Pre-Budget Submission
Budget 2015

JOBS, GROWTH & HOMES

July 2014

STRONGER TOGETHER
CONGRESS
Irish Congress of Trade Unions

Contents

Summary

There is now some evidence that the Irish economy may finally be making a long delayed and tentative recovery. Employment has grown by over 2% since early 2013 while unemployment continues to fall. However, seasonally adjusted employment growth in the first quarter of 2014 was minimal – just 1,700. Economic activity is starting to revive with preliminary estimates showing that GDP grew 2.7% on a seasonally adjusted basis in the first quarter of 2014. On the other hand personal consumption fell once again last year and it is much too early to say that a recovery has actually taken hold.

Most households are not yet seeing tangible improvements in their living standards. Levels of both household and corporate indebtedness remain very high while the credit conditions for small and medium enterprises are weak. Meanwhile Ireland still has very high levels of long-term unemployment and youth unemployment. Current levels of investment are at rock bottom. Only Cyprus has a lower level of investment in the Eurozone and current levels are wholly insufficient to support stable economic growth into the future. Indeed, Ireland's extremely low level of public investment is a drag on employment and the economy's potential output. Alongside all this is a growing social and housing crisis. Finally, Ireland's debt to GDP ratio is dangerously high and it is too early to claim that the public finances are repaired. Overall the recovery is tentative and a slowdown in growth internationally would quickly undo much of the gains.

The Government is committed to hitting its 3% budget deficit target in 2015. However, it is becoming increasingly clear that the Irish Government will not need to implement anything like €2 billion of austerity measures in Budget 2015 in order to hit that target. The ESRI and the NERI have both argued that Ireland's structural deficit is close to zero. If this is correct it means that economic recovery should by itself eliminate the deficit without much, if any, need for additional budgetary consolidation. Congress is recommending a net adjustment of €800 million in Budget 2015. The case for tax cuts in Budget 2015 is very weak and any tax cuts will have to be financed by a tax increase elsewhere. Public spending is already extremely squeezed.

The economic recovery must be an inclusive recovery that benefits everyone in society. We cannot leave behind vulnerable individuals and communities. A small additional adjustment is appropriate in Budget 2015 to ensure that Ireland's public finances are firmly placed on a sustainable path.

While there is no room for an overall cut in taxes in Budget 2015, tax reform in the shape of refundable tax credits would be beneficial on employment and equity grounds. On the other hand an increase in the standard rate tax band or a reduction in the marginal income tax rate would be a highly inefficient way of increasing aggregate demand, would not benefit the majority of PAYE taxpayers and would be regressive. Introducing refundable tax credits would cost the same as increasing the standard rate threshold for income tax by just €1,000.

Government revenue is already very low compared to the rest of Europe. It is impossible to maintain European levels of public services in areas such as education and health, and social payments such as the old age pension, unless we are willing and able to pay for these services and payments. When we exclude the interest payments on the national debt public spending is already very low by European standards.

In fact public spending in modern Ireland is scheduled to reach historically low levels as a percentage of GDP over the next few years. Further cuts to public spending will place immense pressure on public services, public investment and social transfers. Tension between these demands can only be averted if the State's revenue/GDP ratio is increased. Good quality public services must be paid for. Even a 'no change' policy with regard to public spending will actually mean a cut in real terms over the next few years as inflation eats away at the value of social payments and the real incomes of public sector workers. Public capital investment is already just two thirds of the EU average.

Ultimately the budget is about choices. Too much austerity will delay and harm the economy's recovery and will continue to have long term consequences for employment and economic growth. Too small an adjustment may have consequences in terms of debt sustainability.

Congress does not accept the wisdom of a €2 billion adjustment in 2015 and does not agree that the bulk of the budgetary adjustment should continue to fall on cuts to public spending. A better outcome can be achieved in terms of equity, growth and employment by pursuing a three point plan based on:

- A net budgetary adjustment of €800 million composed mainly of increases in Government revenue. Congress has identified a number of revenue measures that are mutually supportive of growth and equity objectives. These measures include reforms to tax expenditures and Capital Acquisitions Tax as well as the introduction of a Net Wealth Tax. Introducing refundable tax credits would be an important reform of the tax system.

- An increase in social spending of €400 million targeted at the most vulnerable individuals and communities. Part of this fund would be reserved for spending on social housing while additional funds would be allocated for the household benefits package, for mental health services and for community support services.
- The budgetary package should be accompanied by an 'off-book' investment package funded through the Ireland Strategic Investment Fund in a way that does not increase the Government's borrowing requirement. A substantial portion of this increased investment should be allocated for social housing.

Ireland's economic and social well-being depends on high quality public services and public infrastructure. Congress argues that a strategic approach should be adopted whereby public services, public investment and social payments are all protected. This requires a commitment to gradually raise Ireland's revenue/GDP ratio over the medium-term. The Congress plan for Budget 2015 would protect the most vulnerable communities and individuals in Irish society while being supportive of jobs and growth. It is a budget for jobs, growth and homes.

Current Economic Outlook

Employment has grown by over 2% since early 2013 and preliminary estimates show that GDP grew 2.7% on a seasonally adjusted basis in the first quarter of 2014. The Nevin Economic Research Institute (NERI) is projecting real GDP growth of 2.1% in 2014 and 2.9% in 2015 (in line with other agencies). NERI anticipates that a gradual recovery in Ireland's trading partners will support export growth and a return to real GDP growth. NERI is also projecting that real GDP growth will be supported by increased domestic demand. Improvements in labour market conditions in the next few years will lead to an increase in disposable income while investment is expected to increase substantially from its historically low level as a percentage of GDP.

