
THE ROAD TO RECOVERY
SINN FÉIN PRE-BUDGET
2010 SUBMISSION
Sinn Féin

EXECUTIVE SUMMARY

The Fianna Fáil/Green Party government has consistently underestimated the severity of this economic crisis. Its initial reaction was denial and to slander as 'scaremongers' anyone stating the facts. Every policy decision since has failed to halt the slide and the Department of Finance's economic forecasts have been wholly unreliable.

The inescapable fact is that the fiscal strategy adopted by this government has not worked and was never going to work. It still has no strategy to stimulate the economy or to create jobs and its contractionary measures are driving the country into deeper recession.

The current crisis is as much one of ideas as it is of revenues.

In the upcoming Budget in December the government has clearly stated that the majority of savings will come from:

- **cutting social welfare payments and cutting the public sector pay bill**
- **cuts in the health, education and capital building budgets**

Savings in the public sector pay bill will not come from the exorbitant wages at the top. Effectively, the poor and the lower paid will pay for the mistakes of the rich and the medium and long term potential of the economy will be damaged. The OECD ranks Ireland as one of Europe's most unequal societies. The government's policies in this recession deepen that inequality.

Sinn Féin is fundamentally opposed to these policies because they are totally unjustified and will drive the economy further into recession. We are opposed to them because there is an alternative that will work.
It is possible to get the economy back on the road to recovery but it will require a radically different approach. We need to restore confidence at home and abroad, create jobs and address the growing deficit by raising revenue from those who can afford to pay more. The government is choosing instead to target those on low incomes and social welfare, underdeveloped regions and essential frontline public services.

A more imaginative approach is called for. We can be innovative and start really delivering on the potential of the all-Ireland economy, for example, but there has to be the political will to do so.

Government says recovery has to come from external factors: other countries coming out of recession, an upturn in export markets and a return to previous levels of inward investment. But even if all three materialise, there is no guarantee that this will replace the 14% of GDP which has been lost, or that our economy will then be placed on a sounder footing.We believe that the first step to recovery is a fiscal policy that taxes fairly, eliminates waste, improves the efficiency of services, and encourages economic recovery. The energy and skills of those 400,000-plus people who are unemployed must be utilised to help build this recovery.

A Budget that invests in the future, creates jobs by building schools, hospitals, the renewable energy sector and business infrastructure will not only work to solve our problems in the long term, but it will also help take the pressure off now.

Sinn Féin has set out detailed proposals to raise €7.623 billion - €5.623 billion through a range of tax revenue measures based on wealth and the curtailment of wasteful spending and €2 billion from the National Pension Reserve Fund, which should be accessed in these exceptional circumstances.

It is our view that in order to move out of recession and into recovery the government needs to stimulate the economy, and it can do this while simultaneously maximising revenue intake so it does not have a negative effect on our borrowing levels. Therefore we are proposing:

- **A €3.218 billion economic stimulus package with a range of measures to get Ireland back to work.**
- **A €723 million household stimulus package to help families in severe financial difficulty due to the cost of living.**
- **€3.7 billion to be taken in increased revenue that will not have a deflationary impact on the economy, but will bump up state's coffers.**

This submission shows clearly that even in these severe economic times it is possible to raise the finance required to maintain frontline public services and assist those most in need, to reduce the deficit and to deliver a much needed stimulus package to create jobs and put the state on the road to economic recovery and prosperity.

