



## **Budget 2015:**

*“Small steps towards healing the wounds  
of Austerity”*

## **Post-Budget Analysis**

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

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## **Budget 2015: NYCI Response**

### **Introduction**

Ireland has gone through and is still working through extremely challenging economic times. The impact of recession and austerity has had a devastating impact on Irish society which has been particularly profound amongst young people.

In Ireland, the proportion of young people experiencing more serious deprivation has increased from 7% in 2007 to 18% in 2011. Young people in large households, such as those living both with their parents and their partner and/or children are the most likely to experience high level of deprivation (Eurofound, 2014).

As the economy starts to show signs of recovery, the Budget 2015 provided cautious but moderate measures aimed particularly at reducing the economic burden on the so called 'squeezed middle' income group (those earning between €30,000 - €70,000 per annum). Through a range of fiscal adjustments to widen the tax bands to ensure individuals enter the higher rate of tax at a lower income threshold and by reducing the higher tax rate by 1 per cent, the Government introduced modest measures to those, described as the 'middle income groups.'

According to Government, the tax and spend measures contained in Budget 2015 are intended to support and enhance Ireland's economic recovery. It is envisaged that the decisions taken in terms of public expenditure will build consumer confidence, support jobs and strengthen demand in the domestic economy.

While we are only starting to turn a corner in terms of economic recovery and a prudent approach to tax and spend is sensible, it is

important to state that Budget 2015 did not provide much in the way of additional spending for children and young people in low income families. In light of the very significant cuts in welfare supports to young jobseekers and those on education, training and work experience programmes in recent years, the failure to begin reversing these cuts is very disappointing.

It is significant, however, that it is the first Budget since the start of the economic recession that did not cut public expenditure in a number of key areas affecting the lives of children and young people.

**We are pleased that the current rate of funding for the youth work sector was maintained - this is a significant component of Budget 2015.** In this sense, it reflects a move away from austerity and towards economic recovery.

In his budget address to the Oireachtas, Minister Noonan highlighted that we were at a turning point and the decisions taken in the Budget were appropriate at this junction in the economic recovery process. He advised it was important to exercise caution at this point and move forward under a new economic model. He quoted the poet, Robert Frost, from his poem "The Road Not Taken" which starts with "Two roads diverged in a yellow wood".

*"The road ahead of us diverges and we have a choice to make. Do we take the road frequently trodden by Irish Governments in the past, a road whose signposts are tax and spend and where one's journey is through boom to bust?*

*Or do we, like Frost, take the road "less travelled by"? A road whose milestones are prudence and caution. A road that delivers stable*

*economic growth. A road that encourages investment. A road that rewards work, and creates job opportunities. A road that delivers high quality public services. A road on which our citizens have certainty about their incomes and can plan for the future without fear of another bust. A new road to a new Ireland.*

It is welcome that level of public expenditure in a number of key areas affecting the lives of children and young people is maintained. It is important that as the economy continues to improve and grow, however, individuals and public services that bore the blunt of the economic decisions taken during recession are compensated for the losses during this period. Such compensation is vital to ensure that the wounds of austerity start to heal and that everyone benefits from the new economic recovery as we move towards a more equal and just society.

NYCI have analysed and assessed the provisions contained in Budget 2015 against the 5 key areas included in *Fair and Just Recovery*, NYCI's Pre-Budget submission:

### **1. Defending Youth Work Services**

*Maintain Youth Work Funding at current levels.*

### **2. Providing supports for most disadvantaged young jobseekers**

*Establish an innovation fund within the Youth Guarantee scheme to support initiatives by youth work sector to address needs of long-term unemployed jobseekers.*

### **3. Incentivise education, training and work for young jobseekers**

*Restore the adult rate of €188 to all young jobseekers who are participating in education, training and work experience opportunities.*

#### **4. Tackling Alcohol Related Harm**

*Introduce a 1.5% social responsibility levy on drinks manufacturers to generate funds to replace the sponsorship of large sporting events by the drinks industry.*

#### **5. Reducing Child Poverty**

*Increase the adult social welfare rates in line with the rising cost of living and maintain Child Benefit rates at the current level.*

## **NYCI Analysis & General Commentary**

NYCI welcomes the maintenance of funding for youth services in Budget 2015 and the additional €1million allocated to diaspora related projects under the new Ministry of State for the Diaspora. We also acknowledge the additional monies allocated to Child Benefit, but are extremely disappointed with the lack of provision made for young jobseekers through the Youth Guarantee and the failure to reverse the age related cuts made to Jobseekers' Allowance in previous Budgets for recipients under 26 years of age.