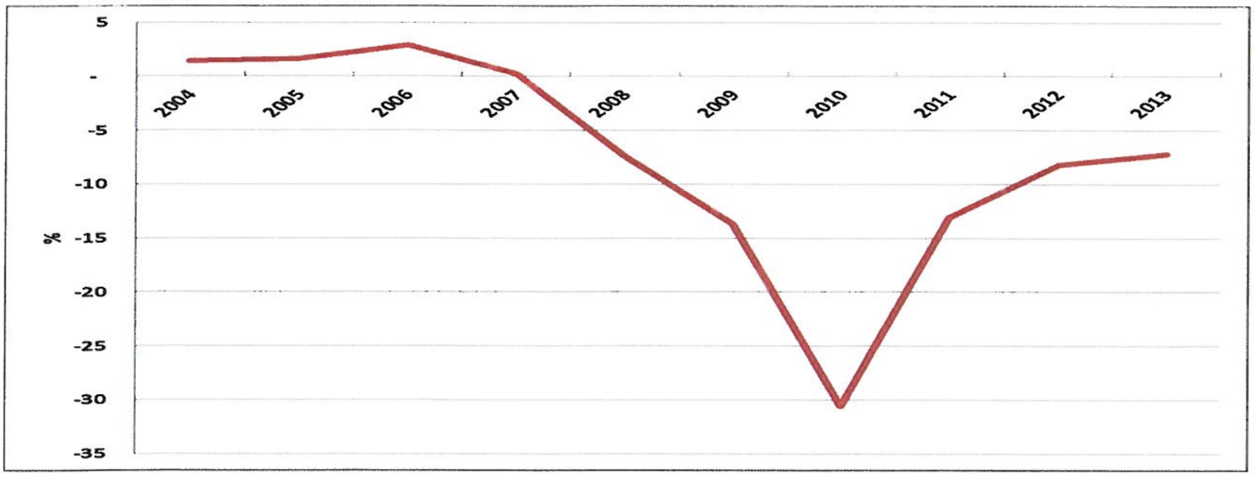
NERI Projections for Economic Growth and the Labour Market

	2014	2015	2016
National Income			
Gross Domestic Product	2.1	2.9	3.0
Personal Consumption	1.1	1.2	1.3
Investment	9.9	8.0	7.0
Government Consumption	-0.9	-1.6	0.0
Exports	2.3	3.2	3.3
Imports	2.4	2.7	2.9
Labour Force			
Employment	2.2	1.9	1.9
Unemployment	11.5	10.7	9.9

Source: NERI Quarterly Economic Observer, June 2014

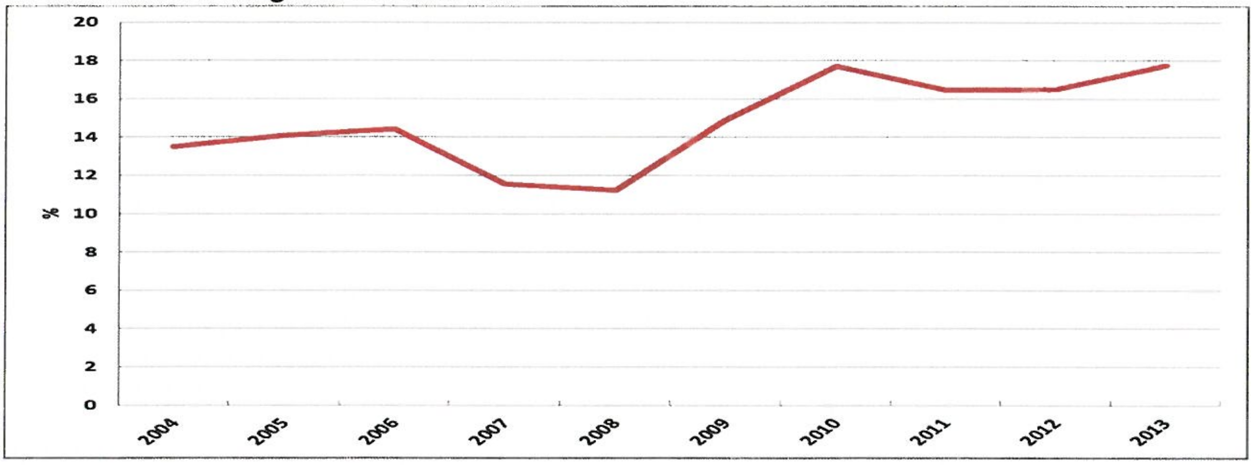
A number of the imbalances in the economy can be understood through the lens of three charts. The General Government Balance shows the amount to which the Government is borrowing or saving money, while Gross Savings show the amount saved by the private sector. Taken together these charts show that there is no space for the Government to start cutting taxes, though there is some space for increased spending in the private sector (amongst consumers and firms).

