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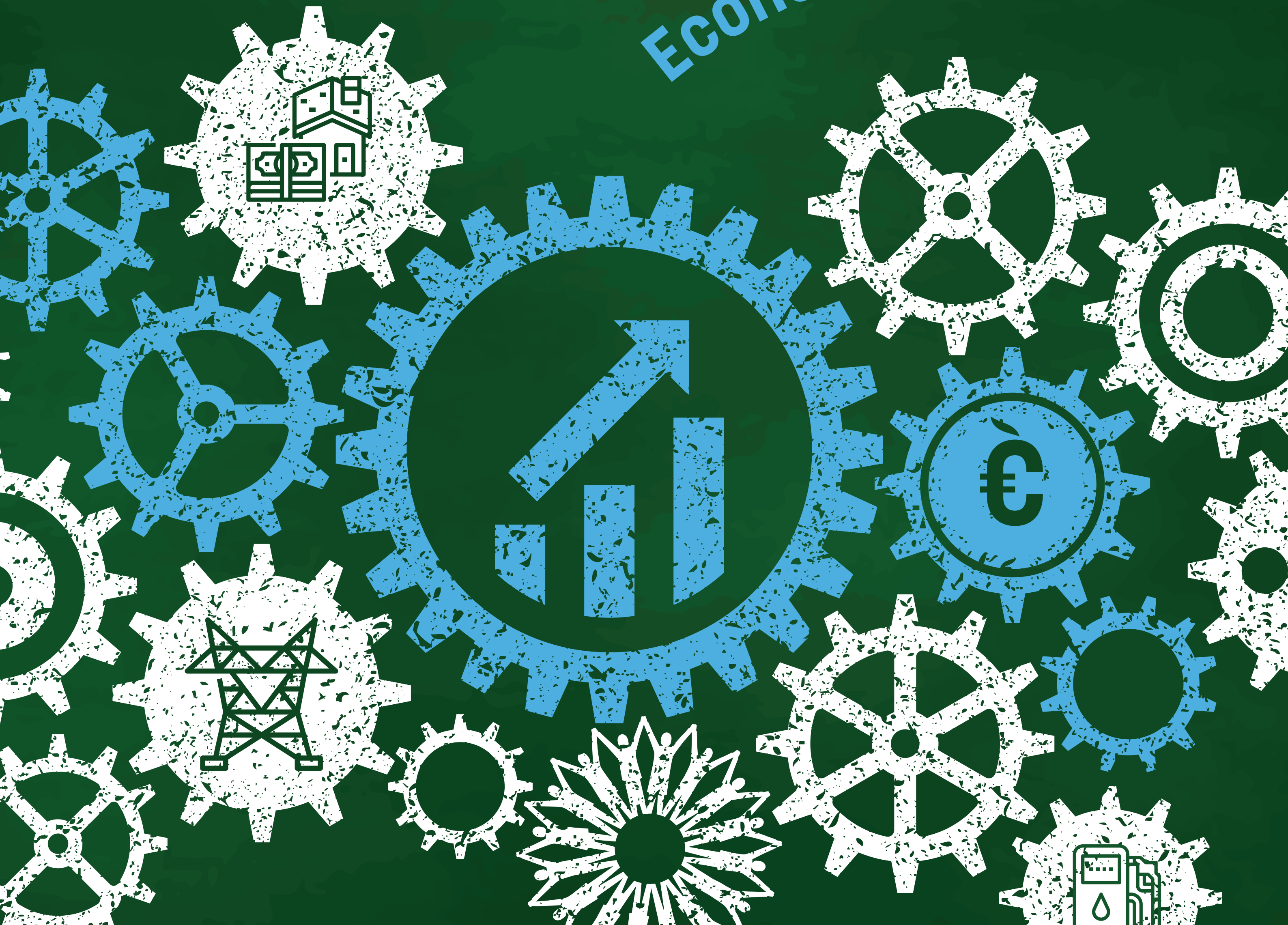
Irish Congress of Trade Unions

Budget 2025 Submission

Building a Better Economic Future



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Contents

Key recommendations

Revenue

1: There should be no tax cuts in Budget 2025.

2: Over the medium term, the overall level of revenues raised from tax and PRSI as a share of national income should increase materially in order to meet long-run public spending needs.

3: Green taxes should be ring fenced to fund the just transition and to protect low income households.

4: Increase self-employed and employer social contributions significantly, albeit gradually, over the longer-term to bring Ireland into line with European norms and to ensure a sustainable revenue base.

5: Increase taxes on wealth, on wealth transfers, and on capital gradually over the medium-term.

6: The use of existing tax expenditures should be significantly curtailed. No new ones should be introduced. All existing tax expenditures should undergo regular rigorous and transparent cost benefit analyses that fully consider environmental and equity impacts, potential distortions and deadweight losses. All tax expenditures should be subject to automatic sunset clauses.

Spending

7: Expand public provision in childcare, education, health and transport through targeted measures aimed at reducing living costs, particularly for low-paid workers and households on fixed incomes.

8: Welfare rate increases should more than match inflation, with additional increases for persons most at risk of income inadequacy, as part of a multi-year strategy to benchmark rates against the median earnings of full-time workers with the goal of achieving income 'adequacy' for all and eliminating deprivation.

9: Targeted fiscal measures to mitigate the continuing impact of high energy prices on vulnerable households and low-paid workers. This is best achieved through adequacy benchmarking of welfare payments and transitioning the minimum wage to a genuine living wage.

10: Retain the existing flat-rate expenses regime.

11: Increase the eating-on-site allowance from €5 to €6.20 a day to reflect price inflation.

Employment and Job Quality

12: Focus employment supports and remove barriers to employment for groups facing the greatest challenges in accessing employment, particularly people with disabilities, parents and guardians of young children, people from disadvantaged socio-economic backgrounds and disadvantaged groups including Travellers/Roma and people with criminal records.

13: Increase the minimum age rate to ensure full momentum is maintained towards achieving the target of 60% of median earnings in 2026.

14: Introduce a genuine short-time work scheme as exists in other European countries.

15: Ensure public procurement comes with binding social conditions promoting collective bargaining.

16: Align the rate of PRSI on self-employment over time to that of the combined total of an employee and employer and in tandem with raising the employers' rate of PRSI.

17: Reinstate tax relief for trade union subscriptions as part of a larger programme of reforms to achieve the goals of the Adequate Minimum Wages Directive.

Structural Reforms and Investments

18: Increase investment for construction of high-quality, affordable A-rated social and cost-rental housing; increase support to attract workers to construction training and apprenticeships, including by abolishing exemption of apprenticeships from the minimum wage, prioritise provision of housing close to workplaces for essential workers.

19: Prioritise investment in healthcare on prevention, and on the provision of universal primary care.

20: Re-instate the early years model in place during the lockdowns, with lower fees for parents, and with improved terms and conditions for staff. Expand childcare provision to underserved areas.