Key facts

- **The government's projected 2010 spending, as set out in the April 2009 emergency Budget, is €56.7 billion in current spending and almost €7 billion in capital spending. Last April it projected taking in €35 billion in tax, which, along with exchequer receipts and balances, left the state with an €18.4 billion deficit in December 2009. The projected 2009 out-turn now, (according to the ESRI's Autumn Quarterly Economic Commentary) is for a general government deficit of €21.121 billion. Relative to GDP, this means that the deficit ratio will be 12.9 percent of GDP rather than the planned 10.75 percent of GDP. According to the latest ESRI projections, the target €4 billion overall package for 2010 will still leave the general government deficit at 12.8 percent of GDP, rather than the 10.75 percent of GDP target for 2010 that was planned in the April budget.**
- **This debt does not take into account NAMA. The government is putting €54 billion into NAMA but at the same time it is lecturing about fiscal prudence and the need to reduce the deficit by targeting the most vulnerable.**
- **In October 2009 422,500 people were on the live register. This is an increase of 179,637 in 12 months.**
- **Despite the difficulties facing the state the government has still failed to broaden the tax base. The total tax to GDP ratio in Ireland is 30.8%. Our tax structure by type – indirect 44%, direct 40% and social security contributions 15% - differs considerably from the structure typical of the EU as a whole (39%, 31% and 30%, respectively). Government policy of high indirect regressive taxes (affecting all in society) and low direct taxes (largely benefiting the few) needs to change. The state needs a sustainable revenue stream.**
- **1,447 people, 0.06% of all earners, earned approximately €3.459 billion between them in 2008. The latest figures available show that more than 25% of the top 400 earners paid tax at a rate of less than 20%.**
- **The salary of CEOs of public bodies can range from €114,335 to €534,998. Most of these individuals earn more than the President of the United States, who is on a salary of €300,000. HSE Chief Executive Brendan Drumm, who is on a salary of €380,000, was recently paid a 'performance' bonus of €70,000.**
- **Disgraced former Director General of FÁS Rody Molloy was given a €1 million golden handshake and allowed to keep a state car worth €20,000.**
- **Contrary to opinions expressed by Government ministers, the cost of living has not gone down for the majority of people. In fact a number of items, which disproportionately affect the less well off, have increased in price. The prices of the following were all up in June 2009 – Electricity (4.7%), Gas (6.5%), Bus fares (11%), Childcare (6.4%), Primary Education (7.6%), Hospital services (9.1%)**

Key proposals for revenue raising and revenue savings

The following are some of Sinn Féin's key proposals, as costed by the Department of Finance and the Commission on Taxation to reduce the Budget deficit by €3.7 billion and to finance an economic stimulus package of €3.941 billion (stimulus proposals in full Budget document)

- **Introduce third tax rate of 48% on individual earnings in excess of €100,000 – Raises €355 million**
- **Standardise all discretionary tax reliefs – Raises €1.1 billion**
- **Reduce earnings cap for pension contribution tax relief to €100,000 – Raises €85 million**
- **Abolish all remaining property-based tax reliefs (on property development, not principal home mortgage interest relief) - Raises €43 million**
- **Abolish mortgage interest relief for landlords – Raises €285 million**
- **Increase tax on second homes to €600, to include holiday homes and rental properties only – Raises approx €120 million**
- **Abolish the PRSI ceiling – Raises €119.5 million**
- **Introduce a 1% wealth tax on all assets worth more than €1 million, excluding farmland (regardless of residency rules) – (estimated, detail in full Budget proposal) Raises €1.6 billion**

- **Increase DIRT by 5% - Raises €145 million**
- **Increase Betting Duty to 10% - Raises €310 million**
- **Increase Capital Gains tax to 40% - Raises €190 million**
- **Phase out all subsidies of private practice in public hospitals and charge practioners for the use of public equipment and staff in their private practice – Saves €100 million**
- **Implement a new contract for all hospital consultants which would cap their starting pay at €100,000 with a maximum of €150,000 remuneration – Saves €210 million**
- **Cap TDs' salaries at €75,000 and Senators' salaries at €60,000, with a maximum cap of €100,000 and €80,000 respectively – Saves €4.8 million**
- **Cap ministers' pay at €100,000 and junior ministers' at €85,000 – Saves €2.43 million**
- **Remove the allowances payable to the Chairpersons, vice - Chairpersons and Whips of all Oireachtas Committees and Sub-Committees and introduce properly vouched expenses – Potential savings €1 million**
- **Cap the maximum salary available to public servants and semi-state bodies at approximately four times the basic entry rate, or three times the average industrial wage (cap at €100,000) – Saves €450 million**

Introduction

Never has a Budget been more dreaded than the one due to be unveiled by the Fianna Fáil/Green Government on 9 December 2009. Fundamentally flawed domestic economic policies, dire political leadership and a global recession have combined to plunge the Irish economy into its own deep and prolonged recession. The crisis has grown worse in 2009 with growing unemployment, falling state revenue and a widening deficit.

The government has consistently underestimated the severity of this crisis. Its initial reaction was denial and to slander as 'scaremongers' anyone dealing in the facts.