General Government Balance as a share of GDP



Sources: CSO Quarterly National Accounts (QNQ03), Eurostat (gov_dd_edpt1) and own calculations

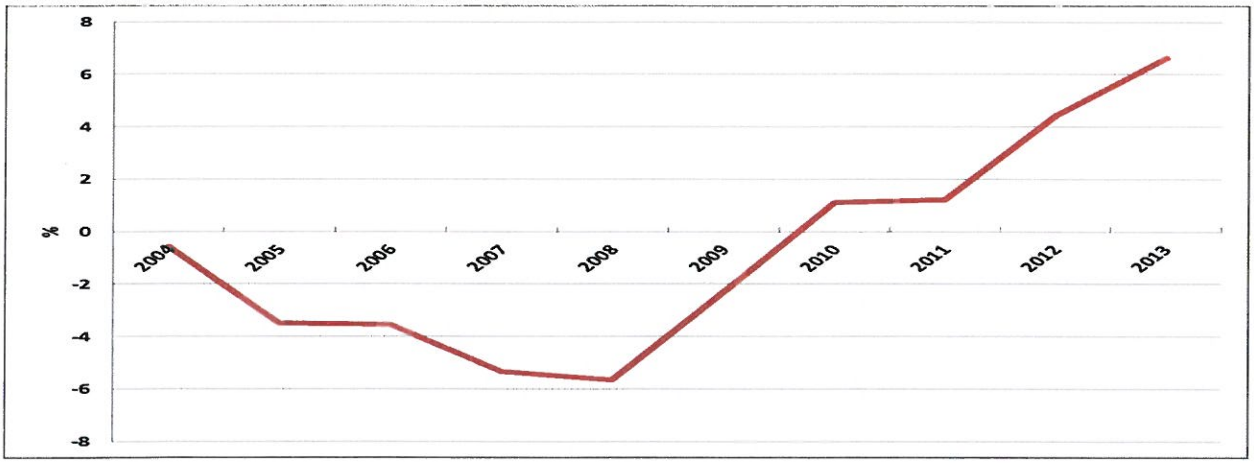
Private Sector Saving as a share of GDP



Sources: CSO Quarterly National Accounts (NQQ21), Institutional Sector Accounts (ISQ03) and own calculations

The third chart shows the 'current account balance'. This shows how much the country is borrowing or saving (including interest payments and repatriated profits of multinationals) with respect to the rest of the world. Ireland has generally had a slight deficit since the 1960s. This is normal as a country borrows money to import machinery and capital equipment. However, as evidenced by the historically high current account surplus Ireland is paying down loans, paying the interest, plus saving. This shows that Ireland has returned to a position of 'super-competitiveness' and that there is scope to increase wages, which would have the effect of reducing the current account balance to normal levels.

Current Account Balance as a share of GDP



Sources: CSO Quarterly National Accounts (NQQ21) and Balance of Payments (BPCQ2)

Notes: The current account surplus is the trade surplus (exports less imports) less 'current' payments abroad, such as interest payments and the repatriated profits of firms.

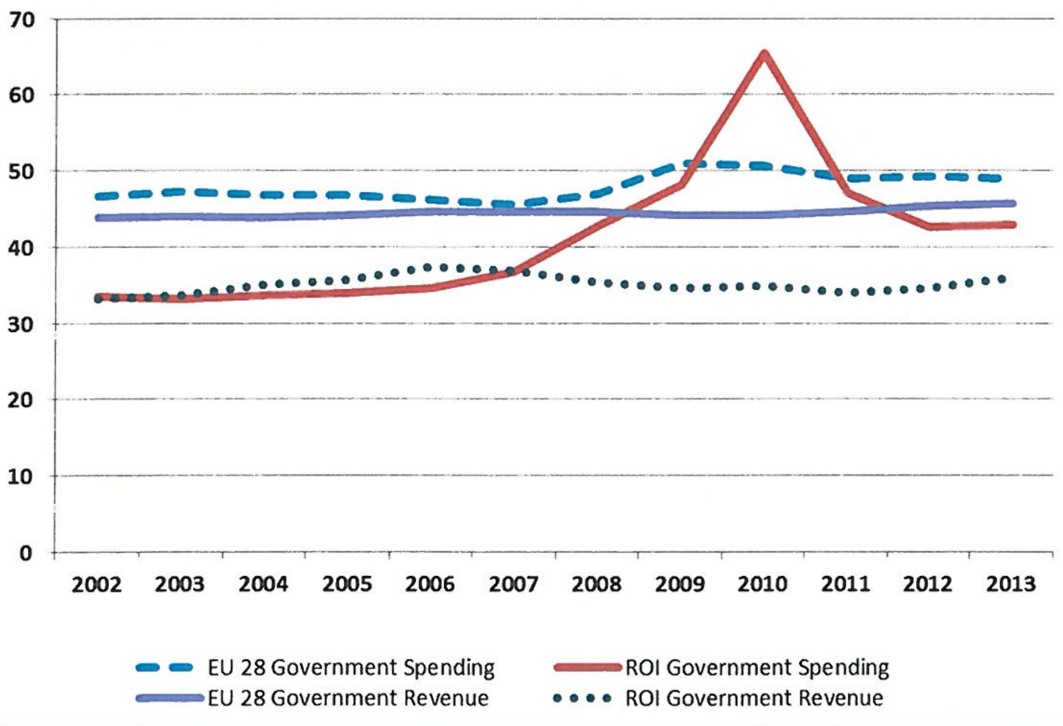
In short, although there is space for wage increases, there is no space for an overall cut in taxes. A general wage increase would have the added benefit of increasing the income tax yield, improving Ireland's chances of reaching a 3% deficit by 2015.

