from central government. This should be based on fixed percentages related to local needs and be independent of Ministerial interference. Specific grants for programme items such as housing, roads, health, education etc. would continue and local authorities would be encouraged to raise any extra revenue they require through extending their involvement in profitable and employment-creating ventures rather than local charges.

Particular attention must be paid, in this Budget, to the plight of many thousands of low-paid workers, on or below the 'poverty line' (wherever drawn) who currently pay tax. We find it ludicrous that between 11% and 18% of the people who are living in poverty should be paying tax — and that in more than half of these cases, they pay £20 p.w. or more. This group must be removed from the tax net once and for all. In our view, the level of income at which tax should start to be deducted should be no less than £100 p.w. for single people, £200 p.w. for couples.

Tinkering with the tax rates and bands, however important, does not constitute tax reform. Of course the government must honour its commitments to remove low-paid workers from the tax net and transfer some of the heavy burden away from the relatively low and middle income PAYE workers. But it cannot be allowed to pass off reliefs as reforms. While relief is important and welcome for the long-overtaxed, re-

structuring the system and enforcing better collection systems must still be a major priority to be addressed.

## 4. OTHER CHANGES

A number of important social welfare changes and reforms have been proposed above, in addition to (and in advance of) the fundamental restructuring and integration of the tax and social welfare system, sought by us in order to provide minimum incomes for all and to tax all wealth and income in an equitable manner. We believe that the Budget should also address a number of other important issues:

### Education

The adjustments in the pupil-teacher ratios in primary and secondary schools, and the additional funding required for these and other important improvements, which are proposed under the PESP, should be implemented irrespective of whether the Programme is accepted or rejected.

### Housing Benefit

Increased poverty in Ireland, in recent years, has been reflected in increased homelessness. At the same time emigration has brought an increase in the number of un-sold and vacant houses (especially in central Dublin working class areas). However in the wealthy areas, property prices have risen to previously unknown heights despite the more recent slight slowdown.

The tax system has tended to aggravate this problem and to widen the gulf between rich and poor on the housing market. And the social welfare system has been incapable of bridging that gulf. An urgent re-examination is needed of the situation regarding local authority housing, the tax reliefs relevant to housing, the extent to which the social welfare system can assist with housing costs, and the feasibility of replacing most of the existing mechanisms with a housing benefit as discussed by the Commission on Social Welfare in the 1986 Report. The object of such a re-examination should be to restructure state interventions and incentives in the housing market so as to end the scandal of homelessness, provide appropriate assistance for those who need it and withdraw unnecessary and wasteful state support for those who are able to purchase high-cost housing, whether for residential or commercial purposes.

### Health

Serious underfunding continues to create difficulties in the health service and hardship for those depending on it. The Workers' Party supported many of the 1989 recommendations of the Commission on Health Funding — particularly in relation to the extension of hospital services eligibility to all, and the introduction of common waiting lists for public and private patients — and has called for planned implementation of these, with appropriate funding. While we welcome the specific government commitments in this area, contained in the proposed PESP, we believe that these should be implemented by the government irrespective of the acceptance or rejection of the Programme, and we will hope to see adequate funding provided in the Budget.

One of the health areas in which most severe hardship has been caused by cutbacks is the provision of services for people with mental handicaps. In the



Eastern Health Board area alone, for instance, there are 642 people on the waiting list for services, of whom 202 have no services at all. In our view, the state must address this problem urgently or stand utterly condemned. The PESP contains an imprecise commitment to 'additional resources' and talks of better support services in the community; and the main voluntary organisation in this area claims that an injection of £12 million is needed to clear waiting lists and improve the levels of support to civilised standards. We demand that the Budget provide whatever additional funding and resources are required to clear all waiting lists before the end of 1991 and improve the services as necessary.

#### **Overseas Development Aid**

One of the most deplorable areas of cutback in recent years has been the reduction in Ireland's level of Over-

seas Development Aid (ODA). The United Nations' target for ODA is 0.7% of GNP — a modest target by any standards. However no Irish government has even reached half of this target figure — and since 1987, the proportions have actually fallen. This decline must be reversed in the 1991 Budget. A significant step must be taken towards the UN target and a time-table for reaching it within five years (at most) should be laid down.

On a number of occasions, our Party has proposed the development of an all-Party Dáil Committee on such aid. To date the response has been unfavourable, but we will continue to press for such a strategy as an indication of the international solidarity with Third World countries so frequently and continuously expressed by the Irish people as a whole.