The economy is getting worse, not better, yet the same failed strategy remains in place. In the upcoming Budget the government has clearly stated that the majority of savings will come from:

- **Cuts in social welfare payments and the public sector pay bill**
- **Cuts in the health, education and capital building budgets**

Savings to the public sector pay bill will not come from the exorbitant salaries at the top. Effectively, the poor and the lower paid will pay for the mistakes of the rich and the medium and longer term potential of the economy will be damaged.

Why the Government's proposals will fail

- **Firstly, due to the very poor level of leadership, the public is uncertain and fearful. This is making a bad situation worse, as consumers have stopped spending. A clear, credible Government programme that gave consumers confidence would help ease the crisis**
- **Taking money from lower paid public workers and those on social welfare will further deflate the economy. Those on low pay rates spend all**

of their income on goods and services, thus helping to fuel the economy

- **Cutting back on investment plans in education, agriculture and capital programmes will drive up unemployment and reduce our ability to compete in the long-term**
- **The government has no strategy to create jobs**

At the same time as the government is pushing its strategy to cut €4 billion, the NAMA proposal indebts the ordinary people of this state for decades. Billions upon billions, which should be spent in stimulating the economy, will soon be wasted on buying up toxic loans on plots of land and half finished apartment blocks. NAMA is a plan to take money from the Irish taxpayer and pass it directly to the bondholders of the banks. It will do nothing to stimulate the economy. After causing the crisis and encouraging us to become one of the most privately indebted populations in Europe, the government has made sure that we are all going to pay for their mistakes twice. Yet they still have the audacity to put a Budget before the citizens of this state which will further set back our living standards, push more people into poverty and do untold harm to the real economy.

Their claim of needing to take €4 billion out of the economy to close the deficit and show fiscal prudence is a slap in the face. There is no prudence and no long-term economic planning in indebting the economy by wasting €54 billion on the NAMA plan.

Sinn Féin is fundamentally opposed to these policies because they are totally unjustified and will drive the economy deeper into recession. We are opposed to them because there is an alternative that will work. We need to restore confidence at home and abroad, create jobs and address the growing deficit by raising revenue from those who can pay more, instead of targeting those on low incomes and social welfare, underdeveloped regions and essential frontline public services.

We believe that the first step is a fiscal policy that taxes fairly, eliminates waste and improves the efficiency of services. A Budget that invests in the future - in jobs and society - will not only work to solve our problems long term, but it will also help take the pressure off now.

A Plan for the Future

Ireland urgently needs a new development policy. Inward investment is unlikely to return soon to anything like previous levels. Even at its peak it produced such an uneven result that it became another driver for a bubble, which among other things, masked the deficiencies in both regional and sectoral development that have contributed so much to the current catastrophe.

The future is not, as some still insist, more of the same. The hard task for Ireland now is to be mature both economically and politically. Ireland has third world politics of crony capitalism and an economy with a third-world structure, which only temporarily and artificially produced a first-world living standard.

A mature economy is one that has the balanced development necessary to provide broad-based opportunity, steady growth and the resilience necessary to withstand internal and external shocks without falling into recession. For Ireland that means an end to over-reliance on multinationals and the construction sector for jobs. It means reforming agriculture and fisheries into industries with growth prospects through emphasis on new products, particularly organics and health foods, and an end to market dominance by agribusiness interests. It means investment in new high-tech and renewable industries.

Building that mature, balanced economy will be a monumental task. It is best done as an all-Ireland project. The arguments against a single economy and a single currency are gone. Differences in exchange rates make rational economic planning all but impossible, as the recent problems for retailers have so clearly shown. A unified approach that leverages the intellectual and financial assets of all the people of Ireland is the only way forward.

Sinn Féin leading the way

Sinn Féin has been attacked for its economic proposals in the past. We have taken this criticism not just from Fianna Fáil, but the other political parties and the establishment's economic commentators. But the fact is that much of what we said has proved to be correct. We pointed out the unsustainability of relying on indirect taxation and the need for a progressive and equitable tax system. Unlike Fianna Fáil, Fine Gael and Labour in the General Election in 2007 we said that the country could not afford tax cuts. We set out proposals to cap the price of land and intensively regulate the financial sector. We said that no economy could sustain itself on foreign direct investment, that we must develop the indigenous sector and SMEs.