Public Finances and the Current Plan

NERI estimates that the public deficit will be close to 4.7% of GDP in 2014 based on their projections for economic growth, employment and the public finances. This falls easily within the 5.1% ceiling allowed under Excessive Deficit Procedure (EDP) agreed with the European Commission. Based on current budgetary plans and their projections for growth NERI expect the deficit will be close to 2.5% of GDP in 2015. This is well within the EDP ceiling of 3%. The public finances will be in primary surplus from 2015 onwards and the underlying deficit will fall somewhere between €4 billion and €5 billion in 2015.

Ireland has extremely low levels of Government revenue and public expenditure by European Union standards. This is illustrated in the next chart.

QEF Chart 6.1 Trends in General Government Expenditure and Revenue, % GDP, 2002-2013 (EU28 and Republic of Ireland)



Source: Eurostat Government Statistics (2014)

Two thirds of the budgetary adjustment since 2008 has fallen on public spending. The IMF projects that Ireland is moving to a future of highly squeezed public spending and low taxes under the Government's current fiscal policies. Evidently the Government's medium-term budgetary strategy is to maintain Ireland as a low tax and low spend country by European standards.

Government Revenue and Expenditure: IMF Projections, (Per cent of GDP)

	2013	2014	2015	2016	2017	2018	2019
Revenue							
Ireland	35.7	36.0	36.1	35.8	35.6	35.5	35.3
Euro area	46.9	46.9	47.0	47.0	47.0	47.0	46.9
Expenditure							
Ireland	43.1	41.1	39.1	38.1	37.2	36.6	36.0
Euro area	49.9	49.5	49.0	48.4	47.9	47.5	47.2

Source: IMF: Fiscal Monitor April 2014 (April 2014a).
Notes: IMF estimates for Ireland are based on current fiscal policies

Budget Proposals

As the NERI points out:

'The larger the budgetary adjustment, the greater the impact in terms of reduced domestic demand, lower short-run growth, and higher unemployment. Usable capital and labour that lies idle for a period of time is wasted and the lost output and employment cannot be recovered once foregone through lack of use.'

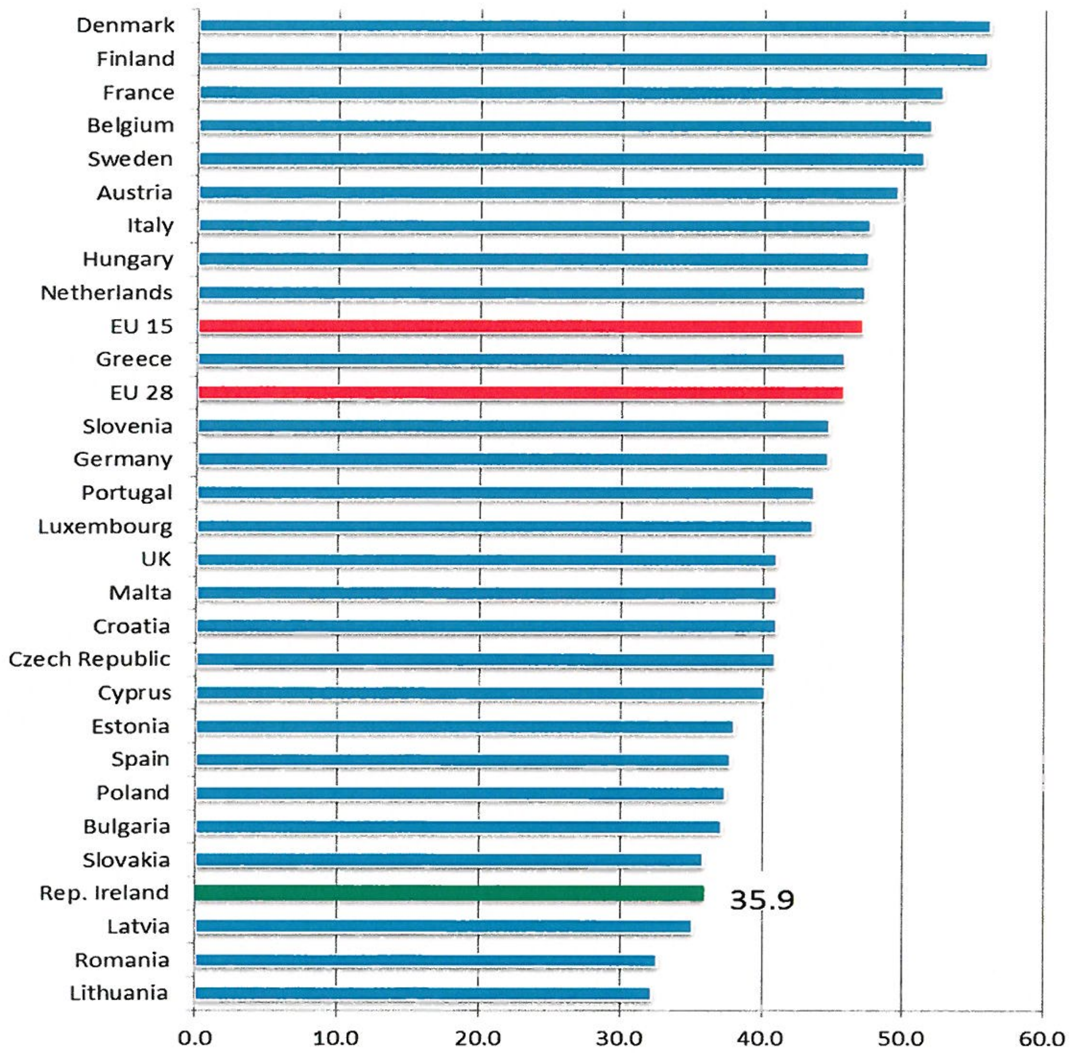
The Institute further notes that:

'Hysteresis effects can become structural within the economy and...permanently reduce potential output and destroy lives. Hysteresis is associated with long-term unemployment, the deterioration of human capital, and the loss of skills, confidence, work habits and labour market contacts. There is also hysteresis effects associated with the loss of potentially viable businesses during a recession.'

Nevertheless, Congress recognises that by European norms Ireland has a very low level of Government revenue proportional to the size of its economy (see chart below) and that the preservation of vital public services and the protection of the most vulnerable can only be achieved by ensuring enough revenue is raised by Government each year. The important questions are how this money should be raised and who should pay. In this context Congress is proposing a number of progressive revenue raising measures which we recommend for inclusion in Budget 2015.

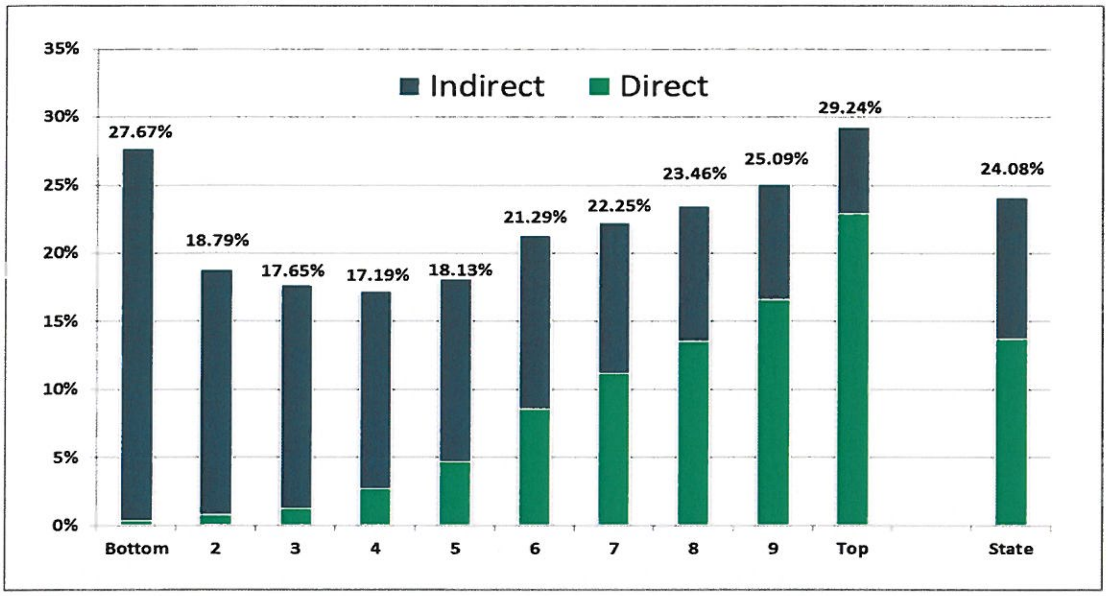
Given Ireland's low revenue base and the still substantial deficit in the public finances it ought to be clear to any balanced observer that there is no scope for tax cuts in Budget 2015. It is notable that consideration of the Irish tax system's progressivity is often misleadingly focused only on income taxes, or income related taxes. A full analysis of the progressivity of the tax system also requires consideration of the impact of consumption taxes. Consumption taxes are more regressive than direct taxes on income. Indirect tax contributions, as a percentage of gross income, tend to be higher for lower income groups and, as shown by Collins and Turnbull (2013), the Irish tax system is not progressive across all income deciles once the impact of consumption taxes is added to the impact of direct taxes on income. Overall the case for a cut in direct taxes on income must be seen as extremely weak. Increasing the standard rate band by €1,000 would cost €140 million and would benefit less than one in five workers.

QEF Chart 6.2 General Government Revenue as % of GDP (EU28 and Republic of Ireland)



Source: Eurostat Government Statistics (2014)

Total Household Tax Contributions by Income Decile , % Gross Income



Source: Collins and Turnbull (2013)

Congress proposes that the net Budget 2015 adjustment should be no larger than €800 million. The adjustment should be composed mainly of increases in Government revenue. The measures proposed are identified in the table below:

Congress Proposals for Budget 2015, (€ millions)

Contraction	(€mns)	Expansion	(€mns)
Revenue	**1,043**	**Revenue**	**140**
Taxes on wealth (reform of Capital Acquisitions Tax and introduction of a Net wealth tax)	400	Introduce refundable tax Credits	140
Reform of tax expenditures	100		
Increase Employers' PRSI on incomes in excess of €100,000	150		
Proposed water charges modified to ensure equality proofing	100		
Increase excise on tobacco as a public health measure	35		
Introduce excises on sugar, salt and saturated fat as public health measures	188		
On-line betting	70		
Reform the derelict sites levy	-		
Expenditure	**300**	**Expenditure**	**400**
Carryovers (including savings under Haddington Road Agreement) and drug purchases	300	Capital spending (Social Housing)	200
		Current spending	200
Total Fiscal Contraction	**1,343**	**Total Fiscal Expansion**	**540**
Net Fiscal Contraction	**803**		

