



DELIVERING FOR IRELAND'S FUTURE

SÁBHAID • CEART • SHÁIN



Sustaining and Sharing Economic Prosperity

Sinn Féin's Budget 2008 Proposals



November 2007



Introduction

Sinn Féin's commitment is to the creation of a prosperous and equal economy and the elimination of poverty and inequality.

Sinn Féin's priorities for Budget 2008 are:

- sustaining economic prosperity
- ensuring everyone benefits from economic prosperity
- improving quality and capacity within public services
- achieving value for money for tax payers
- advancing the all-Ireland economy

In this document we set out our priorities for the management of public finances and our key public service spending priorities. We also set out a number of proposals to tackle poverty including steps which need to be taken to improve social protections and remove barriers which prevent those wishing to return to the workforce from doing so.

A prosperous economy needs solid foundations. This requires communications and transport infrastructure, high quality accessible public services, strong social protections, and a highly skilled and educated workforce. It requires the government to maintain healthy public finances. Six months ago Fianna Fáil and the majority of the other parties brought forward proposals which they knew they could not implement and which would have caused havoc to the economy.

Sinn Féin was the only party which argued in the run up to the election that, with the slow down in economic growth, the Government could not afford to cut taxes and maintain, let alone improve, public services and provide essential infrastructure. In fact the ESRI has warned that taxes may have to be raised in the Budget in order to maintain public services. Sinn Féin opposed proposals from the Government parties and others to introduce tax cuts because these cuts were not viable. There is now a widespread acceptance that this is the case.

We are conscious of the impact of the changing economic climate internationally which is characterized by rising oil prices, the declining value of the dollar and an international

credit crunch. We face increasing competition from low wage economies in the accession states and in the middle and far east. Ireland as a whole continues to suffer from significant infrastructure deficits and lags behind other states in terms of Research and Development capacity within enterprise, while the level of engagement of workers in upskilling and re-training remains too low.

This document sets out Sinn Féin's priorities for maintaining healthy public finances and for building the economy, investing in health, education, housing and childcare and puts forward proposed measures to help people back into the workforce. The economy is continuing to grow but nothing can be taken for granted. The Government needs to proactively plan to meet future challenges to the economy – it needs to plan and prepare for the public services, the infrastructure and the skills that will be needed in the years ahead. That is what we will be putting pressure on them to do over the lifetime of this Dáil. We will also be demanding that the government ensure that in future prosperity which is created is shared - something they failed to do to any great extent over the last decade.



Maintaining healthy public finances

Public Finance

Maintaining healthy public finances must underpin the Government's approach to Budget 2008. If public finances are not kept in a healthy state it will not be in a position to ensure that everyone's basic needs and rights to housing, health and education are met. Nor will it be in a position to deliver infrastructure – to ensure that our cities, towns, villages and businesses are served by modern transport and telecommunications infrastructure – or to ensure that everyone has the benefit of a comprehensive regime of social protections.

The Government is not paying due attention to the state of the public finances. Tax projections have proved grossly inaccurate and developments, which have potentially serious implications for the tax take have been ignored. Chief amongst these was the implication for tax receipts of the long predicted decline in the construction and property sectors.

The purchasing power of the Irish family has been seriously eroded in the life time of the previous government with a series of stealth taxes including double digit increases for electricity, gas and health insurance as well as soaring home heating oil, petrol and associated transport costs. When you add in the series of increases in mortgage payments over an 18 month period it is clear that there has been a visible decline in the disposable incomes of working families. And side by side with this you have exorbitant house prices and a deterioration in public service provision.

Neither has there been any measure to address the expansion of low paid employment, something which has serious long term consequences for the tax take – both in terms of income tax revenue and revenue from spending taxes. Employment growth for 2007 shows a net 78,400 new jobs for the 12 months to the end of June but there was not a commensurate growth in income tax receipts as the vast majority were low paid.

Government priorities must also include ensuring that attempts by some employers to drive down and depress wages in key sectors of the economy through the exploitation of migrant workers are prevented. The use of agency workers to drive down pay and conditions can be stopped through the introduction of new legislation. Wages in specific sectors must be protected through proper enforcement of minimum wage legislation and of Employment Regulation Orders and Registered Employment Agreements.

Taxation and real value for money

We now face crucial decisions on the direction which the state takes. Government decisions to raise or reduce overall taxation revenue must be made on the basis of what is needed to meet social goals and other spending demands. For more than ten years the government has pursued a policy of low personal tax and low public services with a growing reliance on stealth taxes. The inevitable result is the downgrading and dismantling of public services and increased pressure on families.

