Budget 2018

A Modest and Limited Budget for Youth

Post-Budget Analysis

Comhairle Náisiúnta na nÓg
National Youth Council of Ireland
October 2017
Introduction

In its Pre-Budget submission (PBS) entitled ‘A Million Good Reasons’ NYCI highlighted key issues affecting the lives of children and young people and outlined our proposed budget to respond to the needs of children and young people in Budget 2018. NYCI’s Pre-Budget submission identified 8 budgetary priorities which it urged Government to address in Budget 2018. The 8 areas included:

1. **Enhance Youth Work Services**
   - Increase investment of €7.5m (current expenditure) in youth work to provide more supports and services for young people and to meet the needs of a growing youth population.

2. **Halve Long Term Youth Unemployment**
   - Increase investment by €47.4m (€15m net) in the Youth Guarantee to halve long-term youth unemployment by end 2018.

3. **Equality for Young Jobseekers**
   - Restore full adult rate of €193 to young people on Jobseekers Allowance over next three budgets. In Budget 2018 increase rate for young people by €30 per week, an investment of €24m.

4. **Equality for Young Workers**
   - Abolish the Sub-Minimum rate of the Minimum Wage - no cost implications for Government.

5. **Tackling Youth Homelessness**
   - Restore full rate of Jobseekers Allowance to young people who are homeless or at risk of homelessness – investment of €2.8m.

6. **Enhance Youth Mental Health Supports and Services**
   - Invest in guidance counselling and the Child and Adolescent Mental Health Service - Investment of €32.6m.

7. **Ease the Financial Burden on Students in Third Level Education**
   - Reduce the Student Contribution Charge by €500 to €2500 - investment of €34m.

8. **Greater Contribution to the Cost of Alcohol Related Harm**
   - Ensure retail off-licences pay more towards the cost of alcohol-related harm- Generate revenue of €4.9m.
NYCI Analysis & General Commentary

Budget 2018 was limited and modest in scope and ambition. From the perspective of young people it did little to address long youth unemployment, youth homelessness, inadequate mental health services, the cost of third level education and nothing to reverse the reduced and age discriminatory jobseekers allowance payments to young persons under 26 years.

At the time of the Summer Economic Statement, the Government announced that the unallocated fiscal space for 2018 would be over €500 million. To provide additional resources for Budget 2018 the Government announced that it was raising an additional €830 million, giving a total Budget day package of €1.2 billion. Of this €1.2bn, the Government allocated €898m for additional current spending, €214m for capital expenditure and €335m for tax reductions.

As the economy continues to improve, NYCI had hoped that Budget 2018 would address some of the harsh measures inflicted on young people over the last 9 years. On the contrary, it offers very little comfort for young people, particularly young unemployed people and those most vulnerable to poverty, homelessness and social exclusion.

Some positive budgetary measures

There are however, some budgetary provisions that are welcome and are important to acknowledge. These budget measures relate to:

- The additional budget allocation to the youth work sector. NYCI welcomes the increased investment of €1.5m announced by Minister Zappone for youth work services. Although important to note that this allocation is much more modest than had been expected given the demands on the youth sector and our growing youth population.

- The decision to provide additional resources to increase the number of guidance counsellor posts at second level (in line with a proposal in our 2018 pre-budget submission) by 100 is welcome in the context of better career guidance for young people and supports to promote positive mental health.

- The increase in the minimum wage by 30c to €9.55 per hour is a step in the right direction; this will benefit many young workers as 40% of those on the minimum wage are young people under 30 years. NYCI is disappointed however that the Government has failed to abolish the sub-minimum rates for the under 18s and trainee workers aged 18-21 years.
Summary of Budget Measures

Enhance Youth Work Services

NYCI Recommendation

- Increase investment of €7.5m (current expenditure) in youth work to provide more supports and services for young people and to meet the needs of a growing youth population.

Budget 2018

- An additional €1.5m for youth work services.

