



Budget 2017:

A Tale of Two Budgets?

Post-Budget Analysis

**Comhairle Náisiúnta na nÓg
National Youth Council of Ireland**

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Budget 2017: NYCI Response

Introduction

In its Pre-Budget submission entitled 'Youth Rising,' 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 2017.

NYCI's Pre-Budget submission identified 5 budgetary priorities which it urged Government to address in Budget 2017. The 5 areas included:

1. Invest in Youth Work Services

- Increase investment in Youth Work Services in light of the growing numbers of young people and to support the implementation of the National Youth Strategy

2. Reduce Youth Unemployment

- Increase the investment in the Youth Guarantee to reduce youth unemployment

3. Incentivise education, training and work for young jobseekers

- Restore the adult rate of €188 to all young jobseekers under 26 years of age who are participating in education, training and work experience opportunities

4. Reduce Youth Homelessness

- Increase welfare and enhance housing services to reduce youth homelessness

5. Enhance Youth Mental Health Supports and Services

- Invest in Guidance Counselling and Child and Adolescent Mental Health Services

NYCI Analysis & General Commentary

Budget 2017 did nothing to redress the inequitable and age discriminatory policies adopted during recession in response to youth unemployment. In fact, the decisions taken in this budget reaffirmed the intergenerational inequality reflected in public policy in response to young people of work age. The policy decision to award a lower level of increase in Jobseeker's Allowance to young jobseekers in Budget 2017 was mean-spirited and reinforces the continuation of a regressive and inequitable policy.

As the economy starts to improve, we expected Budget 2017 to redress some of the austerity measures inflicted on young people over the last 8 years. On the contrary, Budget 2016 offers very little comfort for young people, particularly young unemployed people and those most vulnerable to poverty and social exclusion.

It is an extremely challenging environment to be a young person living in Ireland today. The fact that youth unemployment is declining does not signal that life is any easier for young people. In fact the youth unemployment rate remains high at 16% - still over twice the pre-crisis rate. Government had the opportunity to do the decent thing and at the very least, increase support for young jobseekers in line with other jobseekers. The decisions taken in Budget 2017, however, do little to support and provide economic security for young people and leaves many young people, especially those from disadvantaged background in a cycle of poverty, social exclusion and likely to face long-term alienation and social isolation. Furthermore, more needs to be done to address the prevalence of poor quality employment amongst young people and low incomes which many struggle to make ends meet on.

Some positive budgetary measures

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

- The additional budget allocation to the youth work sector. We welcome the increased investment of €5.5m announced by Minister Zappone in youth

work services. This allocation is in line with NYCI pre-budget recommendations. While full details have yet to be announced, this decision is very positive after many years of cuts to youth work in Ireland.

- The decision to increase (in line with a proposal by NYCI since 2014) the education and training rate for any young person under 26 years from the current €160 a week to the full adult rate of €193 per week. This decision will assist many young jobseekers to make the transition from unemployment to education and training. We await further details on when this new rate will apply and whether it will apply to all or just new entrants.
- The minor reductions in the USC are welcome, particularly for young workers on low wages and in precarious employment.
- The small increase in the minimum wage of 10c to €9.25 per hour is a step in the right direction, particularly since 40% of those on the minimum wage are young people under 30 years.
- Small changes to schemes such as the Rent a Room scheme which will help to increase supply.

It is significant that the Government acknowledged the important role of youth work in Budget 2017 through allocation of additional funding. In the context of 8 successive years of cuts to youth work services (amounting to a 31% cut to youth services between 2008-2014), it is positive that this year youth work receives an increase in current expenditure of €5.5m to enhance vital support and services for young people. This increase in investment will also help to meet the needs of a growing youth population and honour the commitments in the National Youth Strategy. We also welcome the decision of the Minister to confirm that €400,000 of this additional funding will support the development and implementation of Ireland's first LGBT strategy for young people.

The Budget provided an increase in the minimum wage of 10c which brings it up to €9.25 per hour. Whilst modest, this increase in the minimum wage is welcome. The reduction in the USC for those on low incomes is also welcome. As previously stated, the Budget also provided support to young people to access education, training and employment by increasing the education and training rate for any young person under 26 years from the current €160 a week to the full adult rate of €193 per week. This is a significant and positive step which will make life easier for a young unemployed person to access education, training and employment. The Government also reduced the contribution which young people on the lower rates of welfare payments are required to make towards their rent supplement contributions. The personal contribution of young people on the €144 rate will be lowered from €30 to €20 per week and for those on the €100 rate will be lowered from €30 to €10 a week. The change is welcome, but is a modest measure in light of the overall impact of cuts to welfare for young people.