In the summer of 2008 we said the government must start focusing on keeping people in employment, set up measures for training and create new jobs. Our Budget 2009 submission concentrated on the need for a jobs stimulus. In February 2009 we launched a jobs retention and creation proposals document that set out over 80 job saving and creation methods, including a state subsidy fund for jobs at risk. We believe that this document should be implemented over the next number of years. In our April emergency pre-Budget submission, we highlighted various methods that could be used to raise revenue in a state with a widening deficit, none of which would contract the economy to the same extent as the measures being proposed by the government.

Budget 2010 and public finances

In approaching this Budget, we state firstly that we accept a widening deficit without a strategy for regrowth is unsustainable in the long-term. The interest repayments needed to pay off growing debt eats into money that should be spent on public services. In addition we should not be afraid to sustain some level of deficit financing – borrowing for infrastructural development – something which most other countries use as a matter of routine.

The claims that we are over-borrowed, that we cannot sustain the current level of borrowing and that public spending is the cause of all fiscal ails, are untrue.

The facts are:

- **Between 2003 and 2008, public spending increased by 2.5% of GDP per year. We still have the third lowest public spending to GDP in the EU. Public spending is running at 37% of GDP. In that same period, net foreign debt accrued by banks leapt from 10% of GDP to 60%.**
- **The annual report from the National Treasury Management Agency (NTMA) in August (and the government's own April Budget statement on fiscal adjustment) says that borrowing is projected to increase to a point where debt reaches 79% of GDP at its peak in 2012. The European Commission's forecast of average debt is 83.8% of GDP, so at the peak of our borrowing, we should still fall short of other countries (without even taking account of the reserves in the National Pension Reserve Fund, which are not allowed to be included in debt adjustment figures).**
- **In October 2009 the NTMA launched a 15-year-long €7 billion bond auction that was twice-oversubscribed by international bond holders. This shows the extent to which the international markets are still willing to lend to Ireland.**
- **Borrowing to grow the economy, when it works, automatically reduces the percentage of the amount borrowed. If you borrow to a point where your debt to GDP is 77%, but your economy (and GDP) subsequently grows, then your borrowing as a percentage of GDP has fallen.**
- **While the interest repayment burden will increase substantially over the 2010-2013 period, the levels reached will be no greater than those experienced in the mid-1990s. This excludes, however, the cost of borrowing for NAMA. The government is aware that NAMA will increase borrowing and that is why it wants to reduce borrowing for public services – not because it believes borrowing is unsustainable, but because it wants to use borrowing for banks instead. The 'Special Purposes Vehicle' that the government has established to keep that borrowing off the books is nothing more than a ruse.**

It is clear that during a recession a stimulus package is just as important as taking measures to reduce the deficit. There is taxation that can and should be raised in this state, and a degree of wasteful spending that must be curtailed. These things combined can have the effect of reducing the deficit. However, there is a limit to what can be done to reduce the deficit until this state gets back on its feet by increasing revenue through new jobs and investment. The government says savings must come from cuts because the population is overtaxed. Sinn Féin agrees that the ordinary taxpayer faces a disproportionate burden. For a decade now a vast amount of indirect taxation has targeted ordinary PAYE workers and the least well off. It has been shown time and again that the wealthy do not pay their fair share of tax. This is highlighted by policies such as the ceiling on PRSI contributions, the large pension sums that remain tax free, the absence of a wealth tax on assets, the failure to implement a third higher tax rate and the unfairness of marginalised tax reliefs.

The taxes we propose to raise are all based on wealth. We are still a relatively wealthy society and our private saving levels are growing. We do not believe the taxes we raise here will have the same contractionary effect on the wider economy as taxing low and middle earners. This is money that is saved by the wealthy – not money that is returned into the economy weekly. We do not believe there is as much room for savings in the public sector as the government and Colm McCarthy, with his Bord Snip Nua report, would lead us to believe. There is wastage. The wages paid to higher civil servants and politicians are exorbitant. The fees paid to Colm McCarthy to produce a report made up of Fianna Fáil demands are a waste. The HSE is an administrative nightmare. The refusal of the university deans to take pay cuts shows their attitude to the financial needs of the education sector. A review in 2008 of university presidents' pay gave most of them increases of 17%, bringing their salaries up to €236,000 per annum at DCU, UL, NUIM (level 2 salary band for universities) and €270,000 per annum at UCD, TCD, UCC and NUIG (level one band).

