



**Choosing a Viable Future in Precarious Times**

**Community and Voluntary Pillar Briefing**

**October 2011**

## **Introduction**

Ireland is at a critical moment in its history. It is facing a series of interlinked crises that threaten its viability as a nation. These crises are fiscal, banking, economic, social and reputational. These crises challenge Irish society to identify clearly the sustainable future it seeks to build and to map out credible steps towards reaching that future. In situations such as these a country, a government and a society defines itself by:

- The cuts it makes
- The people it protects
- Its effectiveness on economic growth/jobs
- Its actions on public services
- The balance it maintains between Government expenditure and taxation
- The values underpinning its choices

It is crucial at a time such as this that Government make decisions that are fair and just, that protect the vulnerable and ensure that the cost of Ireland's restructuring is fairly spread.

It is also important in this context to remind ourselves that Ireland is not a poor country and that we do have choices. Much of the public debate in recent months has been dominated by a narrative that suggests Ireland has no choices. That is untrue. Difficult choices face Ireland at this moment in its history but options do exist. Different choices will produce different futures. Choices exist even within the terms of Ireland's Bailout Agreement with the International Monetary Fund, the European Central Bank and the European Commission (IMF/ECB/EC).

In making these choices it is crucial that decisions are focused on moving Ireland towards a viable, sustainable, just and fair future. To reach such a future will require decisions on the levels of taxation and services, how these are to be structured and delivered. The CV Pillar recognises that all sectors of society have a responsibility in shaping the future. The Pillar is glad and willing to play its role in both shaping and delivering such a future.

## **CV Pillar's Stance**

The need to address Ireland's budget imbalances is fully recognised by the 17 members of the Community and Voluntary Pillar. We have, in fact, long urged Government to address these issues and we have made a wide range of proposals outlining how we believe this could be done while protecting people who are poor and/or vulnerable. We still believe that this issue remains to be addressed and should be given major priority.

As Ireland faces a range of interrelated crises it is important to realise that:

- Ireland is not a poor country.
- Ireland's total tax-take is one of the lowest in the developed world.
- It is both essential and possible to protect the vulnerable in the choices Government makes.
- An integrated approach to tackling the country's current problems is essential if they are to be addressed successfully.
- A guiding vision of where Ireland could be in a ten to fifteen year timeframe is essential.
- How policy decisions, especially in a Budget context, are linked to achieving this guiding vision should be clearly outlined by Government at all times.

In this context the CV Pillar draws attention to two important points concerning the Bailout Agreement:

- The statement by the Troika at the conclusion of their inspection of Ireland in July 2011 that it is the duty of Government to protect the vulnerable in the adjustments being made in Ireland.
- Government is free to adjust the terms of the Bailout Agreement on condition that the final outcome remains the fiscal adjustment to which the Agreement commits Ireland.

The CV Pillar believes:

- ⇒ Decisions made by Government should be made on the basis of the answer to a single question: where should Ireland be in ten years' time?
- ⇒ The core values that should inform the answer to this question are: human dignity, sustainability, equality and human rights and the common good.
- ⇒ Government needs to conduct more in-depth analysis on the impact of decisions that are being considered, to identify the consequences of choices made and show clearly how budgetary choices will impact on services down the line.
- ⇒ The fiscal adjustment in 2012 and beyond should be achieved in a 2:1 ratio between tax increases and expenditure cuts.
- ⇒ The tax-take should be increased through broadening the tax base fairly and eliminating tax breaks that benefit mostly the better off and not through increasing income tax.

### **Current Situation**

Budget 2012 is being framed in the context of a severe recession from which Ireland is slowly emerging. The IMF/ECB/EC Bailout agreement and conditions are being honoured and met by Ireland but the promised outcomes are not materialising:

- Economic Growth is not reaching the forecast targets.
- Jobs are not being created on the scale required.
- Unemployment is not falling at the rate envisaged.
- Finance is not available on the scale required for small and medium enterprises.
- Essential services are being reduced to such an extent that the health and well-being of

- citizens is being put at risk.
- Those who are poor and/or vulnerable are bearing an inordinate share of the pain of the adjustment process.
- The Community and Voluntary sector, often the place of last resort for many vulnerable people has seen a huge demand for its services. At the same time its funding has been reduced dramatically.
- The essential infrastructure that supports the delivery of public services is being eroded with very serious long-term implications.