In its Pre-Budget Submission (PBS) NYCI highlighted how Census 2016 confirms that the number of young people aged 10-24 will grow by 11.6% between 2015 and 2025.\(^1\) NYCI pointed out that while this will also create challenges, with adequate resources the youth work sector is well placed to support young people to reach their potential and make Ireland the best country in the world in which to be a young person. NYCI pointed out that youth organisations are active in almost every community reaching over 383,000 young people and work in a range of areas such as promoting active citizenship and supporting the participation of young people in education and training. They also deliver programmes to promote positive mental health, school completion and employability and are running projects in youth justice and alcohol and drug awareness. NYCI emphasised that as detailed in the Indecon Report\(^2\) for every €1 invested in youth work the economic benefit/costs saved by the State in the long run are €2.20.

While the additional €1.5m for youth work services in Budget 2018 is welcome and NYCI and its member organisations will work with the DCYA in ensuring this funding makes a difference in young people’s lives, the allocation is a lot more modest than anticipated. With the youth population set to increase by almost 12% between now and 2020 and with increased demands on young people and the youth sector, a 2.7% increase falls short of what is required. While the development of new targeted youth projects in 2017 was welcome, these are not once off costs and NYCI would have expected a larger increase to meet the funding needs for these projects in 2018 as well. NYCI will continue to advocate for increased resources so that the youth sector can do more for and with more young people.

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\(^2\) Assessment of the Economic Value of Youth Work by Indecon Economic Consultants, November 2012
NYCI Budget Recommendation

- Increase investment by €47.4m (€15m net) in the Youth Guarantee to halve long-term youth unemployment by end 2018.

Budget 2018

- Proposal to establish a Youth Employment Support Scheme of €1m.

In its Pre-Budget submission NYCI welcomed the fact that there is job growth in the Irish economy and youth unemployment has declined, in September 2017 it now stands at 14.8%. NYCI did raise its concerns about the 11,257 young people who are long-term unemployed (for 12 months or more). NYCI pointed out that this is worrying in light of commitments in the EU Youth Guarantee to provide any young person an education, training and/or work experience place if they were unemployed for four months or more. NYCI stated that as the economy recovers and employment grows, it is important not to leave this cohort behind. NYCI called on Government to commit to reducing the number of young people under 26 who are long-term unemployed, to fewer than 5,000 by the end of 2018.

NYCI called for an additional investment of €47.4m in Budget 2018 to reduce the number of young people long-term unemployed by the end of 2018. This is based on the average cost of a SOLAS training place of €7,578. To provide 6,257 places would require an investment of €47.4m. This is the gross cost, as this investment would lead to reduced social welfare payments given that more young people would move into employment. For example, if there were 6,257 fewer young people on €102.70, the lowest rate of Jobseekers Allowance, this would save €33.4m per annum.

The Government announced a new “Youth Employment Support Scheme” focusing on assisting long-term unemployed young people into employment. The budgetary documentation appears to indicate that this is the successor to the JobBridge programme and will support long-term unemployed young people to gain work experience. The full details of the scheme have to be published and while a focus on the long-term unemployed is welcome, it is difficult to comment on the scheme without seeing the terms and criteria. The allocation of just €1m is disappointing, this is not sufficient to tackle the issue of long-term youth unemployment.

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3 Monthly Unemployment, CSO, September 2017


NYCI Budget Recommendation

- Restore full adult rate of €193 to young people on Jobseekers Allowance over next three budgets. In Budget 2018 increase rate for young people by €30 per week, an investment of €24m.

Budget 2018

- No progress in restoring full rate of Jobseekers Allowance to young people under 26 years, although they did receive the full €5 increase this year.