21: Increase expenditure per pupil to peer countries' average over the medium-term, to reduce class sizes, address teacher supply problems, and achieve a more inclusive education system.

22: Increase investment in digital and green skills, including through paid training leave. This could be funded via the National training Fund.

23: Set a short-to-medium term pathway to raising Overseas Development Aid to 0.7% of GNI*.

Foreword

The Irish Congress of Trade Unions believes that we need to re-imagine and re-design our economic model in order to build a sustainable, prosperous and inclusive economy for all. We want to avoid the booms and busts that have caused such huge pain in the past. We also want to protect people from the ups and downs of the international economy even though we recognise that engagement is critical. The Covid-19 crisis showed that basic public services, good employment, and the broader welfare state are the indispensable bedrocks underpinning people's economic well-being. Enormous sacrifices were made by workers and Congress believes there can be 'no going back' to the old economic model.

Our view is that we need to develop a cohesive strategy to ensure consistent well-being gains over the next generation for everyone in Irish society. Specifically, Congress believe the government's economic goals should be based on four mutually reinforcing pillars:

- **A) A high-productivity economy;**
- **B) Labour market participation and good jobs for all that want it;**
- **C) Economic security for all, and**
- **D) Economic stability with dynamism.**

This document sets out how we believe that Budget 2025 can help Ireland progress towards our longer-term goals. We believe that a longer-term strategic and structural approach should determine our budgetary policy, our approach to the provision of public services, to welfare policy and to the sustainability of our tax base, in a world increasingly characterised by disruptive megatrends.

This is reflected in our key recommendations. We very much look forward to engaging with the government on these issues.

Owen Reidy
General Secretary

July 2024

1: Economic Outlook and the Congress Position

1.1 There is no going back - time to build a better economic model

The Irish economy has come through the array of recent external shocks with surprisingly limited economic scarring. Even so, the cost of living crisis has forced deprivation rates upwards while the ongoing crisis in homelessness and housing supply remains unresolved. Ireland's economy and society are beset by many other challenges including an unjust two-tier health system, weak employment rates for marginalised groups, numerous infrastructure deficits, underperforming domestic enterprise, the prevalence of low pay, high greenhouse gas emissions, and collapsing biodiversity.

Congress, just like the majority in this country, wants to build a sustainable, prosperous and inclusive economy. We want to avoid the booms and busts that have caused such huge pain in the past. We also want to protect people from the ups and downs of the international economy even though we recognise that engagement is critical. The Covid-19 crisis showed that basic public services, good employment, and the broader welfare state are the indispensable bedrocks underpinning people's economic well-being. Enormous sacrifices were made by workers and Congress believes there can be 'no going back' to the old economic model.

The view of Congress is that we as a country need to develop a strategy to ensure consistent well-being gains over the next generation for everyone in Irish society. Specifically, we believe the government's economic goals should be based on four mutually reinforcing pillars:

A) A high-productivity economy;

B) Labour market participation and good jobs for all that want it;

C) Economic security for all, and

D) Economic stability with dynamism.

A productive economy enables good jobs which in turn underpin economic security. Economic security makes it easier to manage for the economic stability and promote the dynamism that is necessary for a productive economy. This is what a resilient economy looks like.

Ireland's ageing demographics are going to gradually slow employment growth and therefore economic growth. As a consequence, the only way for us to continuously improve living standards in the future will be to inculcate the conditions necessary for ongoing productivity gains. This will require us to address the multiple infrastructure deficits and it will require us to identify and address the sources of weak domestic productivity.

If everyone is to benefit we will need our growth strategy to be inclusive and if it is to be sustainable we cannot base it on reckless budgetary policy or on policies that are inconsistent with climate and biodiversity targets.

We must also ensure to avoid economic dead-ends such as measures that preference or promote low productivity sectors. Jobs in these types of sector tend to be low paid, insecure and offer little or no opportunity for career progression. If we want a more prosperous, vibrant and fulfilling economy, we need to change how we support job growth and job retention.

Productivity

Policy should instead focus on economy-wide foundations. This means increased investment in physical and human capital and in building out a proper innovation system with proper funding for R&D and technological diffusion. We must ensure we are adequately resourcing infrastructure and education. Our industrial policy should focus on how we address productivity within sectors but also on how we can transition the economy over time to higher value sectors. We need to identify the problem sectors as well as the future growth sectors. Crucially, budgetary policy should ensure not to artificially impede the process of economic transition and churn, for example by engaging in short-term measures to support low value-added activities.

Good jobs and high levels of participation

In addition, Budget 2025 should seek to remove barriers to labour force participation and to good jobs. This means continuing the recent progress towards a genuine living wage for all workers. It also means (A) providing additional supports to offset the cost of childcare and other forms of caring and expanding the provision of caring supports to underserved areas, (B) providing supports to individuals and business in order to facilitate people with disabilities and/or other barriers to better access the workforce, (C) providing additional infrastructure supports in areas such as housing, public transport and broadband that will help reduce geographic barriers to participation.

Budget 2025 should also move to simplify the welfare system by removing all arbitrary cliff edges within that system, for example thresholds based on days or hours worked. In addition, Budget 2025 should provide additional resources for education and skills support in order that workers are able to successfully navigate the future transitions that will increasingly characterise the labour market. Finally, and looking beyond Budget 2025, any good jobs agenda is toothless unless workers have proper voice and agency. In practice, this will require robust policies that promote collective bargaining across the economy.

Economic security

Ensuring economic security throughout people's lives is a key goal of Congress and we believe it should be fundamental to any progressive Government's agenda. In essence, this means reducing inequality, achieving a high level of well-being for all, and minimising (ending) poverty and deprivation.

In relation to Budget 2025, Congress proposes abolishing the current ad hoc system of annual increases in welfare payments and instead moving to a system of benchmarked and indexed payments based on actual need, including in relation to the state contributory pension. A new independent commission should be established to advise governments on adequacy thresholds.

Covid-19 showed us that economic security can affect anyone. Economies change for many reasons. There can be technological disruptions or simply changes in tastes that affect particular industries and jobs. The twin green and digital (including AI) transitions mean we will have even more change than usual in the years to come. People will lose jobs. Economic disruption should not mean economic destitution. In this context, the move towards a form of limited unemployment insurance can be seen as a way of planning for change by protecting incomes for those affected. Pay-related income and in-kind supports should be enhanced over time. PRSI will need to be increased over time to fund these changes.

In relation to economic security and well-being, Congress is also proposing that universal basic services such childcare, education, health and social care, and public transport should all be made more affordable over time with sufficient quality access available outside the major population areas. The ultimate goal should be that eventually all of these services will be free. Achieving this will minimise the effects of market inequalities and foster greater social inclusion. Looking beyond Budgetary policy, Congress continues to argue for more collective bargaining in order to provide in-work security for all workers.

Stable but dynamic

We also need to build an economy that is dynamic yet also stable. We currently have a skewed two-tier economy with high living costs and under resourced public services and with volatile boom bust tendencies. We are manifestly failing to meet the challenge of the climate crisis.