In addition to the budgetary package outlined above Congress is proposing that there should be a €1 billion increase in public capital expenditure in 2015 to be sourced from the Ireland Strategic Investment Fund (ISIF). In practice this means a reallocation of the ISIF's capital resources for use in Ireland from abroad. The reallocation of ISIF resources would be for commercial projects, would not increase exchequer borrowing, and would therefore not increase the deficit. A substantial portion of this allocation should be diverted to social housing. Options for investment in social housing are discussed later in this section.

Increasing Investment

Public investment in Ireland is very low by EU standards. The Irish Fiscal Advisory Council (IFAC, 2014) and the IMF (2014b) have both identified the problem of the low level of public investment. Public investment is currently expected to average 1.5% of GDP over the period to 2018. This is well below the current Euro area average. Depreciation exceeded investment in 2013, meaning the Government's stock of capital declined in 2013. A shortfall in public investment has consequences for the economy's growth potential. Ireland's productive infrastructure already lags that of Western Europe in a number of key respects and infrastructure deficits are apparent in a number of areas including social housing, public transport, and broadband infrastructure and water services. A range of public investment options are described in Box 4.1.

Investment in Social Housing

The dramatic decrease in the capital budget has resulted in a very limited number of houses being built or purchased by local authorities around the country. This scaling back of various social housing schemes has coincided with a considerable increase in the number of people looking to avail of Sate supports to meet their housing needs. In the year to November 2013, Focus Ireland supported 9,237 people who were either homeless or at risk of losing their home, up from 7,819 during the same period in the previous year. In the same period the charity saw a 43 per cent increase in the numbers seeking its Housing Advice services - from 2,973 to 4,248 (Focus Ireland, 2013). Furthermore, the demand for social housing remains extremely high with 89,872 households recorded as on waiting lists in May 2013; more than twice the level recorded at the end of 2005 (Housing Agency, 2013).

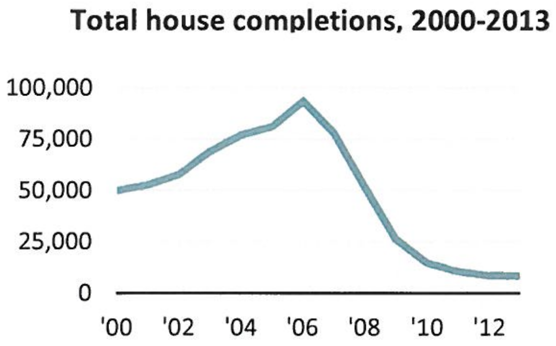
Breakdown of social housing units, 2007-2012

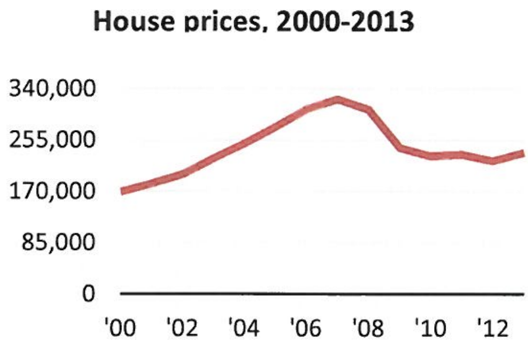
	2007	2008	2009	2010	2011	2012
Total number of social rented housing units	**14,620**	**15,467**	**14,130**	**12,209**	**10,805**	**10,407**
*Local authority completions, acquisitions, renovations and demountables**	*6,988*	*5,692*	*4,089*	*2,059*	*819*	*714*
Local authority renovations	-	-	-	*917*	*661*	*955*
Voluntary and co-operative, grant aided	*1,685*	*1,896*	*2,011*	*741*	*745*	*677*
Rental accommodation scheme	*2,077*	*3,012*	*3,328*	*3,539*	*3,506*	*2,929*
Vacancies from existing stock	*3,350*	*4,342*	*3,864*	*3,864*	*3,650*	*3,650*
Extensions/Improvement works in lieu of re-housing	*321*	*332*	*266*	*100*	*127*	*143*
Traveller new and refurbished units	*199*	*193*	*135*	*123*	*104*	*80*
Long term leasing	*0*	*0*	*437*	*866*	*1,193*	*1,259*
Affordable housing units	**3,721**	**4,756**	**1,843**	**785**	**359**	**167**
Total social and affordable housing units	**18,341**	**20,223**	**15,973**	**12,994**	**11,164**	**10,574**

*Demountable are prefabricated dwellings

Source: Department of Environment Community and Local Government (2014), Social and Affordable Housing Statistics
National Economic and Social Council (2014) Housing in Ireland—Review, Current Situation and Lines of Inquiry

Dealing effectively with a problem of this scale requires a major programme of social investment in housing. The State must take action as the severely constricted supply is putting home ownership out of reach for many, while sharply increasing rents in the private sector are leaving an increasing number of tenants in difficulty. The problem is most acute in Dublin, where the average annual growth rate in apartment rents was 5.5 per cent in 2013. Over the past 18 months the rate of rent increases has gotten more pronounced each quarter with rents in the opening three months of this year 10.3 per cent higher than the first quarter of 2013 (PRTB, 2014).