Overall, however, we have underfunded public services in this state. An OECD report in April 2008 debunked many of the myths surrounding public spending by pointing out that despite spending increases from 1999 to 2007, public spending remained relatively low to GDP by international comparisons. In fact, Ireland ranked third to bottom amongst OECD countries, above only Korea and Mexico. Sinn Féin does not believe there is any room for saving in public expenditure when it comes to vital areas like the Rural Transport Scheme or carers and homehelps pay. Those are among the areas where the government believes it can reduce our spending bill.

TOWARDS A FAIR TAXATION SYSTEM

This is the most severe crisis in the history of the state. A stimulus is needed, but so are tax increases for those who can afford to pay and expenditure cuts.

There are three important caveats, however: (1) these spending cuts and tax increases must not deflate the economy; (2) they must not target either the vulnerable or the underdeveloped communities or regions; and (3) they must not compromise long-term growth.

However you choose to frame fiscal policy, it is impossible to ignore these three principles. The Department of Finance, however, continues to press for measures which violate all three principles. Every time a Budget fix has been put in place, revenues have fallen further.

Government has agreed with the EU to bring the deficit within the Growth and Stability pact 3% limit by 2013, but it is difficult to see any path which leads there. The current policy of deflationary budgets leads only toward more deficit, not less.

The government's projected 2010 spending, before cuts in this Budget, is €56.7 billion in current spending and almost €7 billion in capital spending. Last April it projected taking in €35 billion in tax, which, along with exchequer receipts and balances, still leaves the state with an €18.4 billion deficit. Tax revenue receipts have once again borne no relation to the Department of Finance's forecasts. The projected 2009 out-turn (according to the ESRI's Autumn Quarterly Economic Commentary) is for a general government deficit of €21.121 billion. Relative to GDP, this means that the deficit ratio will be 12.9 percent of GDP rather than the planned 10.75 percent of GDP. According to the latest ESRI projections, the target €4 billion overall package for 2010 will still leave the general government deficit at 12.8 percent of GDP, rather than the 10.75 percent of GDP target for 2010 that was planned in the April Budget.

Our borrowing in 2010 is projected to rise from 59% of GDP to 73%, though it's yet to be seen what the impact of November's tax receipts will have on that figure. Our revenue-raising proposals show where €7.623 billion can be raised. Our stimulus proposals amount to €3.941 billion. Our total proposals, including the stimulus, would therefore amount to reducing the deficit by approximately €3.7 billion.

The taxation proposals set out here represent immediate steps that need to be taken and do not represent the extensive reform of taxation which is clearly required. For example, we do not have figures from the government, but we would remove low earners brought into the tax net last April from the 2% levy bracket. The money raised from this group, when taken in the context of the hit to their spending power, is not only totally unjustified but also economically a bad decision.

Proposals for raising and saving €7.623 billion

(All figures attained from Dept. Of Finance and Commission on Taxation except where stated. Estimates are based on latest figures available):

Greater contributions from the wealthiest

- **Introduce third tax rate of 48% on individual earnings in excess of €100,000 – Raises €355 million**
- **Standardise all discretionary tax reliefs – Raises €1.1 billion**
- **Reduce earnings cap for pension contribution tax relief to €100,000 – Raises €85 million**
- **Abolish all remaining property-based tax reliefs – Raises €43 million**
- **Abolish mortgage interest relief for landlords – Raises €285 million**
- **Increase tax on second homes to €600, to include holiday homes and rental properties only – Raises approx €120 million**
- **Abolish the PRSI ceiling – Raises €119.5 million**
- **Introduce a 1% wealth tax on all assets worth more than €1 million, excluding farmland (regardless of residency rules) – Government refuses to give figures, but based on figures provided by Bank of Ireland Private Banking's "Wealth of the Nation", we know the top 5% of households in the 26 Counties held €320 billion in assets in 2007. Allowing for property and asset price drops of as high as 50% (this is hugely conservative, Forbes predicts the assets, which extend beyond property, may have only fallen to €225 billion) and assuming that this wealth is concentrated in excess of €1 million per household (again, a conservative estimate, as in 2007 there were 33,000 millionares in Ireland) a very cautious and basic estimate of the return on this tax in 2010 is still €1.6 billion. We believe the tax should also be structured similar to the French solidarity tax (ISF) which is able to levy global asset holdings of its citizens– Raises €1.6 billion**
- **Increase DIRT by 5% - Raises €145 million**
- **Increase Betting Duty to 10% - Raises €310 million**
- **Re-introduce tax on betting at race meetings –Raises €23 million**
- **Increase Capital Gains tax to 40% - Raises €190 million (subject to individual behaviour, though activity in bank share trading has increased exponentially due to the government's bailout)**
- **Increase Capital Acquisitions tax to 30% - Raises €50 million**