Now is the time to prepare for a range of profound medium-term challenges. These challenges include but are not limited to (A) a rapidly ageing population, (B) automation, artificial intelligence and digitalisation, and of course (C) the enormous economic and societal tasks of transitioning the economy to net zero green-house gas emissions and of restoring and improving biodiversity. Other huge challenges include de-globalisation with its implications for a small open economy and the rise of the far right with its backward ideologies of intolerance and anti-intellectualism.

We must therefore avoid short-termism. Policy must evolve and be sustainable. Economies are not self-regulating. Stability requires choices that look ahead. For example, on tax, we have a record tax take but it is much too reliant on volatile and highly concentrated corporation tax receipts. If stability is a goal then we must take the decision now to broaden and deepen our tax base. Hardwiring fiscal stability makes sense and in principle Congress supports the Government's decision to establish and fund two new savings vehicles and the to move to multi-annual budgeting arising from the latest iteration of the EU's fiscal rules. This shift towards more longer-term budgeting will hopefully facilitate a long-needed and mature discussion about fiscal policy.

We also need to promote dynamism by developing an entrepreneurial state, by successfully managing the downsides of transitions and by maximising intergenerational equity and opportunity.

Finally, preventing climate degradation will necessitate large scale green investment. Just transition principles including 'just' policy sequencing imply that fiscal carrots rather than fiscal sticks should predominate within the government's approach. For example, valuing and paying for natural capital (green assets and services) offers a potential solution to the political economy difficulties of managing the transition in land use to more sustainable ends.

We recognise that the proposals outlined in this section are not all achievable in a single year or even in the short-term. Rather they provide a framing for the type of economy that we believe the government should be seeking to achieve. These policies can be implemented in the medium-term over a number of budgets and through the use of other policy levers.

In the rest of this pre-budget submission we turn our focus more to the shorter-term and describe the fiscal stance and policies that we believe government should pursue in Budget 2025 and the following budgets.

1.2 Context and Outlook

Ireland's output and employment performance has outstripped that of most other advanced economies over the last five years. The post Covid bounce back was enabled by the protection of productive capacity during the pandemic and the subsequent release of pent-up demand. While the economy as measured by GDP shrank by 3.2% last year (2023) this should not be interpreted as a recession or general decline. There was a decline specific to the MNE dominated pharmaceuticals sector with a retrenchment in some of the large and unsustainable gains over 2020 to 2022. Modified Domestic Demand (MDD) grew, albeit by a somewhat tepid 0.5% in 2023 following fast growth of 7.3% in 2021 and 9.5% in 2022.

The labour market continues to perform very well by historical standards. There was annual net employment growth of 1.9% or 51,500 people in the first quarter of 2024. There are a record 2.7 million people at work which is up over 300,000 since the final quarter of 2019. Participation rates and employment rates have increased for both males and females in recent years and are now at a record level for females. The seasonally adjusted unemployment rate was just 4.0% in April and the long-term unemployment rate is close to a record low. Employment growth should remain strong in 2024, albeit around half the 2023 rate of 3.4%.

Spending in the economy is also relatively buoyant with personal consumption up 3.1% in 2023 and by 1.7% year-on-year in the first quarter of 2024. VAT receipts are up 8% year-on-year over the first five months of 2024 while retail sales (volume) increased by an average of 2% annually over the first four months of the year. PwC's insolvency barometer notes there were 27 insolvencies per 10,000 companies in 2023. This compares to a rate of 36 per 10,000 in 2019 and is well below the 19-year average for their dataset.

Price inflation continues to diminish with the annual CPI at 2.6% in May (underlying CPI inflation was 3.5%). The Central Bank is projecting the HICP measure of inflation will increase by an average of just 1.7% in 2024. The HICP was 2% in May.

Real wages were positive in the first quarter of the year. Average weekly earnings increased 4.7% year-on-year while average hourly earnings increased by 4.5%. These compare to average CPI growth of 3.5%. Enforced deprivation rates worsened for most cohorts in 2023 with even 12.3% of employed persons experiencing deprivation. One reason behind this was the decline in real wages in 2022 and in 2023.

However, real wages should be strongly positive in 2024 (circa 2.5%) as a tight labour market and lagged wage growth combines with price disinflation to boost real incomes. The growth in real income will in turn boost consumer spending including in the domestic economy. The stronger financial position of households will particularly benefit non-discretionary spending in sectors such as the experience economy including tourism and hospitality. Aggregate demand and the business sector will also benefit from a loosening of monetary policy from mid-year.

Recessionary prospects are fading amongst Ireland's trading partners which should assist Ireland's export performance. The Irish economy remains, on balance, likely to avoid a recession, and should grow modestly with improving real incomes, employment growth, and looser monetary policy all set to support underlying demand.

1.3 Public Finances

The headline public finances appear ostensibly healthy with a 2023 surplus of €8.3 billion (2.9% of GNI*) in 2023 and a similar level of surplus expected in 2024. However, the benign picture is flattered by the surge and scale of potentially volatile corporation tax receipts (8% of GNI*). The headline position is also somewhat flattered by the strong performance of the labour market. Given the potential volatility and unsustainability of the corporation tax receipts we agree with the Government's decision to establish the Future Ireland Fund and the Infrastructure, Climate and Nature Fund and to divert €6 billion into these funds in 2025. This is a prudent approach. While most of Ireland's debt is locked in at very low interest rates over the short-to-medium term, Ireland's per capita debt burden remains one of the highest in the world and is vulnerable over the longer-term to a structural increase in borrowing costs. Even so, Ireland's net debt ratio continues to fall and debt interest repayments look set to remain stable for the foreseeable future.

Net annual expenditure increases ought to broadly track the economy's potential trend growth rate. Given the current strength of the economy and its cyclical position there is no justification for net spending to exceed the trend growth rate in 2025. Procyclical policy should be avoided and Congress is not arguing for a stimulatory budget.

However, this does not imply that gross spending should not exceed the trend growth rate.

It should, and this can be achieved through discretionary revenue raising measures (discussed in section 2). In other words, core public expenditure should, over each of the next few years, increase by more than the allowed 5 per cent per annum that is consistent with the economy's growth potential. We believe that this is necessary to begin to address the existing and profound deficits in public spending across a range of areas. Ireland has very low levels of per capita public spending relative to Western European norms as well as low levels of spending relative to national income.

The medium-to-long-term fiscal position is much more challenging and this will require a fundamental reappraisal of the sufficiency of Ireland's revenue base. Congress endorses the Commission on Taxation and Welfare's main recommendation that Ireland's revenue to output ratio needs to meaningfully increase in the years ahead.

The ageing of the population will exert an increasing fiscal cost (pension, health and social care) over the next generation, just as working age ratios and related income tax receipts decline. This will have profound implications for fiscal policy and for the sustainability of our low tax model. Put simply, government spending will need to increase significantly as a portion of national income over the medium-term.

