

Making Just Choices



May 2015

Choices to be made

Ireland is facing major choices. For the first time since the crash of 2008 there are some resources available to Government. Choices will be made about how these resources are to be used. There are many options that could be taken. For example, the resources could be used to:

- Address the major deficits in economic and social infrastructure in areas such as social housing, health, social care, childcare, energy and broadband.
- Reverse the cuts in social services and welfare payments imposed during the 2008-2014 period and ensure that all people in Ireland have sufficient resources to live life with dignity.
- Reverse the cuts in wages/pensions.
- Reduce taxation.
- Focus on job-creation and reducing unemployment.
- Address regional imbalance in terms of employment, infrastructure and services.
- Reduce the national debt.
- Some combination of some or all of the items listed above.

When the resources available are limited, as they always are, then choosing to allocate those resources to a particular area or two means they won't be available for other areas of expenditure. So it is very important that priorities are clear and that choices made are based on those priorities.

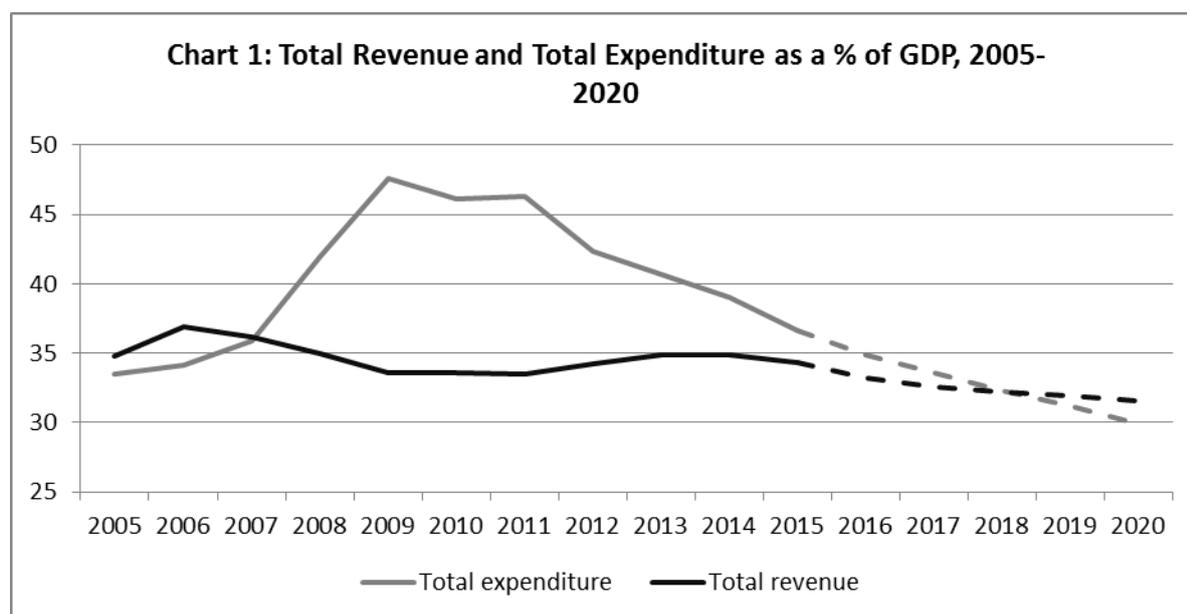
Taxation and Expenditure

There is a further series of choices with major implications for the wellbeing of all of Ireland's people. Those choices start with finding an answer to the question: what level of public expenditure is required to provide the infrastructure and services Irish people seek? Chart 1 below shows the Government's estimate of total revenue and total expenditure as a percentage of GDP between 2005 and 2020. The figures for 2014-2020 are taken from the Government's Spring Statement published on April 28th, 2015.

The current direction of Government policy is for a reduction in total expenditure (including interest payments) and a reduction in total revenue (of which tax revenue is by far the largest component) to 2020 on a 'no policy change' basis. These projected levels of revenue and expenditure for Ireland are far below the EU average. It is important to note that the trajectory envisaged foresees a small reduction in tax revenue as a percentage of GDP combined with a huge reduction in expenditure.