In the context of 7 successive years of cuts amounting to a 31% cut to youth services since 2008, it is extremely welcome that Budget 2015 safeguarded the current level of funding to youth work services. Youth work services provide a valuable and vital support to young people especially those living in low income households.

We acknowledge the integral role Minister for Children and Youth Affairs, Dr James Reilly, played in protecting this funding scheme at its current level

NYCI research on the economic value of youth work reaffirms the importance and impact of the youth work sector. As well as making a very significant social impact, the sector also delivers exceptional value for money. A report on the economic value of the sector indicated that for every €1 spent on youth services the state saves €2.20 euro in the long run. With further resources youth organisations could make an even greater contribution to addressing youth unemployment, social exclusion and poverty and

we hope as Ireland starts to embrace economic recovery that future budgets will investment additional money in this sector.

In relation to provisions contained in Budget 2015 for First Time Buyers, NYCI welcomes the DIRT tax rebate for first time buyers. We also welcome the increase of €5 to child benefit.

We are extremely disappointed that the Government have not restored the full adult rate of €188 for young jobseekers under 26 who participate in initiatives such as the Back to Education Scheme, SOLAS funded training and JobBridge. Such a step would have helped to provide more support to young people moving into education, training and work experience and ensured young jobseekers were treated the same, regardless of age. We are also concerned that there is no provision of additional funding to implement the Youth Guarantee in 2015.

Since 2011, NYCI have advocated for the design and implementation of a youth guarantee which would offer a young person further education, traineeship, apprenticeship or a job within four months of leaving school or becoming unemployed. We believe the youth guarantee, if properly implemented and funded, can offer young people hope and a path from unemployment to work. Despite a Government endorsement of the Youth Guarantee, without adequate investment from the State, this endorsement is tokenistic,

We are disappointed Government failed increase excise duty on alcohol or introduce a social responsibility levy on the drinks manufacturers. We believe that drinks industry multinationals that profit substantially from alcohol sales should be made to contribute to the cost of reducing alcohol related harm.

While Budget 2015, signifies the start of a move forward towards economic recovery and away from the savage cuts in the previous budgets since 2008, the budget did little to soften the impact of years of austerity by giving back to those on low incomes.

In relation to addressing the needs of young jobseekers, this budget has failed to deliver adequate funding to provide young people with a guarantee of meaningful education, training or employment opportunities.

Budget 2015 reinforces that there is little financial support to turn political rhetoric into reality in relation to addressing the problem of youth unemployment.



## **Summary of Budget Measures**

### **Youth Work Funding**

#### **Maintain funding for Youth Work Services at the current level**

NYCI have continuously campaigned for Government to support youth work services throughout the recession to continue to respond to the needs of young people, in particular the needs of the most vulnerable and marginalised young people. Our Pre-Budget submission 2015 called on Government to maintain youth work funding at the current levels.

In the context of 7 successive years of cuts amounting to a 31% cut to youth services since 2008, it is extremely welcome that Budget 2015 safeguarded the current level of funding to youth work services which provide a valuable and vital support to young people especially those living in low income households.

We acknowledge the integral role, Minister for Children and Youth Affairs, Dr James Reilly played in protecting this funding scheme at its current level

NYCI research on the economic value of youth work reaffirms the importance and impact of the youth work sector. As well as making a very significant social impact, the sector also delivers exceptional value for money. A report on the economic value of the sector indicated that for every €1 spent on youth services the state saves €2.20 euro in the long run. With further resources youth organisations could make an even greater contribution to addressing youth unemployment, social exclusion and poverty and

we hope as Ireland starts to embrace economic recovery that future budgets will investment additional money in this sector.

## **YOUTH UNEMPLOYMENT**

**Establish a fund within the Youth Guarantee scheme to support initiatives by the youth work sector to address the needs of long-term unemployed young jobseekers.**

**Incentivise education, training and work opportunities for young jobseekers**

Ireland has the fourth highest percentage of young people (15-24) not in education, employment or training ('NEET'). 18.4% of young people in 2011 were not in education, employment or training compared to EU average of 12.9%.

The provision for young people in need of education, employment or training in this year's Budget is inadequate. In our Pre-Budget submission, we highlighted the need for Government to establish a fund within the Youth Guarantee scheme to support initiatives by the youth work sector to address the needs of long-term unemployed young jobseekers.

We are extremely disappointed that the Government have not restored the full adult rate of €188 for young jobseekers under 26 who participate in initiatives such as the Back to Education Scheme, SOLAS funded training and JobBridge which would have provided more support to young people moving into education, training and work experience. We are also concerned that there is no provision of additional funding to implement the Youth Guarantee in 2015.