Capital and other costs needed for the twin green and digital transitions will also need to be increased if we are to successfully manage those transitions. The green transformation will require significant and ongoing state investment for the next quarter of a century, alongside income and training supports if we are to achieve net zero in a manner consistent with just transition principles. The various technological transformations will require additional and ongoing spending on education, on life-long learning, and on R&D. In addition, revenues from green taxes such as the carbon tax and fuel excises will evaporate as a by-product of a successful green transition. Such taxes can therefore not be relied upon over the longer-term.

Chronic underspends in a range of areas including childcare, housing, education, public transport, R&D and elsewhere will also all need to be gradually reversed. In this context, Congress would like to emphasise our firm view that plans to cut taxes in Budget 2025 should not proceed. Tax cuts now will eventually have to be re-imposed on younger generations. Income tax cuts would be pro-cyclical, inflationary and regressive. Tax cuts in Budget 2025 will ultimately make it more difficult to resolve the ongoing crises in housing, health, childcare, biodiversity loss, and a range of other areas and will exacerbate the future fiscal challenges.

Chronic underspends in a range of areas including childcare, housing, education, public transport, R&D and elsewhere will also all need to be gradually reversed

2: A Sustainable Revenue Base

2.1 A Fragile Medium-term Picture

While the headline public finances appear strong there are reasons for concern:

- Most of the projected surplus relates to potentially volatile corporation tax receipts which have expanded rapidly in recent years (now over 8% of GNI* and over double the EU average) and may prove unsustainable. It is unclear whether future changes to international corporation tax rules will partially reverse this trend.
- A large proportion of the corporation tax yield depends on a very small number of companies. This makes us vulnerable to the commercial performance and corporate decisions of a small number of companies.
- Ireland has a very high level of per capita public debt, which makes the public finances vulnerable over the longer-term to a structural increase in interest rates and the cost of borrowing.
- The economy is experiencing capacity constraints both in the labour market and in terms of material shortages. It is likely that the structural position of the public finances is less healthy than the headline position.
- Demographic changes will lead to an ageing of the population and to significant funding pressures in areas like healthcare and pensions. The falling working age ratio will mean slower economic growth and a weaker revenue base in the future. In addition, there will be a significant annual fiscal cost associated with transitioning the economy to net zero GHG emissions. Indeed, a successful green transition itself implies a reduction in green tax receipts from fossil fuels.

In this context, Congress believes that Ireland requires a broader and more resilient revenue base over the medium-term horizon and that tax cuts should be avoided in Budget 2025. Significant reforms on the revenue-side will be required in order for us to address the chronic underfunding of public services and future spending challenges. The direction of travel for policy will need to be net revenue raising and not net revenue reducing.

Recommendation: There should be no tax cuts in Budget 2025.

Recommendation: Over the medium term, the overall level of revenues raised from tax and PRSI as a share of national income should increase materially in order to meet long-run public spending needs.

Table 2.1 and Table 2.2 shows that Ireland's tax revenue yield was relatively low in comparison to the EU average and compared to other high-income European countries in 2022. This is consistent with the pattern from previous years. Tax revenue at 38.8% of GNI* was €3.9 billion below the EU average of 40.2% of GDP. The high-income Western European economies tend to have higher tax ratios than their Eastern European counterparts.

Ireland's revenue yield from *consumption* taxes (mainly VAT and Excises) is below average relative to the EU average from a percent of output perspective (Table 2.1 and Table 2.2) although Ireland's economy-wide effective or implicit tax rate on consumption is actually higher than the EU average (see Table 2.3). Consumption taxes are generally regressive when considered in isolation unless they are targeted at luxury goods and services. It may therefore be challenging to introduce net increases on consumption taxes in a manner consistent with progressivity and with poverty reduction. This has implications for our ability to manage a just green transition through increases in pollution-based taxes such as carbon taxes, and through the removal of fossil fuel subsidies. Congress strongly favours hypothecating (i.e. earmarking) future increases in green taxes to a fund for managing the net zero transition in a manner consistent with protecting low income households.

Recommendation: Green taxes should be ringfenced to fund the just transition and to protect low income households.

Table 2.1: Tax revenue (including SSCs), % of GDP (GNI for Ireland), 2022*

Country	Labour	Consumption	Capital	Total
EU27	20.3	11.0	8.9	40.2
Germany	22.6	10.3	7.8	40.8
Denmark	22.3	12.3	7.3	41.9
France	23.4	11.5	11.2	46.2
Netherlands	18.4	11.0	9.1	38.5
Belgium	22.3	10.3	10.6	43.3
Finland	21.0	13.6	8.5	43.1
Sweden	23.2	11.9	6.6	41.8
Ireland (Rep.)				
Eurostat *(Tax Trends)*	16.1	10.2	12.5	38.8
Tax Gap to EU27 (€ billions)				3.9

Sources: Eurostat (2024) Taxation Trends in the European Union, CSO (2023) National Accounts

Notes: SSCs are Social Security Contributions.

Table 2.2: Tax breakdown, % of GDP (GNI for Ireland), 2022*

Type	Ireland	EU27
Structure by type of tax		
Indirect Taxes	11.9	13.6
VAT	7.1	7.5
Direct Taxes	21.0	13.7
Personal income tax	12.1	9.6
Corporate income tax	8.4	3.3
Social contributions	5.9	12.9
Employers	3.7	7.1
Households	2.2	5.8
Total	38.8	40.2
Structure by economic function		
Consumption	10.2	11.0
Labour	16.1	20.3
Of which income from employment	15.6	18.0
Paid by employers	4.0	8.0
Paid by employees	11.6	10.1
Capital	12.5	8.9
Income of corporations	8.4	3.4
Income of households	1.1	1.0
Income of self-employed	1.1	2.2
Stock of capital	1.9	2.4
Environmental taxes	1.6	2.0
Property taxes	1.7	2.1
Recurrent taxes on immovable property	0.75	1.0
Other taxes on property	1.0	1.1

Sources: Eurostat (2024) Taxation Trends in the European Union, CSO (2023) National Accounts

Table 2.3: Implicit Tax Rates (ITRs) in selected countries, 2022

Country		Labour	Consumption
EU27		37.8	17.2
Germany		38.0	16.0
Denmark		35.4	23.4
France		39.7	17.9
Netherlands		31.1	18.5
Belgium		41.1	16.9
Finland		39.0	20.9
Sweden		38.5	22.0
Ireland (Rep.)		34.8	18.6

Sources: European Commission (2021) Taxation and Customs Union, Data on Taxation; See McDonnell (2021)

2.2 Understanding Ireland's 'Under-taxation'

Ireland's taxes on income from self-employment and taxes on wealth and property (capital stocks) are comparatively low relative to the EU average and cumulatively explain about €1.3 billion of the 'under-taxation'. Reforms designed to increase revenues from these areas are certainly needed. Ireland also under-taxes in relation to environmental taxation with the gap to the EU average amounting to around €1.1 billion and mainly reflecting the under-taxation of energy (e.g. fuel related tax breaks)

However, Ireland's low overall revenue yield relative to the EU average essentially derives from the under-taxation of labour income (i.e. combined income tax and social security contributions). The under-taxation of labour as a percentage of economic output amounts to over €10 billion. Table 2.4 decomposes labour taxation into its various bases in 2022 while Table 2.5 compares effective tax rates in 2019. While tax revenue from employees and the effective tax rate (the ITR) exceeds the EU average, employers are *significantly 'under-taxed'*, as a percentage of output, and employer contributions would need to double to reach the EU average. Thus, Ireland's low level of employer PRSI is the 'elephant in the room' that explains why Ireland's revenue base is out of step with Western European averages. Reforms to the revenue base and moves to cut employer PRSI cannot ignore this crucial fact.