The traditional model of funding social housing through direct Government investment is outdated. A new approach that takes account of the constraint on Government borrowing and a commitment to continue to reduce the deficit over the coming years is required. Other European countries have developed methods of funding investment in social housing in a way that does not add to the general Government debt. In these countries, a range of sources are combined to finance investment in social housing including loan guarantees, subsides, tenant equity and modest capital grants.

Social housing policy must address the twin goals of making affordable and secure rental accommodation available to a significant share of the population, while increasing the stock of homes in well-designed, sustainable neighbourhoods available to those on lower incomes. The current structure of provision through the local authorities, Approved Housing Bodies and private sector is failing a large section of the population. The system requires significant reform. Proposals outlined in the recent report on social housing by the National Economic and Social Council offer a promising way of funding large scale investment in the provision of new social housing and the refurbishing of existing units that are currently uninhabitable. Funding investment levels of the required scale will likely involve the creation of a body that combines the credit needs of the agencies providing social housing, similar to The Housing Finance Corporation in the UK. This type of body, a "financial aggregator", is planned for regeneration projects in Dublin, Limerick and Cork. Under the plan, the aggregator would borrow money from the European Investment Bank at low rates and channel the funds through to various agencies. If successfully established, a financial aggregator could support further investment in social housing. Aside from finance, the State has considerable land resources and a body of expertise housed in the various local authorities, the Housing Agency, the Housing Finance Agency and NAMA. Drawing on this expertise and developing a coordinated response to the current problem is essential if social housing policy is to achieve its objectives.

In spite of previous successes, social housing policy needs to be significantly reformed if the current challenges are to be met successfully. Dramatically improving the housing system in Ireland over the coming five years is vital if the recent economic recovery is to be sustained. Housing policy centered on investment in social housing, prudent land management, integrated planning and regulation are a core part of a well-functioning society and economy.

Abolition of the State Pension (transition) and Implications for Workers Aged 65

Following the Social Welfare and Pensions Act (2011) the starting age for the state pension is being increased gradually to reach 68 years by 2028. This reform commenced in January 2014 with the standardising of the state pension age for all at 66 years and the cessation of the state pension (transition).

Up to this year, the transition pension was available to workers who retired at 65 years before they received the full State Pension when aged 66 years. As part of the reform an anomaly has emerged concerning workers who are contractually required to retire at the age of 65 years. A number of these workers find themselves in a position where they are forced to sign-on for a Jobseekers payment for one year and consequently suffer an unexpected income loss. For example, in the case of a single worker entitled to a contributory payment, the difference between the Jobseekers payment and the transitional pension is €42 per week (almost €2,200 per annum). In the years to come the scale of this anomaly will increase further as the qualification age for the State Pension continues to increase.

The Budget should address this anomaly and remove this unavoidable income decrease for elderly workers. Given the small number of workers involved, the costs of compensating them for this income decrease are small. While the Department of Social Protection is unable to provide any estimate of the numbers impacted by the anomaly, we estimate a maximum cost of between €3m and €4m. In the longer-term issues regarding the disjoint between mandatory retirement ages and State pension entitlements will need to be addressed.

Refundable Tax Credits

Tax credits reduce the income tax liability of most workers. However, their impact is limited in the case of some low income workers who do not earn sufficient income to generate enough of a tax liability to absorb these credits. Taking both the PAYE and personal tax credit, this is the case for single workers earning less than €16,500, couples (1 earner) earning less than €28,500 and couples (2 earners) earning less than €33,000.

The introduction of a targeted system of refundable tax credits would address this issue. Where workers do not earn enough income in a year to absorb their income tax credits, the unused portion of the payment would be refunded to them. The system could be designed to ensure recipients were genuinely active throughout the year in the labour market (linking it to the PRSI system).

A study undertaken in 2010 for *Social Justice Ireland* identified that 130,000 low-income workers and their families would benefit from the introduction of a refundable tax credit system. The proposal only applied to the unused portions of the PAYE and personal tax credits. This reform would cost €140m if introduced in Budget 2015.

Water Charges

Congress's proposals on water charges represent a compromise position between the need to raise additional Government revenue and the need to protect low and middle income households.

Water services provision is currently paid for through general taxation. It has been announced that charging for domestic water use will commence in October 2014 and that households will start receiving their water bills in early 2015. The Government's current plan is for €500 million to be raised through domestic charges in 2015. However, the announced estimated average bill is €240 per household which, given 1.5 million households, translates into the smaller figure of €360 million per annum. A PwC report suggests the number of households on the public supply would be closer to 1.3 million. If so, the yield would be lower at €325 million per annum.

The Government must be very cautious in how it handles the introduction of water charges. Access to water is a human right. Moving from paying for water services through general taxation to a system of regressive user charges will risk plunging vulnerable households into water poverty. The announced system of free allowances is by itself wholly insufficient to prevent households from falling into water poverty as well as being an inefficient and expensive policy tool.