As NYCI pointed out in our PBS it supports full equality for young people. NYCI opposed the decision of previous Governments to reduce welfare payments to young unemployed people under 26 years of age and wants the full rates to be restored. NYCI stated that the imposition of lower rates on young jobseekers is contrary to the provisions of Article 40.1 of the Irish Constitution, which dictates that all citizens should be treated equally. NYCI noted that data from April 2017 indicates that 71% or 19,240 of the 26,808 young people in receipt of Jobseekers’ Allowance (JA) in April 2017 were on €102.70 a week, 11% or 2,863 were on €147.80 with 18% or 4,705 on the full rate of €193 per week.

NYCI pointed out that the impact of these reduced payments is confirmed by the statistics on the rate of consistent poverty among young people aged 15-24. The consistent poverty rate for young people aged 15-24 years in 2015 was 15.6%, which is almost double the overall rate of 8.7% and the highest of all age cohorts. In Budget 2018, NYCI called on Government to increase the Jobseeker’s Allowance rate for 18-24 year olds from €102.70 to €132.70 and for 25 year olds from €147.80 to €177.80 at a cost of €24m in 2018.

There was no progress in Budget 2018 on this issue, which is disappointing. The only minor positive is that in this year’s budget, young people under 26 years got the full €5 per week extra awarded to all social welfare recipients. Last year young people aged under 26 years on the lower rates of €100 and €144 only received an increase of €2.70 and €3.80 respectively. These increases will not apply until March 26th 2018.

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10 Dáil Éireann, Parliamentary Questions 176-179, March 8th 2017
NYCI Budget Recommendation

- Abolish sub-minimum rates of the minimum wage - no cost implications for State.

Budget 2018

- No progress on abolishing sub-minimum rates - although confirmation of an increase in National Minimum Wage from €9.25 per hour to €9.55 per hour with effect from 1 January 2018 which raises the sub-minimum rates.

In its PBS NYCI called on Government to abolish the sub-minimum rates of the minimum wage in Budget 2018. NYCI recommended that the sub-minimum rates of the minimum wage should be abolished on the basis that they are discriminatory, leave young workers open to exploitation and breach Ireland’s commitments under the European Social Charter. The rate and rules of the minimum wage are of importance to young people in light of the fact that a 2015 NERI report found that almost 4 in 10 young people or 39.1% of young people aged 18-29 years in the labour force were being paid rates on or below the minimum wage. A recent study by the ESRI for the Low Pay Commission estimated that 0.5% of all employees were on a rate lower than the minimum wage based on 2009 data. These figures were largely reflected in a more recent report by the CSO which found on average 0.6% or 10,100 people were on a rate lower than the minimum wage in the period from Quarter 2 to Quarter 4 2016. This is not an insignificant number and Government must take action to protect young workers from exploitation and ensure work pays.

To date the Government have not proceeded to abolish the discriminatory sub-minimum rates. The proposed 30c increase in the minimum wage from €9.25 per hour to €9.55 which had been proposed by the Low Pay Commission was formally approved and will be implemented from January 1st 2018. The increase in the minimum wage has some positive effects for those on the sub-minimum rate as these rates are benchmarked at 70%, 80% and 90% of the full rate.

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NYCI Budget Recommendation

- Restore full rate of Jobseekers Allowance to young people who are homeless or at risk of homelessness – investment of €2.8m.

Budget 2018

- No progress made to directly address youth homelessness.

The NYCI PBS noted that the number of young people aged 18-24 who are homeless was 793 in April 2017 representing a rise of 63% in the two years since March 2015. NYCI pointed out that the cuts in welfare payments have particularly impacted on young people at risk of homelessness. NYCI welcomed the decision of Government to protect young people leaving care from the reduced welfare rates and called for the same policy to apply to those experiencing homelessness. NYCI pointed out that these reductions in payment meant that young people who do not come from a care background and have become homeless will not be able to support themselves out of homelessness and into accommodation.