By far the greatest scope to increase government revenue (in the sense of developing or utilising areas of relative under taxation) is via increases in employer and self-employed PRSI. The process of gradually increasing both employer and self-employed PRSI should begin in earnest in Budget 2025. This process could begin with an increase in PRSI for the proportion of income in excess of €100,000. Such a measure would have no impact on lower paid workers but would nevertheless generate significant revenue. Over the medium-term the increase in employer PRSI should be extended to all employments.

Recommendation: Self-employed and employer social contributions need to increase significantly, albeit gradually, over the longer-term in order to bring Ireland into line with other EU countries and to ensure the sustainability of the revenue base.

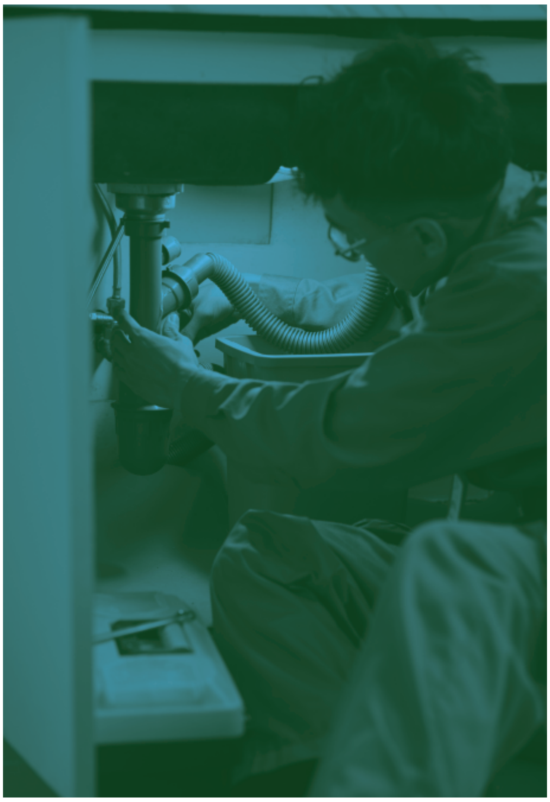

Table 2.4: Tax revenue from labour, selected countries, % of GDP (GNI for Ireland), 2022*

Country	Employee	Employer	Non-employed	Total
EU27	10.1	8.0	2.3	**20.3**
Germany	12.9	6.9	2.8	**22.6**
Denmark	16.8	0.6	4.9	**22.3**
France	9.2	12.3	1.9	**23.4**
Netherlands	9.5	5.2	3.7	**18.4**
Belgium	12.1	7.8	2.4	**22.3**
Finland	10.7	7.6	2.8	**21.1**
Sweden	10.0	11.5	2.6	**24.0**
Ireland (Rep.)				
Eurostat *(Tax Trends)*	11.6	4.0	0.4	**16.1**

Sources: Eurostat (2024) Taxation Trends in the European Union, CSO (2023) National Accounts

Table 2.5: Decomposition of the ITR on labour in selected countries, 2019

Country	Employee PIT	Employee SSC	Employee Total	Employer SSC & PT	Total
EU27	*12.6*	*8.6*	21.1	17.0	38.1
Germany	13.3	11.9	25.2	12.9	38.1
Denmark	*33.2*	*0.1*	33.3	1.3	34.6
France	*9.7*	*6.8*	16.5	23.4	39.9
Netherlands	10.7	*10.4*	21.1	11.4	32.5
Belgium	*16.0*	*8.3*	24.3	16.1	40.4
Finland					
Sweden	*18.1*	*0.0*	18.1	20.9	43.8
United Kingdom	*12.6*	*5.2*	17.8	8.0	25.7
Ireland (Rep.)	*19.7*	*4.6*	24.3	9.2	33.5

Sources: See McDonnell (2021) How Heavy is the Weight of Tax in the Republic of Ireland – Some High Level Facts

Notes: PIT is Personal Income Tax. SSC is Social Security contribution. PT is Payroll Tax. Comparative data for 2021 is not yet available.

2.3 Growth-friendly Tax Reforms

Taxes on wealth and property (capital stocks) are comparatively low relative to the EU average. On general, the most growth friendly taxes are taxes on capital stocks (wealth) and property, and in particular taxes on immovable property. In addition, these types of tax are generally progressive if they are properly designed. Household wealth tends to be much more unequally distributed than household income and this is indeed the case for Ireland. The NERI[1] has made a series of proposals for reforming the taxation of capital stocks. For example, the NERI propose that government should introduce a tax on net household wealth in excess of €1 million, and phase out the various reliefs associated with Capital Acquisition Tax (for example business and agriculture reliefs) and with the Local Property Tax (LPT). Congress supports these suggestions.

The higher yield from CAT could be used to finance a 'Universal Basic Capital' or capital endowment to every person in the state that turns 30. This would help reduce levels of intragenerational wealth inequality.

Taxes on the stock of wealth and on wealth transfers offer the most promising 'low hanging fruit' for increasing government revenue in the short term. Congress believes that reversing Ireland's under-taxation in this area should be progressed as soon as possible. This position is consistent with the Commission on Taxation and Welfare's view that the tax base should be reoriented in favour of higher taxes on capital.

Recommendation: Taxes on wealth, on wealth transfers, and on capital in general should be increased gradually over the medium-term.

Congress also believes there must be a comprehensive item-by-item review of the system of tax expenditures (tax reliefs). Tax expenditures are a form of hidden public spending that tends to deliver larger benefits to higher income households. These 'holes in the tax system' are inherently non-transparent. In addition, as tax expenditures narrow the tax base it becomes necessary to either set higher tax rates on other groups or to reduce the provision of public services and social transfers. Finally, tax expenditures often have significant deadweight costs and distort economic activity – often in unanticipated ways as was evidenced by their role in the pre-2008 asset boom. All tax expenditures should therefore undergo regular rigorous and transparent cost benefit analyses that consider environmental and equity impacts. All tax expenditures should also have built-in sunset clauses with automatic reviews every three years.