Stop waste through public subsidy of private profit

- **Phase out all subsidies of private practice in public hospitals and charge practioners for the use of public equipment and staff in their private practice – Saves €100 million (Estimated figure provided by DoF in April)**
- **End the co-location scheme which subsidises the private for-profit health business – Saves €100 million in 2010 (€400 million over seven years) (Figure provided by DoF in April)**
- **Introduce measures to reduce the cost of medicines in our health system, including establishing state wholesale distribution of drugs and the use of lower-cost generic drugs – Saves €200 million (Figure provided by DoF in April)**

Stop wasteful spending on exorbitant incomes

- **Cap TDs' salaries at €75,000 and Senators' salaries at €60,000, with a maximum cap of €100,000 and €80,000 respectively – Saves €4.8 million**
- **Implement a new contract on all hospital consultants which would cap their starting pay at €100,000 with a maximum of €150,000**

remuneration – Saves €210 million (Figure provided by DoF in April)

- **Reduce professional fees (state-paid professional fees - solicitors, doctors, etc) by 10% - Saves €90 million**
- **Cap ministers' pay at €100,000 and junior ministers at €85,000 – Saves €2.43 million**
- **Remove the allowances payable to the Chairpersons, vice-Chairpersons and Whips of all Oireachtas Committees and Sub-Committees and introduce properly vouched expenses – Potential savings €1 million**
- **Cap the maximum salary available to public servants and semi-state bodies at approximately four times the basic entry rate, or three times the average industrial wage (cap at €100,000) – Saves €450 million**

Miscellaneous

- **Invest in school buildings (figures set out in stimulus section) and save on prefab renting – Saves €40 million (depending on speed of provision – figure may not be reached until 2011)**
- **Transfer €2 billion from the National Pension Reserve Fund for a household and jobs stimulus package – Raises €2 billion**
- **An immediate start must be made on tax harmonisation across the 32 Counties**

STIMULATING THE ECONOMY

In this pre-Budget submission we also set out proposals for an economic stimulus in 2010 worth €3.941 billion. We believe a financial stimulus is not only worthwhile, but essential. In any economy, a degree of stimulus will leak out as a result of consumption, however the type of financial stimulus applied is what matters. A stimulus can work through investment in public infrastructure and subsidising Irish jobs, an investment that will be returned to the exchequer through the local economy.

There is no easy way out of this recession. The government's way is cuts. Our way is to save and create jobs, and protect the most vulnerable. Our way is better for the economy and better for people.

Sinn Féin's proposed stimulus will cost approximately €3.941 billion, roughly 2.5% of projected GDP in 2010 (the €54 billion allocated to NAMA is approximately 33% of GDP). Our stimulus is equivalent to the investment made in Anglo-Irish Bank. Our proposals have the potential to save over 100,000 jobs in 2010 and create over 100,000 more, as well as better position the economy to increase jobs in 2011. According to trade union estimates, the cumulative cost of new and continuing unemployment over the next two years could reach €10 billion. If we spend in 2010, we could see positive growth in the Exchequer in 2011. If we do not, we will just see further contraction.

Jobs

There are currently 422,500 people on the live register. This number is growing and there is no government strategy to deal with it. The government claims that saving the banks will fix the economy. Proving them wrong will be cold comfort to the many people who have lost their jobs, who face this Christmas in debt, in poverty and with the prospect of the very small payments made to them by the state being cut. Emigration is already on the rise. This year was the first in a long time that saw emigration outpace immigration. Sinn Féin believes that there is a way forward; we do not have to return to the 1980s. Our suggestions are immediate, and if invested in, should see a return to the Exchequer, by way of saved social welfare payments and tax, in 2010. Our full jobs proposals can be found in our March 2009 document 'Getting Ireland back to work – time for action' (costed at the time at €2.4 billion).

We have costed our proposals in this pre-Budget submission and we suggest that the money needed to fund them comes in part from the National Pension Reserve Fund (€2 billion), which should be accessed in this exceptional period of need, and from the taxes we have raised in this submission.