However, that is not the whole story. Government will be facing additional costs on a number of fronts for example: to meet the health and pension needs of an ageing population, to pay EU contributions and to fund any pollution-reducing environmental initiatives that are required by

European and International agreements. So maintaining this projected level of expenditure will lead to even further cuts in services and infrastructure than might appear to be the case at first glance.



Source: Eurostat (2015) Department of Finance (2015)

Notes: *Figures to 2014 are taken from Eurostat. **The cost of recapitalisation of banking institutions is not included
 *** Figures from 2015 to 2020 are taken from Stability Programme Update, Table A8

Further questions must also be addressed. As a society, can Ireland provide high-quality public services to all while allowing total expenditure to fall as a percentage of GDP? If additional revenue becomes available how should it be used? Should it be used to reduce taxes? To invest in infrastructure and services? To pay off the debt? The Community and Voluntary Pillar believes that Ireland’s overall level of taxation will have to rise significantly in the years to come – a reality Irish society and the political system need to begin to seriously address.

Role of the State

It is crucial at a time such as this that Government make decisions that are equitable, fair and just, that protect the vulnerable, address structural inequality and promote the wellbeing of this and future generations. It is important in this context to remind ourselves that Ireland is not a poor country and that we do have choices. Different choices will produce different futures. So it is very important that attention is paid to the long-term implications of the choices being made.

In making these choices it is crucial that decisions are focused on moving Ireland towards a viable, sustainable, just and fair future. To reach such a future will require decisions on the levels of taxation, investment and services, how these are to be structured, paid for and delivered. The CV Pillar recognises that all sectors of society have a responsibility in shaping the future. The Pillar is glad and willing to play its role in both shaping and delivering such a future.

A key question that needs to be addressed concerns the role of the state in promoting Ireland’s

recovery and moving society towards such a future. In recent years there has been a growing emphasis on the need to cut back the State and reduce public expenditure. Many see the private sector as the key to recovery and argue that the State should simply support the private sector in this process. There is a slogan that is often used to illustrate this position which states 'private good, public bad' but this is a slogan not supported by evidence.

There are meaningful and substantial roles for the private sector, the public sector and the community and voluntary sector in providing infrastructure and services. Each has strengths in particular areas and weaknesses in others. Different combinations of these in different situations would provide the optimum outcome for Ireland's people.

Some good news but much to be done

In making choices at this moment Ireland is experiencing some good news but also recognising there is much to be done. For example:

- There has been welcome progress on increasing employment and reducing unemployment but there is still a long way to go before there are sufficient decent jobs available and long-term unemployment is reduced to its 2007 levels.
- Government has produced a major Social Housing Strategy which is also very welcome. Ambitious targets have been set for 2020 but even if it meets all its targets there will still be a major shortage in social housing provision at the end of this decade.
- While Ireland became a wealthy country in recent decades more than 15% of the population live in poverty and almost 30% are at risk of poverty or social exclusion. More than 20% of children are in poverty.
- While we are seeing welcome investment in new primary schools in areas with current demand, and the employment of new teachers and support staff, capitation grants are decreasing, leaving schools asked to do more with less. The sustainability of our educational system, and its positive impacts on generations to come, are under threat due to our inability to engage in medium- to long-term planning for our projected populations increase.
- The announcement by Minister White to introduce broadband to the last 700,000 house holders and business, not serviced by current provision was very welcome but has not been matched by the financing on the scale required to achieve this very desirable target.
- The Community and Voluntary sector, often the place of last resort for many vulnerable people has seen a huge growth in the demand for its services. But, at the same time its funding has been reduced dramatically. Additionally, civil society's relationship with the State appears to be undergoing a change, driven by the state, that has the potential to stymie existing and emerging deliberative democracy and autonomy in communities that can ill afford to be weakened.