Recommendation: The use of existing tax expenditures should be significantly curtailed. No new ones should be introduced. All existing tax expenditures should undergo regular rigorous and transparent cost benefit analyses that fully consider environmental and equity impacts, potential distortions and deadweight losses. All tax expenditures should be subject to automatic sunset clauses.

1 McDonnell, T. (2019) Taxing Property: Suggestions for Reform, July 2019, NERI Working Paper No 63

2.4 Congress proposals

By far the greatest scope to increase government revenue (in the sense of relatively under-developed areas) is via increases in PRSI (employer and self-employed) increases in capital taxation (a wealth tax, reforms to CGT and CAT, and to the taxation of capital stocks in general), increases to green taxes on pollution, as well as root and branch reforms to the system of tax expenditures (e.g. abolition of SARP and Help to Buy). These reforms should collectively be implemented on a phased basis over the medium-term.

Congress is proposing the following measures on the revenue side:

1. **A modest net wealth tax on households with net assets worth more than €1 million should be introduced**. Ability to pay and inequality relates to income and wealth – not just income. There is no justification for the absence of a modest tax on millionaire wealth. It is an important expression of social solidarity.
2. **Significantly greater tax contributions from inherited wealth (CAT) should be obtained** via fundamental reforms to the system of CAT related tax expenditures and to the treatment of inherited/gifted income. For example, substantial reductions in the CAT reliefs for agriculture and business would be prudent – these principally benefit very substantial inheritances and are unlikely to benefit the economy in any meaningful way. These reliefs should be abolished. One option is to use the higher CAT yield used to finance a Universal Basic Capital or wealth endowment to every person in the state when they turn 30.
3. **Reforms to the system of tax expenditures related to CGT should be expedited** e.g. by reducing the generosity of retirement relief and entrepreneurs' relief[2], and by treating death as a disposal for CGT purposes.
4. There should be an **increase in the rate of the** local property tax (**LPT**) in Budget 2025, **as it applies to non-principal residences and to properties worth in excess of €1 million**.
5. **A Site Value Tax (SVT)** should be announced in Budget 2025 and introduced within the next three years following an assessment of underlying land prices. It should sit alongside the LPT and be a tax on all land not covered by the LPT. An SVT would help reduce land and property prices and would be an economically efficient broadening of the tax base. It could replace commercial rates but should be designed to yield significantly more revenue than commercial rates.
6. **Reforms to social insurance should continue in 2025 with further increases in employer and self-employed PRSI.** Self-employed PRSI should over the medium-term be increased to that of the prevailing combined rate of employee and employer PRSI.
7. **The Special Assignee Relief Programme (SARP) should be abolished.** It is extremely regressive and odious to any notion of fairness or equity. Measures such as this violate the basic social contract. People should contribute in line with their ability to pay and those with the broadest shoulders should pay the most. SARP should be ended in Budget 2025.

2 Tax Strategy Group paper 23/05 Enterprise Supports estimates the cost of entrepreneurs' relief at €142.9 million in 2021 for 1,204 claims. This equates to an average cost of approximately €118,700 per claim.

8. **There should be increases to existing green taxes and the introduction of new taxes on pollutants** (e.g. on diesel, cars, packaging, air travel, car parks, congestion charges, and single-use plastics) **and on other activities and items associated with negative health or social outcomes** (e.g. tobacco and betting). The purpose of these taxes is not to increase revenue but to achieve certain long-term well-being outcomes. Green taxes should be ring fenced to support the green transition consistent with just transition principles.
9. **The Help to Buy scheme and other tax breaks and subsidies that stimulate housing demand should be ended** at the earliest opportunity. There is no economic or social logic to a regressive measure with significant deadweight that increases house prices (Congress proposals on housing are found in section 5.1.)
10. **The tax-free retirement lump sum and the Standard Fund Threshold** are both excessive and **should be reduced over time**.
11. The **R&D tax credit should be reformed** to better target micro and small businesses and high potential start-ups.
12. **The tax relief for private health insurance should be eliminated on a phased basis over the short-to-medium term.** This relief is regressive and wholly inconsistent with the policy goal of universal healthcare and implementing Sláintecare.
13. Finally, Congress supports fundamental reform of the tax treatment of multinationals. **Harmful tax competition and facilitation of aggressive tax planning should not form part of Ireland's tax policy toolkit in the future**. Ireland should be one of the 'first movers' in implementing the new global policy regime on corporation tax and in supporting a UN lead process inclusive of Global South countries. Failure to act risks further reputational damage for the country.

3. Incomes and the cost of living

3.1 Expand public provision to reduce the cost of living

The Congress pre-budget submission for Budget 2024 recommended targeted measures to address the very substantial increase in the cost of living since 2021, especially for low-paid workers and households on fixed incomes, as well as the expansion of universal public services. In particular, it called for social welfare rates to more than match inflation and by at least €25 a week, with additional increases for those at greatest risk of income inadequacy as part of a **multi-year strategy to benchmark all social welfare rates against median earnings of full-time workers**.

Budget 2025 needs to see further measures aimed at:

- Reducing the cost of **early years services** and expanding provision among marginalised communities. Such measures would also contribute to eliminating barriers to the participation by women in the labour market (see section 5.4). The EU Joint Employment Report 2024 notes that the cost of accessing early years services in Ireland was 'among the highest in the EU for most household types in 2022' and was a major reason behind the low participation of women in the labour force, but that it has been decreasing more recently.[3] More progress is needed.
- Reducing **education** costs such as through a further increase in the Back to School Clothing and Footwear Allowance, further reductions in school transport charges and expansion of school transport places, making permanent the waiver of State Exam fees for Junior and Leaving Certificate, the further extension of the Hot School Meals Programme, increases in the Student Maintenance Grant, and the further extension of free schoolbooks.
- Increasing investment to support the expansion of **public transport**, particularly in rural areas.
- Implementing **Sláintecare** recommendations that accessibility must be public service driven, with: a) GPs and practice nurses on public service contracts; b) further extensions of the entitlement to the GP visit cards to additional children and adults;[4] c) further extensions to the medical card, and; d) expansion of the Drugs Payment Scheme. 2.6% of the population (16+) self-reported an unmet need for medical care in 2022, up from 2% in 2021, with Ireland considered to be 'on average' under the EU Social Scoreboard headline indicator. The medium-term goal should be a universal single-tier system that is free to all.

Recommendation: Expand public service provision with a set of targeted measures aimed at reducing living costs, particularly for low-paid workers and households on fixed incomes.

3 EU Council (March 2024), ***Joint Employment Report***, p.257. This report was adopted by the EU Council on 11 March 2024, with Neale Richmond TD, Minister of State, representing the Government.

4 The extension of such services has contributed to increasing attendance at acute hospitals. This underlines the importance of fully implementing *Leading the Way – the National Strategy for the Future of Children's Nursing in Ireland 2021-2031 (2021)* and the *Report of the Expert Review Body on Nursing and Midwifery (2022)*.