NYCI endorsed a Focus Ireland proposal that where a young person under 26 years has been assessed as being homeless or at risk of becoming homeless, they would qualify for the full rate under the discretions allowed as part of the supplementary welfare payments procedure. Once a pathway out of homelessness and support plan was agreed with the young person the local Intreo office could use the discretion available under article 38 of the supplementary welfare regulation SI 412 of 2007 to provide an increased payment to the young person in accordance with the support plan agreed with the young person. NYCI estimated that the policy would cost in the region of €2.8m.

The Government failed to address the impact of the reduced Jobseekers Allowance rates for young people who are homeless or at risk of homelessness. The Government did announce a housing package which included measures to build more social housing, to increase funding to homeless services and to double housing supports such as the Housing Assistance Programme by €149m to €301m. NYCI called for specific measures to help young people and while these policy announcements are welcome, it is unclear if they will be of any immediate benefit and do anything to reduce the numbers of young people who are homeless or at risk of homelessness.
Enhance Youth Mental Health Supports and Services

**NYCI Budget Recommendation**
- Invest in guidance counselling and the Child and Adolescent Mental Health Service (CAMHS) - investment of **€32.6m**.

**Budget 2018**
- Allocation of 100 new Guidance Counselling posts at second level and additional investment of **€35m** (or 15m?) in CAMHS in 2018.

The NYCI PBS notes that mental health continues to emerge as among one of the most important policy issues in all surveys and consultations with young people. Findings from research by the Royal College of Surgeons\(^{14}\) demonstrate that by the age of 13 years, 1 in 3 young people in Ireland are likely to have experienced some type of mental health difficulty. By the age of 24 years, that rate had increased to over 1 in 2. While the overall number of people dying by suicide has declined, there has been an increase among young men.\(^{15}\) Of particular concern, is the fact that the suicide rate for young people aged 15-19 years is the fourth highest in the EU.\(^{16}\)

NYCI put forward two proposals in the PBS, first the restoration of 200 guidance counselling posts in second level schools which had been cut in 2012. NYCI estimated that this would cost **€12.6m**\(^{17}\). Secondly NYCI called for action to address the deficiencies in the Child and Adolescent Mental Health Services (CAMHS) in light of the fact that the numbers of children and young people on a waiting list for mental health services in 2017 was up 44% over the same period in 2016. NYCI proposed an investment of **€20m** to move towards the recommended staffing levels as outlined in the “Vision for Change” document.

NYCI welcomed the inclusion of funding for an additional 100 guidance counselling posts in Budget 2018. As a result 500 of the 600 posts lost in 2012 have now been restored. NYCI will continue to advocate for all posts to be restored in future budgets. The Government announced an additional **€35m** for mental health services in 2018 to continue developing services in line with the model set out in “Vision for Change”, there is no detail on how much of this will be allocated to the CAMHS. Subsequently it emerged that **€20m** of the additional funding for 2018 is in fact unspent funding from 2017.

\(^{14}\) The Mental Health of Young People in Ireland, RCSI, 2013
NYCI Budget Recommendation

- Reduce the Student Contribution Charge by €500 to €2500 - investment of €34m.

Budget 2018

- No movement by Government to reduce the Student Contribution Charge. Government did announce additional funding for higher and further education of €64.5m.

NYCI proposed that Government should reduce the financial burden of third level education on students and families. NYCI noted that the Student Contribution Charge had increased from €1,500 to €2,000 in Budget 2011 and continued to increase in increments of €250 until it reached €3,000 in 2015. The Student Contribution Charge is abnormally high by European standards, and second only to the United Kingdom within in the EU.

In the PBS NYCI referred to the DIT Campus Life Cost of Living Guide which estimated that the cost of living while studying at third-level is €11,000 per annum. NYCI stated that reducing the over 6,000 or 15% of students who do not progress from first year to second year at third level should be a policy priority. This is not only detrimental for the students involved, but represents a cost for the state. NYCI argued that easing the financial burden on students and their families can aid and support retention and progression. NYCI estimated that reducing the Student Contribution Charge by €500 in Budget 2018 would cost €34m based on projections from the Department of Education and Skills.