Our rationale regarding use of the NPRF is simple. At this point in time, the state cannot afford to keep money in reserve for future pensioners when the current generation of pensioners is being asked to live in poverty. We would access this money now to help the state recover and when we have recovered, we would begin saving for the future again and implement a new system of decent universal pension provision that does not see billions spent on the private pension industry while state dependent pensioners suffer. The NPRF has a current value of €19 billion. Much of this is in shares, but it also holds a cash reserve.

Proposals to retain and create jobs in 2010 (cost €3.218 billion)

» **Establish a jobs retention fund available to viable SMEs worth €600 million. Conditions to include subsidising an employee to 20% of the average industrial wage (approximately €120 of the €634 average wage) or no greater than €200 per week. The fund should be time limited and implemented in conjunction with an increased revenue and labour inspectorate. This measure has the potential to save 96,000 jobs in 2010.**
Cost: €600 million

» **Reduce the cost of doing business – Freeze the cost of state-controlled services for one year.**
Cost: Neutral for 2010

» **Use the public sector and direct public employment to kickstart the economy. Increase and modernise CE schemes and invest in state infrastructure. The National Development Plan has to be completely redrawn to focus on the more labour intensive and necessary infrastructure, such as schools, hospitals, energy efficiency in homes and public transport provision. This infrastructure will improve the state and provide jobs in construction, architecture, engineering and all the other trades.**

1. **In addition to privately contracted infrastructure development, initiate a three-year 'National Development Scheme' to employ people directly by the state on public works projects aimed at redressing our infrastructure deficit and in conservation work to upgrade our tourism infrastructure.**
2. **Initiate a two-year 'Front line services aides scheme,' whereby people would be employed directly by the state taking on specific work from overworked front line workers (for example civilianising non-nursing duties by the creation of nursing aide positions, civilianising administrative work that is currently done by Gardaí who should be on the beat, teachers aides and literacy/numeracy, language and IT literacy tutors).**

» **Cost: Use fully existing capital expenditure plans and invest an additional €2 billion for increasing CE schemes and intensive labour infrastructure**

» **Develop an export strategy that does not rely on the exports of multinationals based here. The Irish brand needs to be reclaimed and fostered – indigenous exporters struggling to make headway are awaiting a turnaround in the global economy, but in the interim the government should be helping them up their game. Support should be given to reach economy of scale, to deal with language and regulation barriers outside Ireland, and a state loan guarantee should be given to businesses in the export sector. Further focus on the all-Ireland brand and inter-island trade should be made.**
Cost: Provide €100 million directly in state funding for job creation through the export sector

» **Build the state childcare and pre-education sector through both fully-trained accredited childcare workers, infrastructure provisions and state subsidies for employees in this sector.**
Cost: €500 million

- **Reduce excise duty on alcohol by 20% for the 4-week Christmas period (Budget night to post New Year's). This proposal is made in cogniscance of the exceptional and dire circumstances facing business and consumers in the 26 Counties, particularly in the border counties, and is in line with Sinn Féin's proposal of a harmonised taxation system across the island. We would indicate this proposal in advance of the Budget and make sure retailers passed on the price drop to consumers immediately to ensure the best outcome for business and customers. The government has provided figures that this could cost the Exchequer in the region of €18 million, but we would argue that given the revenue that has been lost to the state from cross border shopping, this proposal could actually be cost neutral.**
  Cost: Potentially cost neutral.

Household stimulus package

We have also set out proposals for a household stimulus package. We strongly believe that social welfare should not be cut. It is not justifiable to ask somebody in receipt of €204 a week to carry the can for government failure. A stimulus package for the economy entails more than just job creation and retention. It must look at the effects decisions to either increase or decrease all spending normally considered by the budgetary process will have on the economy.

The government has stated repeatedly that it must cut the social welfare bill. We have a novel, but effective suggestion for them. The best way to reduce the social welfare bill is to create employment.