3.2 Social welfare

Ireland's 2030 national target under the European Pillar of Social Rights Action Plan is to reduce the numbers at risk of poverty or social exclusion (AROPE) by 90,000 by 2030, with at least 50% of these to be children. Ireland however is one of the few member states that saw an increase in the number of persons at risk between 2019 and 2022, rising by 40,000.[5] The EU also identifies Ireland as:

- One of the countries where the AROPE rate for persons with disabilities remains above 35% and with one of the largest gaps (25 percentage points) in poverty risks between persons with and without disabilities.[6]
- One of three countries that saw an increase in its in-work poverty after social transfers between 2019 and 2022, up from 4.3% in 2021 to 5.3% in 2022.7 This again underlines the importance of fully transposing and implementing the adequate minimum wages directive.
- One of four countries where the ratio of the average pension of those aged 65-74 to the work income of those aged 50-59 ('aggregate replacement rate') was 'even below' 0.40 in 2022.[8] Ireland's ratio has fallen from .42 in 2019 to .38 in 2022.

While the impact of social transfers (excluding pensions) on poverty reduction in Ireland remains one of the most effective in the EU, Ireland's rate did fall from 61% in 2021 to 56% in 2022.[9] Furthermore, the adequacy of minimum income schemes, though remaining above 80% of the at-risk-of-poverty threshold, had declined between 2020 and 2021.[10]

Budget 2025 should introduce a (non-means-tested) cost of disability allowance to provide an additional weekly payment of €10-€40 for persons with a disability.

All welfare payments should be benchmarked to median earnings with the precise level (percentage) for each payment set at an appropriate 'adequacy' level consistent with ending deprivation for all groups.

Recommendation: Welfare rate increases should more than match inflation, with additional increases for persons most at risk of income inadequacy, as part of a multi-year strategy to benchmark rates against the median earnings of full-time workers.

5 EU Council (March 2024), *Joint Employment Report* 2024 p.256
6 Ibid, p.121.
7 EU Council (March 2024), *Joint Employment Report 2024*, p.43
8 Ibid, p.137
9 Ibid, p.126. This measures the reduction in the percentage of the risk of poverty rate, due to social transfers (calculated comparing at-risk-of poverty rates before social transfers with those after transfers; pensions are not considered as social transfers in these calculations)
10 EU Council (March 2024) *Joint Employment Report*, p.132.

3.3 Energy prices

While energy prices have fallen over recent months, Ireland is one of three EU countries that saw the largest increases in energy poverty among the total population between 2021 and 2022[11] and one that saw 'particularly strong rises' of 3 percentage points or more in energy poverty between 2021 and 2022.[12] Further fiscal measures introduced in Budget 2025 to mitigate the ongoing impact of high energy prices should therefore take the form of *targeted* measures for vulnerable households and low-paid workers. This is best done through adequacy benchmarking of welfare payments and by increasing the minimum wage to a genuine living wage. In addition, the fuel allowance should be based on units rather than a monetary sum, to ensure low and fixed-income households are less vulnerable to price increases.

Recommendation: Targeted fiscal measures to mitigate the continuing impact of high energy prices on vulnerable households and low-paid workers. This is best achieved through adequacy benchmarking of welfare payments and transitioning the minimum wage to a living wage.

3.4 Expenses and allowances

Flat-rate Expenses

Recent Congress pre-budget submissions have called for the retention of the existing Flat-Rate Expenses (FRE) regime. These were reviewed by Revenue in 2018 and 2019. The Minister for Finance stated in June 2023 that he has been advised by Revenue that it has deferred the implementation of the findings of the 2018/2019 review to allow time to complete a 'further review' of certain FRE rates and that once this work is concluded, a further update on the implementation of changes to the FRE regime would be made available and published on the Revenue website[13] Though there have been increases in some rates recently, this second review is apparently still taking place.

Recommendation: Retain the existing flat-rate expenses regime

Eating-on-site allowance

Revenue allow an employer to pay an 'eating on site' allowance of no more than €5 a day to site-based workers who meet certain criteria, on a tax-free basis. High rates of inflation over recent years has meant that the value of this allowance has decreased significantly. The ceiling for this allowance should be increased to €6.20 per day, and thereafter increased annually in line with price inflation.

Recommendation: Increase the eating-on-site allowance from €5 to €6.20 a day.

11 Ibid, p.123.
12 Social Protection Committee (2023) *Annual Report 2023*, p.31
13 Written answer to Dáil written question no.30172/23, 22 June 2023. The relevant section of the Revenue website was last updated in June 2022.

4. More and better jobs

'Irish businesses have sustained robust performance, with strong turnover and profitability indicators'

European Commission, June 2024

4.1 Raising employment rates

Congress has previously argued that Ireland's employment rate target of 78.2% (aged 20-64) agreed with the European Commission under the 2021 European Pillar of Social Rights Action Plan is relatively modest compared to those agreed by other member states. Ireland was 'precisely at its 2030 target' in 2022[14] and Ireland is the only member state so far to have reached its 2030 target.[15] Nonetheless, eight member states still had higher employment rates than Ireland in 2023. Congress considers that Ireland should also have agreed 'sub-targets' for the complementary goals of the Action Plan.[16] The 'comparatively worse labour market outcomes of the most vulnerable groups, Travellers, people with disabilities, displaced people from Ukraine and single parents' have been identified as the key employment challenges facing Ireland.[17] While the share of persons living in (quasi-) jobless households did fall in 2022, Ireland is still one of the member states with the highest rates (i.e. above 9%)[18] and the share of children living in (quasi)-jobless households remains the highest in the EU (above 10%).[19]

While Ireland's employment rate gap between people with and without disabilities has fallen over recent years, Ireland's gap of 37 percentage points in 2022 remains the highest in the EU (EU average of 21 pp) and results in Ireland being placed in the 'critical situation' category for this indicator under the European Social Scoreboard.[20]

The European Commission argues that 'strengthening the activation and employability of under-represented groups, such as persons with disabilities, women, single parents and the low-skilled, can help in responding to labour and skills shortages'[21] At the same time, it also points out that Ireland has the highest participation rates in active labour market policies of all member states, with almost 90% of unemployed persons willing to work taking part in 2021.[22] While efforts are needed to promote participation in active labour market policies to assist people transition into quality jobs, as now recommended by the Labour Market Advisory Council's mid-term review of Pathways to Work 2021-2025, this highlights the need for a greater focus on the role and responsibilities of other stakeholders in responding to genuine labour and skills shortages and

14 EU Council (March 2024), *Joint Employment Report*, p.51. Adopted by the EU Council on 11 March 2024.
15 EU Employment Committee (October 2023), *EMCO Annual Employment Performance Report*, p.30
16 To reduce the gender employment gap, increase provision of formal early childhood education and care, decrease young NEETs, raise share of adults with at least basic digital skills, and cut early leaving from education and training.
17 EU Employment Committee (October 2023), *EMCO Annual Employment Performance Report* p.32
18 EU Council (March 2024), *Joint Employment Report*, p.30, p.197
19 Ibid, p.199
20 13.9% of people in Ireland reported 'some' limitations in usual activities in 2021 compared to an EU average of 18% and four member states reporting lower rates - European Commission (September 2023), *Study supporting the Impact assessment of an EU initiative introducing the European Disability Card,* Table 1, p.20.
21 EU Council (March 2024), *Joint Employment Report* 2024, p.256
22 Ibid, p.167

on issues around pay and terms and conditions (discussed below).[23] Measures to improve working conditions must be fully implemented. There should be no pause in the commitment to increase statutory sick leave to seven days from January 2025 or to raise the minimum wage for general employment permits to €39,000.