The Government did not reduce the Student Contribution Charge in Budget 2018. In the post budget briefing the Minister indicated that his Department are waiting on the report of the Joint Oireachtas Committee on Education before they can address the issue of third level funding. The Government did announce additional funding of €64.5m for the higher and further education sector in 2018, including €47.5m from an increase in the National Training Fund levy. This additional funding will provide for; 1,000 additional Springboard places, 6,000 new apprenticeships and 10 new apprenticeship schemes, enhanced post-graduate funding and bursaries for disadvantaged students and funding to cater for demographic growth, facilitating 2,100 new students to access higher education.

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Alcohol Related Harm

NYCI Budget Recommendation
- Ensure retail off-licences pay more towards the cost of alcohol-related harm - generate revenue of €4.9m.

Budget 2018
- Government did not introduce any measures to address alcohol related harm in Budget 2018.

NYCI recommended that Government raise the excise licence duties in the off-licence sector, to ensure that those retailers that are selling large volumes of alcohol should make a greater contribution to the costs of dealing with alcohol related harm. As set out in the NYCI PBS all the data demonstrates the growing dominance of the off-licence trade in alcohol sales, but also the low prices and in many cases the below cost selling in the sector, driven in particular by the large supermarkets. Despite selling higher volumes of alcohol than the on-trade, the off-trade sector contributes significantly less than the on-trade in terms of the excise licence fee.

In 2015, the ‘on-trade’ contributed €5.56m compared to €3.1m for the ‘off-trade’. In Budget 2018, NYCI proposed that Government should bring the charging structure for retailers’ off-licences in line with the charging structure for retailers’ on-licences. At present, the retailers in off-trade pay a flat fee of €1,500, irrespective of the volume of alcohol sold whereas the on-trade pays on the basis of turnover. NYCI proposed that off-licences in the major supermarkets which are selling large volumes of alcohol should make a greater contribution to the costs of dealing with alcohol related harm. In 2015, the Department of Finance estimated that a new fee structure for the off-trade based on turnover would generate €8m, which is €4.9m more than is currently collected in excise licences in the off-trade.

The Government did not implement this proposal in Budget 2018. Also the Government did not raise the excise duty on alcohol products, with the Minister for Finance stating that he did not think he would raise significantly greater funds from a raise in excise on alcohol at this time.

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20 Tax Strategy Group, Department of Finance, TSG 15/05, pp16
Other Budgetary Measures of Interest

Tax Measures
- An increase of €750 in the income tax standard rate band for all earners, from €33,800 to €34,550 for single individuals and from €42,800 to €43,550 for married one earner couples.
- Universal Social Charge
  - 2.5% rate reduced to 2%
  - 5% rate reduced to 4.75%
- An increase in the tobacco products tax price will result in the price of packet of 20 cigarettes increasing by 50c to an average of €12.00.
- Tax on sugar sweetened beverages to be introduced on 1 April 2018. This will increase the cost of a can of soft drinks by 10c and a 2 litre bottle by about 60c.
- DIRT tax reduced by 2% to 37%.
- VAT on Sunbed treatments increased from 13.5% to 23%.
- There was no change to the price of petrol, diesel and alcohol.

VAT Compensation Scheme for Charities
- The introduction of a VAT refund scheme to compensate charities for the VAT they occur on their inputs. The scheme will be introduced in 2019 in respect of VAT expenses incurred in 2018. Charities will be entitled to a refund of a proportion of their VAT costs based on the level of non-public funding they receive. An amount of €5m will be available to the scheme in 2019.