Cutting social welfare payments will have a detrimental effect on the economy and society. Social welfare payments are always returned back into the economy. They are not saved or invested abroad. They are spent on rent, mortgages, food, utilities and other essentials. Cutting welfare expenditure is a false economy and one that will ultimately only cause misery for those on the receiving end of the policy. We do not accept the argument of deflation for welfare cuts. The fall in the cost price index includes mortgage interest relief. A number of items have not come down in price; they have in fact increased and they disproportionately target the less well off. These include:
(all price increases as of September 2009)

- **Bus Fares (12%)**
- **Childcare (6.4%)**
- **Primary Education (7.6%)**
- **Secondary Education (7.1%)**
- **Doctor fees (2.2%)**
- **Dental fees (2.3%)**
- **Hospital services (9.4%).**

We will see the effects of cuts already made to social welfare payments this Christmas. The loss of the Christmas bonus, a double payment which affects 1.3 million people, is money that would have been spent in our shops on Santy presents and Christmas food. The government is playing Scrooge this year, but its mean measures will come back to haunt it when it is counting its VAT pennies.

Financial stimulus (Cost €723 million)

- **Re-introduce the Christmas bonus scheme for social welfare recipients**
  Cost: €223 million

- **Child benefit and social welfare benefits to be protected from cuts**
  Cost: Neutral

- **Implement a 'Cost of Living' package that freezes and lowers everyday expenses like public transport, television licenses; reduces VAT on common consumer items and utility bills; reduces professional fees (high pay commission could help with this); targets insurance policies offered through banks; and other measures**
  Cost: €500 million

THE EFFECTS OF CUTS ON JOBS
TWO EXAMPLES OF DAMAGE DONE TO THE REAL ECONOMY

AGRICULTURE

Agriculture is an industry that should be providing jobs. However, last year's Budget for Agriculture contained a 13% cut in the Department allocation, amounting to €210 million. The main schemes to be affected were Installation Aid, disadvantaged areas grant and suckler support and the Early Retirement Scheme. The allocation to Teagasc, which impacted on research, development and training, was cut by 8%.

The Disadvantaged Area Payment limit was reduced from 45 ha to 34 ha in 2009, removing an important support from lower income farmers in areas with poor land.

The Early Retirement Scheme and the Installation Aid scheme for young farmers are suspended. This has had a serious impact on the transition of younger farmers into farming and removed an essential financial aid package for many farmers.

Apart from the direct financial impact, the cuts, as in other areas, represented an undermining of the largest indigenous economic sector and a vote of no confidence in the future. As the Oireachtas Committee report on farming in the west showed, confidence was already low and the effect of the Budget and subsequent measures have further undermined confidence and the viability of many farmers. The reduction in the funding of research and development has had a negative impact on farmers moving into the new areas of production, such as energy crops, which they had been encouraged to do for many years.

The impact of the cuts has actually outweighed the actual sums involved, as reduced investment has led to more farmers leaving the land, more job losses and the withdrawal of money from the rural economy. This has contributed to an increased burden on the state through higher social welfare costs. That demonstrates a lack of vision and a failure of nerve on the part of the state as the maintenance of investment in the sector would provide a vital boost to the rural economy that would pay dividends in encouraging farm-related activity and jobs.

EDUCATING OUR WAY OUT OF CRISIS

Education has the potential to create jobs, stimulate the economy and bring about a learning culture that could rival countries the world over but this cannot be done with the attitude currently adopted by this government. Finland 'educated' itself out of its recession in the '90s. Our government is turning education into a third world sector. Already schools are suffering.

- **Class sizes have increased to record highs, making our classes among the largest in Europe.**
- **Classes and resource grants for children with special educational needs have been cut.**
- **Grants for certain subjects as well as pupil retention programmes have been cut.**
- **Programmes aimed at disadvantaged, vulnerable and Traveller children have been cut.**
- **College fees have increased.**
- **School buildings are neglected, with many children accommodated in prefabs and many schools waiting years for a permanent school building.**

Ireland has consistently underspent in third level education. The OECD puts the average level of investment per student in tertiary education at €11,512, while in Ireland €10,468 is spent. In 2005 1.2% of GDP went on further and higher education, down from 1.5% in 2000 and even less than in 1995. Student-staff ratios here are more than double those in comparable EU universities.

While welcoming the fact that a commitment has been obtained not to press ahead with full tuition fees, it is important to be mindful that neither John Gormley nor the Minister for Education Batt O'Keeffe have ruled out a further increase in the student registration fee.
The Department spent just €455m of its capital budget so far this year, even though last year's Budget actually increased the capital allocation to Education to a record €841m. It has been said that every €100 million not spent is 1,000 jobs lost in construction.
Education infrastructure should play a major role in the development of the state and creation of jobs by the government as set out in our own proposals.