CV Pillar's Stance

The 17 members of the Community and Voluntary Pillar fully recognise and appreciate the need to address Ireland's current situation and the challenges that presents within the resources currently available. We have, in fact, long urged Government to address these issues and we have made a wide range of proposals outlining how we believe this could be done while protecting people who are poor and/or vulnerable. We believe that these should be given major priority.

As Ireland faces the choices we outline here it is important to realise that:

- Ireland is not a poor country.
- Ireland's total tax-take is one of the lowest in the developed world.
- It is both essential and possible to protect the vulnerable in the choices Government makes.
- An integrated approach to tackling the country's current situation and challenges is essential if they are to be addressed successfully.
- Investment on a sufficient scale is essential if Ireland's services and infrastructure are to reach EU-average levels that most Irish people would expect and that are sustainable in the face of increasing demand due to population increase and ageing.
- A guiding vision of where Ireland could be in a ten to fifteen year timeframe is also essential.
- How policy decisions, especially in a Budget context, are linked to achieving this guiding vision should be clearly outlined by Government at all times.
- A long-term socio-economic strategy to move Ireland towards its guiding vision in a sustainable manner would be hugely helpful.
- A coherent spatial strategy focusing on balanced development and based on robust evidence would go a long way towards ensuring the present urban/rural and regional imbalances were reversed.

The CV Pillar believes:

- ⇒ Decisions made by Government should be made on the basis of the answer to a single question: where should Ireland be in ten years' time?
- ⇒ The core values that should inform the answer to this question are: human dignity, equality and human rights, sustainability and the common good.
- ⇒ Government needs to conduct more in-depth analysis on the likely impact of decisions that are being considered, to identify the consequences of choices made and to show clearly how budgetary choices would impact on services down the line.
- ⇒ The tax-take should be increased through broadening the tax base fairly and eliminating tax breaks that benefit mostly the better off, often with inadequate evidence of social or wider economic gain.
- ⇒ Government needs to engage in a proactive manner with the community and voluntary sector so that the impacts of decisions which affect people are properly assessed in advance and the awful unintended consequences, which often affect families negatively, are avoided.

A Strategic Approach – 7 key initiatives

The CV Pillar proposes seven key initiatives it believes should be part of a strategic approach to addressing Ireland's current challenges in Budget 2015 and beyond. Government should:

1. Ensure protection of the vulnerable and promotion of equality are at the core of all decisions made, in line with the State's international human rights obligations. To this end all relevant policies and strategies should be subjected to a transparent social impact assessment at design and planning stage.
2. Bring Ireland's total tax-take up to European average levels.
3. Prioritise investment in infrastructure and services over tax cuts.
4. Dramatically increase investment which is essential to generate the decent jobs that are vital if recovery is to last.
5. Protect the social infrastructure that has been under severe pressure for some time. This is crucial for services across the life-cycle from children to people of working age to older people to people with disabilities.
6. Support the CV sector which among other things provides a wide range of services, engages in advocacy and develops creative initiatives in very difficult situations; however it is currently being undermined by Government's decisions to cut and/or change the nature of its funding as the demand for its services increase.
7. Engage with the Community and Voluntary Pillar to promote social dialogue and good governance.

Social Dialogue

There is a substantial role for civil society in the huge task that Ireland currently faces. Social dialogue is a critically important component of any effective decision-making in a modern democracy. The Community and Voluntary Pillar seeks real, effective, on-going engagement with Government on the key economic, social and sustainability challenges currently facing Irish society – an engagement that reflects the value of social dialogue and its role in ensuring that resources are used more effectively to realise justice, equality and social inclusion. Integral to such development is the need for good governance which must be characterised by transparency and accountability in all of its aspects. We believe governance along these lines can be developed in Ireland.

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ABOUT THE COMMUNITY AND VOLUNTARY PILLAR

The Community and Voluntary Pillar consists of seventeen organisations who provide voice and representation for vulnerable people and communities in developing Ireland's social and economic policies.

The members of the Pillar and their contact details are:

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