The proposed Commission on Taxation needs to examine these issues in detail and must focus on the need to create a fairer taxation system - the explosion in stealth taxes and charges over recent years will have to be addressed.

The Government was wrong to cut the higher tax rate from 42% to 41% last year - this resulted in high income individuals getting the highest increases in the weekly income as a result of budget 2007 and involved a loss of much needed revenue to the exchequer.

The tax burden on those on low incomes and average incomes should be kept down. It is Sinn Féin's view that a benchmark of 60% of Gross Average Industrial Earnings (GAIE), as originally envisaged at its introduction, should be set for the minimum wage rate and that those on this level of income should be kept out of the tax net. Those on the average industrial wage should continue to be kept within the standard tax rate and the necessary adjustment to ensure that this continues to be the case should form part of the budget.



The government also needs to deliver real value for money. Fianna Fáil in government have a bad record of money management. It has failed to ensure that tax-payers money is being spent efficiently and justly. Though Brian Cowen has stated that he is seeking to reinforce a 'value for money ethos' in Government, the record of the last 11 Fianna Fáil budgets does not match this claimed ethos.

The 2007 Comptroller and Auditor General's report highlight an inability to forecast tax either in growth or fallow years.

As a consequence of its failure to act to tackle emissions output, the Government will spend at least €40 million next year buying credits that will allow pollution in the Twenty Six Counties to exceed limits set in the Kyoto agreement.

The Fianna Fáil led coalition will this year spend €5.9 million on consultants – ranging from €510,000 at the Department of Environment to a staggering €3,154,000 at Social and Family Affairs. While we recognise the role of experts in helping hone government policy, there is no justification for making consultancy spending an annual fixture across government departments and their associated agencies.

SF proposals on Taxation

- Keep those on or below the average industrial wage within the standard rate tax band.
- The minimum wage should be set at 60% of the average industrial wage, as was originally agreed by the government and all those on it should be kept out of the tax net.
- Retain the current rates for standard rate tax band (20%) and the rate tax higher rate tax band (41%) [Non implementation of the proposed 2% cut in the standard band will result in a saving of €1,130.3 million in a full year, while non-implementation of the 1% cut in the higher band would result in a saving of €280 million in a full year].
- Proceed with the removal of the PRSI ceiling. [The abolition of the PRSI ceiling would yield an additional €295 million to the Social Insurance Fund] .
- Do not introduce the proposed cuts in employee and self employed PRSI. [Non implementation of the proposed

2% cut in employee PRSI rate will result in a saving of €720 million in a full year, while non-implementation of the 1% cut in the self-employed PRSI rate would result in a saving of €220 million in a full year].

- Increase restrictions on the use of specified tax reliefs [such as stallion fees, greyhound stud fees, and multi-storey car-parks] by high income individuals. The purpose of this is to ensure that these tax relief's are not exploited by some high income individuals to reduce their tax bill to such a level that they end up paying less tax than an ordinary worker.
- Standard rate all discretionary tax expenditures and include a review of these within the remit of the Commission on Taxation.
- Increase mortgage interest tax relief.
- Aggressively pursue tax evasion and invest adequate resources for tax collection and enforcement.
- Close all remaining legal loopholes that have allowed the super rich to pay no tax whatsoever, thus increasing the tax burden on everyone else.
- Remove tax exemptions except where the economic and social value outweighs the cost e.g. R&D.
- Negotiate for tax harmonisation across the island.
- Introduce a 50% tax on oil and gas profits and 10% royalties on sales in line with standard practise in countries like Norway which have greatly benefited from such revenues.

SF proposals on tackling wastage of public money

- Value for Money assessments which are taking place in every government department and some agencies and public bodies should be conducted in a transparent way through the Public Accounts Committee.
- Review consultancy spending, with an accompanying commitment to create new mechanisms to include the front line public service workers in meaningful discussion about how those services are run.
- Reverse decision to accept pay increases for the Taoiseach and Ministers as recommended in Report no. 42 of the Review Body on Higher Remuneration in the Public sector. There should be no wage increases for members



of the Government or Oireachtas for the duration of this Dáil.

- Empower the Comptroller and Auditor General to examine all existing PPP projects for cost overruns, revenue foregone and wastage against long-term cost and profit projections.