Given the scale and gravity of the youth unemployment problem, Budget 2015 has failed to deliver hope for young jobseekers

especially those living in low income households. The lack of the additional funding for the Youth Guarantee in Budget 2015, is totally inadequate and fails to provide the response required to meet the diverse needs of young jobseekers.

## **TACKLING ALCOHOL RELATED HARM**

In our Pre-Budget Submission, NYCI recommended the introduction of a social responsibility levy on drinks manufacturers to generate €37.5m. The revenue accrued from the introduction of the levy should be used to replace the money from drinks industry sponsorship of large sporting and cultural events and to support other initiatives to reduce alcohol related harm amongst young people.

Budget 2015 made no changes to the excise duty on alcohol.

Restricting price and availability of alcohol is one of the most effective measures to reduce alcohol related harm and NYCI has consistently advocated for this policy measure to be adopted.

We are disappointed, that Government failed to introduce a social responsibility levy on the drinks manufacturers or to increase the excise duty on alcohol.

We believe that drinks industry multinationals that profit substantially from alcohol sales should be made to contribute more to address alcohol related harm.

## **REDUCING CHILD POVERTY**

To eliminate child poverty, it is essential that there is a combination of child and adult income supports and access to quality public services. In its Pre-Budget Submission, NYCI called on Government to ensure families in low paid employment are supported to prevent already pressurised households from falling into poverty and hardship. Our submission called on Government to:

- increase the adult rate social welfare rates in line with the rising cost of living
- maintain Child Benefit rates at the current level for those currently in receipt of social welfare payments,

We welcome the additional €5 per week to Child Benefit and a further €5 in Budget 2016 as a significant measure. In the context of rising living costs and water charges, however, the benefit for the most vulnerable is limited. In 2015, it is forecast that social welfare dependent households will face a greater income shortfall than in 2014, despite this measure.

This Budget has not addressed the higher costs families with teenage children face. If a higher rate of Qualified Child Increase was introduced for teenage children in social welfare dependent households, it would have indicated an acknowledgement of the additional costs of adolescents to families.

## Other Budgetary Measures of Interest

- Income tax: new upper rate of 40 per cent, down from 41 per cent. Standard rate band increases by €1,000 per individual and €2,000 per couple.
- USC: exemption threshold jumps €2,000 to just over €12,000. Reduction in 2 per cent rate to 1.5 per cent and 4 per cent rate to 3.5 per cent. New 8 per cent rate (up from 7 per cent) for those earning above €70,000 and 11 per cent on income above €100,000.
- Social housing: €2.2bn capital investment programme to deliver 100,000-plus units over three years.
- Home renovation incentive will be extended to rental properties whose landlords are liable for income tax.
- Special capital gains tax relief on home purchases since 2012 removed from the start of 2015.
- 80 per cent windfall tax on rezoned development to be abolished. Replaced with standard 33 per cent capital gains tax.
- Refund of DIRT for aspiring first-time buyers on savings up to 20 per cent of the purchase price of their home until end of 2017.
- Threshold for exempt income under the Rent a Room scheme has been increased from €10,000 to €12,000.
- Income tax relief at standard rate on water charges up to a maximum of €500 per household per year. The relief will be worth up to €100 per household per year and is claimed on year after basis.
- New water subsidy worth €100 per annum for recipients of households benefit package.
- Tobacco: packet of 20 cigarettes increases by 40 per cent with marching increases on other products.

- No change to excise duty on alcohol.
- No change to excise duty on petrol or diesel.
- No increase in motor tax or VRT.
- Pension levy: 0.6 per cent pension levy to end this year as planned. Additional 0.15 per cent levy to expire at end of 2015.
- Public sector: no further reductions in overall public sector staff numbers.
- Additional €1million for diaphora related projects and a maintenance of the investment of €11.6million to the Emigrants Support Programme funding.



## **Conclusion**

In our Pre-Budget 2015 submission, NYCI urged the Government to deliver on a number of priority issues that affect the lives of children and young people in Ireland.

The key policy areas we identified include the need to maintain youth work funding level at the current level, provide supports for the most disadvantaged young jobseekers, incentivise education, through adequate funding for the youth guarantee scheme to prevent the onset of long-term unemployment, restoration of the adult rate of €188 to all jobseekers irrespective of age, reduction of alcohol related harm amongst young people and the reduction of child poverty.

While we acknowledged the maintenance of funding for youth work services at the current level as significant and the additional monies allocated to Child Benefit, we are disappointed that Government did not act to address the other policy priorities identified in the NYCI Pre-Budget Submission 2015 which affect the lives of children and young people.