The CV Pillar believes that at a macro level the Bailout agreement requires too big a set of changes with harsh consequences at too fast a pace. These factors are combining to undermine economic growth and, in turn, undermine any potential for recovery. In essence, the adjustments being imposed would require the economy to reach Celtic Tiger growth rates to have any prospect of recovery, job creation etc. This is not a credible option given where Ireland and the EU/World Economy is currently and is likely to be in the years immediately ahead.

### **The Challenges of Budget 2012**

The scale of the challenge for Budget 2012 serves to illustrate this point. In 2012 adjustments of €3.6bn are required together with a growth rate of 2%. In practice this means that all of the following must be achieved:

- The economy must grow enough to make up the €3.6bn.
- Beyond that it must grow to finance the multiplier effect of the removal of €3.6bn which brings the total required to about €4bn.
- On top of this the economy must then grow by 2% which is over €3bn. So underlying growth would need to be over €7bn in 2012 to achieve 2% growth. This is an underlying growth rate of almost 5% of GDP.
- All of this must be achieved without any new investment programme of scale.

This series of outcomes will not be achieved. Instead, the situation facing Government raises questions in a range of areas.

- The likely level of economic growth will be nowhere near what is required to provide the jobs needed to provide the income to meet the Bailout Agreement's targets.
- Those who are poor and/or vulnerable are bearing an inordinate part of the burden of restructuring.
- The unchallenged assumption that the economy should have priority over all else means that our social infrastructure is being attacked without any regard to the long term consequences of these actions.

- Government has made no assessment of what the long term impacts of the cuts to services and service reductions will mean for Ireland in ten years' time.
- What is the vision of Ireland's future underpinning Government's decision-making and how are Government initiatives contributing towards reaching that destination?
- Without a major rebalancing in Government's approach the process of poor people being dispossessed seems set to continue as their resources (financial and services) are appropriated to fully re-pay those who knowingly took risks, gambled their resources and lost.

### **Governance**

Finally the issue of governance is of major importance for the Community and Voluntary Pillar as well as for society at large. There is a substantial role for civil society in the huge task that Ireland currently faces. Social dialogue is a critically important component of any effective decision-making in a modern democracy. All aspects of governance must be characterised by transparency and accountability. We believe governance along these lines can be developed in Ireland.

The Community and Voluntary Pillar seeks real, effective engagement with the new Government – an engagement that reflects the value of social dialogue and the need for good governance.

For further information on the content of this document please contact

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## **ABOUT THE COMMUNITY AND VOLUNTARY PILLAR**

The Community and Voluntary Pillar is one of the five pillars of social partnership alongside the Employers Pillar, the Trade Union Pillar, the Farmers Pillar and the Environmental Pillar. The Pillar consists of seventeen organisations invited by Government to provide voice and representation for vulnerable people and communities in developing Ireland's social and economic policies.

The members of the Pillar and their contact details are:

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| Age Action Ireland                             | (Eamon Timmins, 087-968-2449)                                 |
| Children's Rights Alliance                     | (Maria Corbett – 087 7835057)                                 |
| Congress Centres Network                       | (Sylvia Ryan, 087-055-7025)                                   |
| Disability Federation of Ireland               | (John Dolan, 086-837-0072)                                    |
| Irish National Organisation of the Unemployed  | (Bríd O'Brien, 086-608-9641)                                  |
| Irish Rural Link                               | (Seamus Boland, 086-249-1153)                                 |
| National Association of Building Co-operatives | (Vincent Keenan, 087 9739113)                                 |
| National Women's Council of Ireland            | (Orla O'Connor, 087-648-3516)                                 |
| National Youth Council of Ireland              | (James Doorley – 087 6483282)                                 |
| Protestant Aid                                 | (David Wright, 086-255-7851)                                  |
| Social Justice Ireland                         | (Seán Healy, 087-237-5328)                                    |
| The Carers Association                         | (Catherine Cox, 056-775-3603)                                 |
| The Community Platform                         | (Ann Irwan, 087-9326467)                                      |
| The Irish Council for Social Housing           | (Dónal McManus 086-827-4950, or<br>Karen Murphy 086-824-0775) |
| The Irish Senior Citizens Parliament           | (Máiréad Hayes, 086-349-8848)                                 |
| The Society of St. Vincent De Paul             | (Caroline Fahey 086 0487535,)                                 |
| The Wheel                                      | (Ivan Cooper, 086-809-3083)                                   |