Children and Youth Affairs
- TUSLA received an increase of €40.6m (5.7%) to bring their overall budget in 2018 to €754m, to support among other measures the recruitment of an additional 300 staff.
- The Irish Youth Justice Service received an increase in funding of €1m to bring their total funding to €23.7m. This increase in funding was allocated to support the rollout of the Bail Supervision scheme and implement findings from a number of independent reviews on operation.
- Additional funding of €20m for the Early Years sector to extend the number of weeks of Early Childhood Care and Education (ECCE) scheme from September 2018, to increase capitation by 7% to ECCE services and to provide funding to meet full year costs associated with a universal payment and increase in the subsidies under the Affordable Childcare Scheme.
- Funding of €2.7m provided to support the Area Based Approach to child poverty (ABC programme) to maintain all existing sites in 2018.
Education and Skills

- **Reduction at primary level of the student teacher ratio from 27:1 to 26:1**
- **Recruitment of 1,091 additional Special Needs Assistants.**
- Allocation of 1,280 new teaching posts in schools in 2018.
- 10 NEPS psychologists will be recruited in 2018.
- Allocation of a further €5.5 million to provide support for a range of new policy measures including implementation of the forthcoming foreign languages strategy, STEM education policy, digital learning strategy and the Government’s Creative Ireland initiative.
- 1,000 additional Springboard places.
- 6,000 additional Apprenticeship places with 10 new Apprenticeship Programmes approved.
- Funding to provide additional post-graduate supports and bursaries for disadvantaged students.
- Increase in the National Training Fund (NTF) levy from 0.7% in 2017 to 0.8% in 2018, 0.9% in 2019 and 1% by 2020. The increase in the NTF levy will provide additional funding of €47.5m in 2018.

Employment and Social Protection

- **€2 increase from €29.80 to €31.80 for each qualified child dependant in all weekly payments, this will apply from March 2018.**
- No increase in the Child Benefit Payment.
- Income disregard for lone parents receiving One-Parent Family Payment or Jobseeker’s Transition Payment to increase by €20 to €130 per week.
- **Working Family Payment (formerly Family Income Supplement – FIS) threshold to increase by €10 per week for families with 1, 2 or 3 children.**
- Maternity Benefit to be extended to support mothers of premature babies (born on or after 1 October 2017).
- Funding of €54 million for School Meals in 2018, up from €47.5 million in 2017. Some 18,400 extra children and 80 newly designated DEIS schools to benefit from September 2018.
- 85% Christmas Bonus payment to all those on long term payments.

Health

- Additional funding of €15m to support the transition from school to adult life for approximately 1,500 young people with disabilities to deliver measures such as the Rehabilitative (Lifeskills) Training programme.
- Additional funding of €35m for the National Treatment Purchase Fund to address waiting lists.
Housing

- €1.9bn allocation for housing, a 46% increase in 2018.
- €500m to support 50,000 homes for those on social housing waiting lists.
- New Housing agency to take over from NAMA, Home Building Finance Ireland.
- Range of measures on vacancy including increase in Vacant Site Levy.
- €75m for new affordable housing initiatives.
- The homeless budget will increase by €18m to €116m.
- The Housing Assistance Payment (HAP) budget increased by €149m to €301m.

Arts and Culture

- An additional €3 million for the Arts Council, a 5% increase in its annual budget bringing it to €68 million.
- An increase of €1.5 million for the Irish Film Board, a 9% increase in its annual budget bringing it to €18 million.
- Department funding to Local Authorities for Creative Ireland initiatives doubled.
- €2m to the Creative Children initiative, including €1 million from the Department of Education and Skills.
- A 14% increase in funding for Culture Ireland from €3.5 million to €4 million.

Irish Aid and Overseas Development Aid

- The Government allocated over €707 million for Official Development Assistance.
- The bilateral aid programme, Irish Aid, managed by the Department of Foreign Affairs and Trade, will increase by €13.5 million on last year, bringing the Irish Aid budget to over €500 million for the first time since 2012.

Agriculture

- The exemption for young trained farmers from stamp duty on agricultural land transactions was extended and continued.
- The renewal of the Stamp Duty Consanguinity Relief on transfers of farmland which facilitates succession and the earlier inter-generational transfer of family farm to younger farmers.