Funding Capital Spending

The infrastructure deficits which the state continues to experience means that in the years ahead the capital spending budget will form a very significant part of its spending plans. There are particular infrastructure deficits in transport and telecommunications in regional areas, in terms of public transport and there are capacity deficits in terms of health, education and housing where we do not have enough beds, enough schools places or enough social and affordable housing units

We need to develop an effective method now of delivering the funding for this spending over the next decade.

Sinn Féin is opposed to the use of Public Private Partnerships to fund this capital spend. Successive Auditor General reports have highlighted the inefficiency of this sort of funding particularly in terms of the Department of Education's pilot school building programme in Cork. The experience in Britain of PPF and the collapse of firms like Jarvis after their consistent failure to deliver projects on time or to an acceptable quality.

Sinn Féin also believes that it is in the public interest to keep state infrastructure in public ownership, especially when they have revenue raising capabilities such as ports, airports, roads, rail, energy grids, communication networks.

Where necessary the Government should borrow to fund capital spending. The practice of funding capital spending out of current tax revenue was never going to be sustainable in the longer term. There has been some concern – as the roll out of projects under Transport 21 fall behind schedule for example - that departments are purposely slowing down the rollout of capital projects under the National Development Plan in

order to reduce budgetary pressures in the year ahead. If borrowing is necessary to ensure timely delivery of key projects this is what should be done. We believe that the National Treasury Management Agency (NTMA) has done good work in managing the national debt which in 2006 had a GDP/debt ratio of 25% one of the lowest in the EU. We believe that the NTMA can therefore play in managing Government borrowing for capital projects.

Sinn Féin proposes

- that the NTMA be given the task of funding government capital spending through long term borrowing within the EU Growth and Stability pact, thus freeing up substantial savings in yearly spending by the government.



Public Spending

Public services

The population of the state has grown considerably over recent years from just over 3.6 million in 1996 to in excess of 4.2 million in 2006. Public services have not been adequately expanded to meet this increase demand and the pressure in being felt in schools and in hospitals in particular. There are not enough school places to meet demands nor are there enough beds within the public health system. Public transport is full to capacity particularly in urban centres while rural areas lack any proper public transport infrastructure. Social housing output has not been sufficient to meet demands and there are still approximately 43,600 families on social housing waiting lists.

Sinn Féin Key Public Service Budgetary demands

Health

- Deliver into the hospital system the additional 3,000 hospital beds required .
- Increase the threshold for the medical card to €250 per week for 2008 as proposed by Combat Poverty. The threshold should continue to be increased in the next two budgets to bring it to the level of the minimum wage .
- Extend the cervical cancer screening programme across the state in 2008 .
- Begin to reverse privatisation of healthcare by immediately ending tax breaks for private hospitals and the 'co-location' land gift scheme and investing all health funding in the public system.
- Substantially increase resources for suicide prevention.

Housing

- Construct 12,000 social housing units in 2008. [According to the Department of Environment and Local Government the cost per house of constructing a unit of social housing is €138,278].

- Amend the Planning and Development Act (2002) to require that all new developments allocate 30% to social and affordable housing, with at least 10% social and at least 10% affordable housing. Between 2003 and 2006 more than €60 million has been collected by local authorities from developers but this has not been converted into homes for people on the housing waiting lists in anything like the numbers required

Education

- Provide the resources to reduce all class sizes for children under 9 years of age to a maximum of 20 pupils [Cost: €174 million] .

Drugs

- Provide the resources to implement the recommendations of the Report of the Working Group on Drugs Rehabilitation published in May of this year. (€14million in 2008, rising to €30 million in 2009).

Childcare

- Introduce a universal pre-school session of 3.5 hours per day, five days a week for all children in the year before they go to school. (The NESF costed this at €136 million).
- Suspend the Childcare Subvention Scheme and extend the Equal Opportunities Scheme by six months pending reform of the Subvention Scheme entailing detailed consultation with Childcare providers using the Scheme around the state.

Disability

- Introduce a 'Cost of Disability Payment' of €40 per week for people with disabilities regardless of whether they are in work or not.



Welfare to Work – Removing the Barriers

At present there are a number of anomalies in the social welfare system and in respect of other entitlements that act as barriers to people who are seeking to move from the welfare system into paid employment. People are trapped in a dependence on welfare because they risk being worse, rather than better off, if they enter paid employment. Sinn Féin believes that removing these barriers through either financial assistance or common sense adjustments will ultimately have a positive impact on the exchequer, with more people contributing to the state's revenue. In addition to the proposals outlined below other factors that need to be tackled include the illiteracy crisis and ensuring proper childcare facilities are accessible to all parents. The cost of childcare makes it uneconomical for many parents of small children who wish to return to the workforce to do so.