If water charges are to be introduced then the already announced free allowance will have to be supplemented by a system of water credits or cash transfers for lower and middle income earners. According to the CSO's Survey on Income and Living Conditions (SILC) the top 20% of households (cut-off point) had a gross income of more than €80,000 per annum in 2011 while the top 12% of households had a gross income of more than €100,000 per annum. Congress proposes that only those households with gross income of at least €80,000 should have a net household water charge in 2015 (after considering allowances and credits). It is, however, important that all households with income less than this threshold receive a detailed water bill which shows how much the State is contributing to the provision of water services.

Households with gross income in excess of €80,000 should receive the free water allowance of 30,000 litres per household but should otherwise pay the full price set by the Commission for Energy Regulation (CER) for all water usage above the free allowance. It is inappropriate that the richest households should have their water subsidised by the State. Households with gross income in excess of €100,000 should not receive any free water allowance and should pay the full price for water usage as set by the CER. The precise yield will depend on the price level but based on an average bill of €360 for households with gross income over €100,000 a total of €100 million can be raised in 2015. If Congress's proposals come into conflict with EU State aid rules then it is Congress's position that Irish Water should exist as a public authority.

Taxing Property

Low taxes on capital increases the real value of wealth assets and shifts the tax burden onto those with less means. Taxes on property, passive income and wealth transfers have a number of advantages. Theory and evidence (Johansson et al, 2008; Heady et al, 2009) both suggest that taxes on property, wealth and passive income have minimal impact on long-run economic growth and have smaller employment effects than taxes on labour income and consumption. Taxes on property and wealth are also redistributive if properly designed and helpful to tax authorities in fighting tax evasion and criminal activity by revealing inconsistencies between income flows and wealth. Intergenerational wealth transfer is particularly odious to the principle of equity as it perpetuates economic inequality. At least €400 million can and should be raised in Budget 2015 through the increased taxation of wealth. This should be done through the reform of Capital Acquisition Tax and the introduction of a Net Wealth Tax. See McDonnell (2013) on options for the taxation of property and wealth.

Tax Reliefs

Tax expenditures, which are analogous to Government spending programmes and can carry large fiscal costs, tend to deliver larger benefits to higher income households. Reliefs allowing a tax deduction at the individual's marginal rate of income tax are more valuable to, and will disproportionately benefit, those with the highest income tax rates. Given the highly regressive nature of the pension tax reliefs it is essential that the Budget 2013 commitment to reduce the cost of pension tax expenditures by €250 million is fulfilled.

Tax breaks and favourable tax treatment for non-productive assets such as houses and hotels distort investment away from more productive use and are therefore damaging to long-run growth. The distortion erodes allocative efficiency in the economy, is damaging to growth, and provides mechanisms for tax avoidance. Preferential treatment for certain classes of asset can also encourage asset price bubbles. The property related tax reliefs played a crucial role in Ireland's economic crash and given this experience any attempt to stimulate house prices whether through the introduction of schemes such as Government guarantees or subsidies, or through tax breaks for house buyers, should be seen as deeply unwise and misguided. A minimum of €100 million can and should be raised in Budget 2015 through the reform of tax expenditures.

Consumption Taxes

There is often a trade-off between policy goals. While taxes on labour can be damaging to employment, consumption taxes tend to be more regressive than other taxes. Ireland already has a relatively high Implicit Tax Rate on consumption and there are limits to exploiting consumption as a tax base.

However, certain economic activities impose costs (e.g. pollution and health care) on the rest of society. In order to internalise the costs of these activities it is appropriate that they should attract higher rates of tax. As public health measures, Congress is proposing an increase in the excise on cigarettes as well as the introduction of a tax on saturated fat, added sugar and added salt. In addition, Congress is proposing that Government revenue can and should be raised in Budget 2015 from on-line betting.

Employer PRSI

Ireland's extremely low take from social contributions is unsustainable in the long-term. Targeting employer PRSI contributions on just the portion of salaries above €100,000 will affect relatively few employments (circa 45,000) and would not affect the marginal tax rate on employee salaries. €150 million can be raised in this way. Much more substantial reform of social insurance is required in the longer-term.

Other Reforms

Ireland should take sufficient steps to reform its corporate tax system in order to ensure the Irish tax regime does not facilitate aggressive tax avoidance by multinationals and that its regime does not generate negative tax 'spill-overs' for other countries, particularly countries in the global south. The Government can ensure that Ireland is beyond reproach on the issue of global tax avoidance by ending all existing schemes that facilitate such behaviour and by introducing new financial transparency measures including country by country reporting for multinationals.

The Revenue Commissioners have stated that an allocation of €6.5 million to increase audit, investigation and compliance resources by 125 staff would yield €100 million. These resources should be allocated as part of Budget 2015.

The derelict sites levy should be reformed in order to better incentivise the use and development of derelict, but potentially developable, sites.

Finally, Congress strongly argues that all Budgets should be accompanied by an annual equality statement that is informed by an equality audit of the proposed package of measures. A full distributional analysis of the effects of the cumulative budgetary impacts should be published annually within six months of the budget.

Social Emergency Fund

Alongside these reforms Congress proposes €400 million of additional public spending to serve as a social emergency fund. This additional funding would be reserved for a number of targeted social programmes including additional resources for community supports in deprived areas, an improved household package and additional resources for mental health services. Fully €200 million of this additional funding should be allocated to address Ireland's social housing crisis. Carryover from previous policy measures will generate additional fiscal savings in 2015. Savings under the Haddington Road Agreement represent the most substantial of these savings.

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