In relation to addressing the housing needs of young people, Budget 2017 announced the introduction of a €20,000 grant for first-time buyers on new-build houses worth up to €600,000 (following criticism the Government proposes to reduce the threshold to €500,000). This was perhaps one of most significant and controversial budgetary measures in this year's Budget and has received a mixed response from academics and economists. The Government defended this measures arguing that it will serve to provide first-time buyers with support to buy their first home provided they buy a new build. The thinking behind restricting the measure to new builds is to increase the housing supply. Many commentators have speculated that this measure will only push the prices further up and do little to address the housing crisis. Furthermore, the scheme also excludes recently returned or prospective returnees who emigrated during the recession, as applicant of the scheme must have paid taxes in the country for the last 4 years. Another budgetary measure employed to boost the housing stock is the increase in the income ceiling for the rent-a-room scheme by €2000 a year from €12,000 to €14,000 which is will help to increase the supply of housing in the private rented sector. Budget 2017 increased tax relief for landlords on the cost of upgrading properties in run-down

areas of Dublin, Cork, Limerick, Waterford, Kilkenny and Galway. Provision was also made for restoration of mortgage interest relief for landlords from 75% to 100% over five years. It rises to 80% from next year and allows landlords to claim tax relief on loans drawn down to purchase or improve rental properties. This is significant as it helps to encourage landlords to retain their rental properties on the market maintaining the housing stock for rent which at present is under pressure (accelerating the increase in rental prices). Unfortunately there was no move to introduce a rental cap to provide rent certainty for those residing the private rented sector. Other important issues affecting young people, such as measures to reduce alcohol-related harm, or to promote youth participation in the democratic process were not addressed in Budget 2017.

Summary of Budget Measures

Investment in Youth Work Services

NYCI have consistently campaigned for Government to support the most vulnerable and marginalised young people through the recession, by maintaining youth work funding at existing levels. As we emerge from the economic and social crisis one of the positive indicators is our growing youth population. It is estimated that between 2015 and 2020 the number of young people aged 10-24 will grow by up to 13%.¹ As we highlighted prior to the Budget, this change in the youth demographic will create challenges, however, 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.

In our Pre-Budget submission, we highlighted the important contribution youth work services make to young people and to the community at large. Furthermore, the submission highlighted the important economic contribution youth work makes to the State, and argued for a 10% increase in funding in youth work services to increase the budget to €56.1m in Budget 2017.

We welcome the decision of Government in line with the commitments in the Programme for Government to provide additional resources of €5.5m for youth work in Budget 2017. If we are to achieve the commitment in the Programme for Government, the outcomes set out in the *National Youth Strategy* and to cater for the increased youth population, (particularly the most disadvantaged) it is vital that the Government continues to invest significantly in young people and youth work. Based on estimates of the youth population in 2020 we would propose that Government aim to invest an additional 10% per annum over the next three budgets. Following on from the positive first step in Budget 2017, we call for an additional investment of €5.6m in Budget 2018.

¹ Population Estimates, CSO,
<http://www.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?maintable=PEA11&PLanguage=0>

Youth Unemployment

In the NYCI Pre-Budget submission 2017 we welcomed the fact that there is job growth in the Irish economy and youth unemployment has declined to 16.9% by the end of Quarter 1 in May 2016.² The rate of youth unemployment, however, is still almost double the rate it was in 2007 before the economic crisis. We are also concerned at the 16,082 young people³ who are now long-term unemployed (for 12 months or more). This is worrying in light of the commitments in the EU Youth Guarantee to guarantee any young person an education, training and/or work experience place if they were unemployed for four months or more. We broadly welcomed the Irish plan for the Youth Guarantee⁴ when it was published in January 2014. As we outlined to both the Oireachtas and the European Court of Auditors⁵ we are concerned at the overall slow pace of implementation two and a half years into the process. The Youth Guarantee scheme in Ireland needs a review and reboot to meet the targets and to support young people into education, training and work experience and prevent the drift into long term joblessness.