Sinn Féin key proposals

Provision of information

The lack of clear and simple information about benefit rights and entitlements for those moving from welfare to employment is a serious problem. A one stop information service involving Department of Social and Family Affairs, FÁS and other state support groups such as the Money Advice and Budgeting Service, should be established immediately.

Medical cards

The income limit for a medical card is now lower than the basic social welfare rate (€185.80 – the medical card weekly income limit is €184.00). Though social welfare payments are discounted when deciding eligibility, as it stands, someone earning above €184 and not claiming welfare, would not be eligible.

Sinn Féin proposes:

- Increasing the numbers of years for which a person entering the labour market can keep their medical card from three to five as recommended by the National Economic and Social Forum 2006, and engage in a public information campaign to make people aware of this benefit.

Family Income Supplement

The administration and bureaucracy surrounding Family Income Supplement (FIS) acts as a barrier to its take-up. The application alone entails a 12-page complex and detailed form. It is also set at a very low rate – a family with one child must have an income of less than €480 per week to qualify for the smallest payment of €20.

Sinn Féin proposes:

- Increase the income threshold by an average of €60. Estimated cost €48 million: Combat Poverty figures.
- Increase the minimum level of payment to €30 per week and link further increases to increases in national labour costs.
- Simplify the application forms.
- Extend to participants on the Back to Work Enterprise Allowance.
- Accessing FIS should be automated through a flagging mechanism within the tax/welfare systems.

Qualified adults

There are currently 123,100 qualified adults in the Irish welfare system. The vast majority of these adults are women. 'Qualified' usually refers to the spouse that stays at home to mind children. The benefit recipient, for example the husband, receives payment in addition to his own welfare payments for his wife. This way of payment would cause problems for a person returning to work, aside from being discriminatory against the 'qualified' spouse.

Sinn Féin proposes:

- Making all people so categorised independently eligible for social welfare payments and pay them directly – as advocated by the National Women's Council of Ireland.

Sinn Féin also proposes the following adjustments to welfare payments:

- Increase the earnings disregard under the Social Welfare Allowance rent/mortgage supplement by €25 a week to allow recipients to earn €100 before losing their supplement. (Under the Household Income Disregard qualification, €75 of additional household income, which includes income from employment, FIS, Community Employment and FÁS courses, is not taken into account. Setting the income disregard at such a low rate is a complete disincentive for those wishing to re-enter the work force without losing their rent allowance.)



- Increase the daily income disregard for people on Jobseekers Benefit to €25 or three hours work at the minimum wage.
- Increase income threshold for entitlement of the one-parent family payment by €100 per week to €500 per week (currently if you earn between €146.50 and €400.00, you qualify for a reduced payment).

People with disabilities

Only 26% of people with disabilities of working age have a job compared to a 70% employment rate for people without disabilities (Combat Poverty research). It is estimated that an additional 13,000 disabled people could take up work if action was taken to address basic barriers to employment such as inadequate and inappropriate public transport. There is also a problem in that those on the Allowance engaged in rehabilitative work are only allowed earn €120 per week before their Allowance is deducted euro for euro against their wages.

Sinn Féin proposes:

- Increase the disregarded earning limits from €120 per week to €150.

Refugees

The Irish Refugee Council has highlighted the fact that it is illegal for asylum seekers to enter paid employment and they therefore must rely on direct provision (hostel accommodation, full-board and a nominal weekly payment).

Sinn Féin proposals:

- Introduce a right to work while asylum applications are in process.