Arising from the decisions of the last two administrations the welfare rates for young people under 26 years on Jobseekers Allowance has been drastically reduced. The most recent data indicates that 66% or 23,234 of the 35,124 young people in receipt of Jobseekers' Allowance in April 2016 were on €100 a week, 13% or 4,623 were on €144 with just over 20% or 7,155 are on the full rate of €188 per week.⁶ In 2014, NYCI published the results of a poll which found that 4 out of 10 young people on Jobseekers' Allowance were struggling to make ends meet.⁷ This is not surprising as the Vincentian Partnership found that the cost of a single adult living as part of a

² Quarterly National Household Survey, Quarter 1 2016, CSO

<http://www.cso.ie/en/releasesandpublications/er/qnhs/quarterlynationalhouseholdsurveyquarter12016/>

³ Dáil Question 494, May 31st 2016 <https://www.kildarestreet.com/wrans/?id=2016-05-31a.1301>

⁴ Implementation Plan of the EU Council Recommendation on the Youth Guarantee

<http://www.welfare.ie/en/downloads/youth-guarantee-implementation-plan.pdf>

⁵ NYCI Presentation to the European Court of Auditors, February 11th 2016

⁶ Dáil Question 492, May 31st 2016 <https://www.kildarestreet.com/wrans/?id=2016-05-31a.1295>

⁷ NYCI Briefing Paper on Jobseekers' Allowance

http://www.youth.ie/sites/youth.ie/files/NYCI%20Briefing%20Paper_RedC_Jobseekers%27%20Allowance_Final.pdf

household was €184⁸ in 2014 and this does not take into account the financial burden on young people who are not living with parents or family. There is also increasing anecdotal evidence that the cuts are leading to homelessness among young people.

In its Pre-Budget submission NYCI called on Government to increase the investment in the Youth Guarantee to reduce youth unemployment to begin the process of reversing these cuts in Budget 2017. We estimated based on the figures provided in the National Implementation Plan and taking into account the co-funding available from the EU that an additional €30m would be required. At a time of economic recovery, it is important that measures are taken to support young jobseekers to engage in education, training and employment.

Budget 2017 did not address the need for investment in the Youth Guarantee and failed to allocate the required funding to roll it out nationally. We believe this is grossly unfair and most inequitable. While the overall rate of youth unemployment is declining, we are in danger of leaving a cohort of young jobseekers behind, particularly those who are long term unemployed and in need of support and services to gain access to decent and quality employment.

⁸ <https://docs.google.com/file/d/0B-cR3V9wzdIJSnpCVVRsSTVBeXc/edit?usp=sharing&pli=1>

**Provision of incentives for young jobseekers to engage in education,
training and employment opportunities**

In NYCI's Pre-Budget submission, we called for the restoration of the adult rate of €188 to all young jobseekers under 26 years who are participating in education, training and work experience opportunities.

While the decision of Government on the overall Jobseekers Allowance rate was very disappointing, we warmly welcome the decision of Government to implement a policy proposal from NYCI (since 2014) to increase the weekly rate of payment to young people in education and training from €160 to €193 per week. Based on 2015 figures this decision could benefit up to 15,000 young people⁹. This is a significant and positive step which will make life easier for a young unemployed person to access education, training and employment.

⁹ Dáil Question 89, April 6th 2016 to the Minister for Social Protection

Reduce Youth Homelessness

Our Pre-Budget Submission called on Government to increase welfare and enhance housing services to reduce youth homelessness. In advance of the Budget, NYCI argued for Budget 2017 to address youth homelessness as a priority. Obviously the best long-term solution is an increase in supply but in the short term Government must invest in services and support to prevent youth homelessness and assist young people to get a roof over their head. We propose three measures to alleviate the current crisis in youth homelessness. We welcome the recent announcement by Government to increase the rent limits for both the Rent Supplement and Housing Assistance Payment (HAP) in line with the commitments in the Programme for Government¹⁰ from July 1st 2016. This decision will assist young people to retain their current accommodation, but on its own will not be enough.

NYCI called for Budget 2017 to increase investment in support services which young people vulnerable to becoming homelessness require; such as mental health, addiction, and employment services. The emergency out of hour's social work service should be expanded to be more widely available. Further investment must also be made into services which assist young people to sustain their accommodation and remain out of homelessness. Investment in such services is a crucial preventative measure to ensure young people remain in secure accommodation. We estimate that the total cost of these measures will be in the region of €20m.