General Social Welfare increases

While our priority is to ensure that rewarding fairly paid employment is available and accessible to every worker and that barriers preventing people moving into employment are removed, the state also has a responsibility to ensure that those reliant on state assistance and on social welfare have adequate incomes. We believe the following proposals would improve the standards of living for the most vulnerable in our society:

- Increase of €20 for all personal rates including jobseekers benefit and state pension (estimated cost €1,006 million – Combat Poverty)
- Double the Living Alone Allowance to €15.40 (€61.5 million – reply to Ó Caoláin)
- As recommended by the Society of St Vincent de Paul provide those on social welfare payments and families eligible for FIS with either a weekly fuel allowance payment of €25 or the equivalent in an allowance for units of electricity and gas and extend the fuel allowance from the beginning of September to end of April – for 34 weeks instead of the current 29 weeks. (estimated cost €96 million from the St Vincent de Paul pre-budget 2008 submission)
- Restore Child benefit to children of asylum seekers and those awaiting a residency decision (estimated €7 million St Vincent de Paul pre-budget 2008 submission)
- As a first step towards a comprehensive state-wide school meals programme provide the funding to enable all 875 schools identified as disadvantaged under the Delivering Equality of Opportunity in Schools (DEIS) action plan to provide both nutritional breakfasts and lunches to students five days a week.
- Additional funding to meals on wheels to create a proper state-wide service to meet the needs of older people who are unable to prepare their own meals.
- The scheme allowing people claiming the non contributory old age pension to earn up to €200 per week without it affecting their entitlements to be extended to include farmers drawing the pension.



Job Creation and Training

Planning for the future of the economy, and for job creation, especially will require a new approach. The Government need to identify:

- what types of enterprise will drive future economic growth,
- what support structures will be needed,
- how many workers are required and what skills will they need
- how can regionally balanced growth be best secured and regional disparities be addressed
- how do we develop our agricultural industry – which currently provides 20% of all jobs outside the public sector.
- how do we integrate economies north and south to promote growth and end waste and inefficiency

Encouraging the creation of new jobs is a key government task. It involves a huge financial commitment and co-ordination of activities across multiple government departments including Finance and Enterprise & Employment, Education and Science, Transport, Communications, Energy, Agriculture and Community and Rural Affairs. All of these departments control an element of spending that is either focused on job creation, or economic development.

There is no evidence from the government's Programme for Government or their Pre-Budget Outlook that this cross departmental thinking is operating when it comes to economic planning.

For example it is not just the funding for Enterprise Ireland, the IDA or even the total departmental spending at Enterprise and Employment which is stated to be €1.427 billion in 2008. The fact is that job creation agencies – IDA and Enterprise Ireland are performing just at or below the actual growth rate in the economy – in effect they are only treading water. We are not getting value for money.

135,500 people worked in IDA backed multinational firms here in 2006, up 3% on 2005. Enterprise Ireland had 141,000 people working at firms it supported in 2006, a rise of 1,261 jobs on 2005, and a net increase of less than 1%.

Total employment in the economy grew in the 12 months to the end of June 2007 by a net 78,400 new jobs, a 3.9% increase. Both the IDA and Enterprise Ireland are underperforming the actual economy and the approximately 250,000 businesses that don't get IDA or EI grants are on average outperforming the enterprise agencies in job creation.

Creating the next decades of jobs and economic growth depends on how we invest in education, agricultural developmental, where this year there is set to be a second year of €100 million plus under spend in rural development projects. It depends on creating real back to work schemes and projects in welfare spending giving people the right skills and supports to return to paid employment. It involves clear and effective use of community and rural affairs spending as shown by the root and branch approach to the problem of crime and social unrest in the Moyross area of Limerick.

If the Government continually accepts the need for cross-departmental task forces at the local level where is that joined up thinking at the national level?

Sinn Féin proposes a cross departmental review of all enterprise and employment spending, to create the joined up thinking and best value for the billions that are invested annually in job creation and economic development.

Sinn Féin Enterprise spokesperson Arthur Morgan has secured agreement for the Enterprise, Trade and Employment Committee to visit two of the state's worst economic blackspots, East Cork and West Waterford. It is vital that the Committee listen to people on the ground and bring forward informed recommendations to government to create new jobs in regional towns that have been hit by devastating job losses.



We are calling for:

- A targeted and funded strategy to pre-emptively up-skill workers vulnerable to future jobs-losses following an assessment of sectors and geographic regions likely to experience job losses in the next five years.
- An All-Ireland R&D Strategy co-ordinated through the enterprise development agencies, central and local government, business, trade unions and educational institutions - including a programme of extra assistance to SMEs and new businesses to develop business plans for R&D.
- A specific Redundancy to Entrepreneurship scheme to assist workers who have become redundant to establish their own businesses.
- A major review of the performance of IDA and Enterprise Ireland
- An examination and expansion of the role of FÁS. They need to change their approach to job training to meet new demands.
- A grant package for small and medium businesses to help them become more environmental e.g. recycling, water re-use and energy conservation.