Budget 2017 provided for an additional 1, 200 tenancies to be created under the Dublin Region HAP Homeless Pilot and 800 units are expected to be delivered under the Rapid Building Housing Programme. A further €70m has been allocated to the Housing Agency for the acquisition of 1,600 social units from banks and investment funds over the period to 2020.

¹⁰ "A Programme for Partnership Government", May 2016, pp21

Despite these positive developments to increase tenancies for homeless people, there remains an overreliance on the private rented sector to respond to homelessness. The most recent data indicates that the number of young people aged 18-24 who are homeless has risen by 48% from 477 in December 2014 to 705 in September 2016.¹¹ Much more needs to be done to address this ever growing problem. Failure to address this issue means many young people will remain homeless and the overall numbers will unfortunately continue to grow.

¹¹ <http://www.housing.gov.ie/housing/homelessness/other/homelessness-data>

Enhance Youth Mental Health Supports and Services

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 Surgeons¹² 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. Of particular concern is the fact that the suicide rate for young people aged 15-19 years is the fourth highest in the EU¹³.

In its Pre-Budget 2017 submission NYCI called on Government to invest in Guidance Counselling and Child and Adolescent Mental Health Services. In our Pre-Budget submission we estimated that this increased investment would cost €50m and should be implemented in Budget 2017¹⁴.

In Budget 2017 committed funding to provide the equivalent of 100 additional guidance posts by September 2017. The 400 guidance posts which have now been restored (out of 600 which were previously cut) will be allocated separately and transparently and outside of the quota on the schedule of posts. Budget 2017 also allocated an extra €35m for mental health services. The government's decision to allocate €35m in development funding in 2017 is significant and will go some way towards implementing 'A Vision for Change.' We are not clear yet how the €35m allocated in development funding will be spent or the timeframe for expenditure. In a statement, the Minister State for Mental Health and Older People stated that this €35m allocation remains in the base funding for mental health and will enable improvements to mental health services across a number of age groups and specialties and assist the continuing development of an integrated approach to youth mental health and suicide reduction initiatives.

¹² The Mental Health of Young People in Ireland, RCSI, 2013

¹³ National Office for Suicide Prevention (2013) Annual Report, Health Service Executive.

¹⁴ Dáil Question 330, 31st May 2016

The Minister for Mental Health needs to ensure that funding allocated in 2017 is released in January and spent during the year on the services intended. We hope and expect that an action plan for service delivery will address the mental health needs of youth people as a priority.

Other Budgetary Measures of Interest

- The Universal Social Charge was cut for lower and middle income earners worth about €50 a year. The three lowest rates were cut to 0.5%, 2.5% and 5%.
- The price of a packet of 20 cigarettes was increased by 50c to an average of €11.00.
- There was no change to the price of petrol, diesel and alcohol.
- A new universal subsidy for children aged six months to three years for all families using registered childcare.
- The introduction of a sugar tax on fizzy drinks which will come into effect in April 2018. Government initiated a consultation on the proposal on Budget day.
- Taxes on all inheritances to be reduced, especially from parents to children where the threshold will rise to €310,000.
- Allocation of an additional €36.5m funding to third-level education.
- Investment in ISIF student accommodation to support the development of a new fund for the delivery of mixed-tenure residential developments.
- The minimum wage was increased by 50c to €9.15 per hour. It is estimated that this could benefit up to 120,000 workers of whom up to 46,920 (39.1%) are under 30 years.
- State Pension payments to rise by €5 per week, along with all other weekly payments, including carer's allowance, disability allowance and jobseeker's benefit (except jobseekers under 26years) and allowance in March 2017.
- Maternity, paternity and adoptive benefit to rise from €230 to €235 a week.
- 50,000 extra children to benefit from school meals.
- Extension of dental and optical benefits to workers and self-employed.
- 500 extra places on Rural Social Scheme and €5 increase in maximum weekly rate of Farm Assist.
- The Deposit Interest Retention Tax (DIRT) will be reduced by 2% each year for the next four years so it effectively goes from its current rate of 41% to 33% over this period.
- Funding to employ an extra 1000 nurses.