Recommendation: Focus employment supports and remove barriers to employment for groups facing greatest challenges in accessing employment, particularly people with disabilities, parents and guardians of young children, people from disadvantaged socio-economic backgrounds and disadvantaged groups including Travellers/Roma and people with criminal records.

4.2 Make the Minimum Wage a Real Living Wage

Congress's submission to the Low Pay Commission as to the hourly rate of the National Minimum Wage in 2025 recommended that the rate be increased to ensure progress is maintained towards achieving the target of 60% of the median earning (of all workers) by 2026. Congress reiterates this recommendation.

Recommendation: Increase the minimum wage rate to ensure progress is maintained towards achieving the target of 60% of the median earnings in 2026.

4.3 Introduce a real Short-Time Work Scheme (STWS)

Congress has been advocating for a number of years for the introduction of a real short-time work scheme, modelled on the most effective schemes based on social dialogue and collective bargaining in other European countries such as Germany, Austria and the Nordics.[24] The mid-term review of Pathways to Work 2021-2025 included a commitment to 'explore the possibility of introducing a new Short-Time Work Support Scheme, building on the EWSS/TWSS and drawing on existing international models'. This was to have been delivered by Q4 2023 but has not been done.

Recommendation: introduce a genuine short-time work scheme.

23 For example, Pathways to Work 2021-2025 commits the Labour Market Advisory Council's employers' sub-group on employer engagement' to develop an employer engagement strategy by Q2 2022. This has not been done.

24 See the Congress October 2019 Submission to the Oireachtas Joint Committee on Business, Enterprise and Innovation in relation to Brexit Preparations.

4.4 Promote Decent Work through public procurement

Public procurement amounts to approximately €17 billion per year and represents approximately 9% of GDP (2020)[25]. The European Commission has previously indicated that there was 'a lack of data on the implementation of the social clause of [existing EU] public procurement' in Ireland and in all member states.[26] Article 9 of the Adequate Minimum Wages Directive concerns public procurement and aims in particular to *'ensure compliance'* with statutory minimum wages and wages set by collective agreements in the awarding and performance of public procurement or concessions contracts.'[27] Furthermore, the *La Hulpe* declaration on the future of the European Pillar of Social Rights, signed by the EU institutions and by the ETUC and SMEUnited[28] in April calls for 'sustainable public procurement, including to promote collective bargaining. In this light, the directives on public procurement could be evaluated and, if needed, further steps could be taken'.

Recommendation: Ensure public procurement comes with binding social conditions to promote collective bargaining.

4.5 Raise Class S PRSI rates

The final report of the Commission on Taxation and Welfare recommended that 'the rate of PRSI on self-employment be aligned over time with the employer's rate of Class A PRSI attaching to employment in order to 'minimise the distinctions between legal forms and to treat similar activity in similar ways'. As the Department of Social Protection previously pointed out, even moving to a rate of (then) 11.05%, the rate of social insurance for self-employed workers would still be over 10% less than the current EU average (Department of Social Protection, 2022:19). Recent Congress pre-budget submissions have recommended an increase in the rate of PRSI on self-employment (Class S) to that of the combined total of an employee and employer.

Recommendation: The rate of PRSI on self-employment should be aligned over time to that of the combined total of an employee and employer and in tandem with raising the employers' rate of PRSI.

25 OECD, *Ireland Digital Transformation Public Procurement*
26 European Commission (October 2020), SWD (2020) 245 final, p.169.
27 European Commission (2023) Report of the Expert Group on the Transposition of Directive (EU) 2022/2041, p.45.
28 Representing Congress and ISME respectively.

4.7 Reinstate tax relief for trade union subscriptions

With the aim of facilitating the exercise of the right to collective bargaining on wage-setting and of increasing collective bargaining coverage, the Adequate Minimum Wages Directive commits Ireland to encourage constructive, meaningful and informed negotiations on wages between unions and employers 'on an equal footing'. Given that subscriptions to employers' organisations (and to the IFA) are tax deductible, the re-instatement of the system in place between 2001 and 2011 is one way of meeting Ireland's commitments under the Directive. Alternatively, Government could abolish the system of tax relief for subscriptions to employers' organisations.

Recommendation: Reinstate tax relief for trade union subscriptions as one part of a larger package of measures to achieve the goals of the Adequate Minimum Wages Directive.

5. Structural and investment priorities

5.1 Housing

'Low housing affordability and availability remains a societal challenge and reduces Ireland's attractiveness as an economic hub.'

European Commission, June 2024

The trade union movement has repeatedly highlighted how the failure to deliver sufficient amounts of affordable accommodation have adversely affected the recruitment and retention of staff in public services, particularly nurses, midwives and teachers, thereby compromising the provision of services to the wider population.[29] Budget 2025 should introduce a payment for essential workers to overcome recruitment and retention concerns. This initiative should remain in place until the housing crisis is resolved. The Congress Housing Ireland[30] policy paper calls on the Government to focus on creating a unitary housing system with a much more significant role for the state in the direct provision of public housing. This should be done through the establishment of a new housing semi-state 'Housing Ireland' that works in conjunction with local authorities.

This new body could initially be financed on a once-off basis using a portion of the exchequer's 'windfall' corporation tax receipts and would be mandated to leverage its size and funding advantages to directly provide secure and 'genuine' cost rental housing at a scale great enough to exert a transformational reduction in rents. Increasing labour supply in construction means better pay, conditions, and job security in the sector, incentivising inward migration of construction workers, and significantly increasing investment in relevant vocational education and apprenticeships.

Measures are also needed to reduce the cost of land and to disincentivise non-use and hoarding, including by introducing a meaningful site value tax. Finally, the chronic insecurity in the private rental sector must be addressed by ending 'no fault' evictions and by introducing effective rent regulation, as now recommended by the European Commission.[31]

Recommendation: Increase investment for construction of high-quality, affordable A-rated social and cost-rental housing; increase support to attract workers to construction training and apprenticeships, including by abolishing the exemption of apprenticeships from the minimum wage, prioritise provision of housing close to workplaces for essential workers.

29 INMO (September 2023) Housing for frontline healthcare workers must be a focus for Government (inmo.ie)
30 Congress (Autumn 2023), https://www.ictu.ie/publications/housing-ireland-how-we-deliver-homes-people-need
31 *Country Report Ireland 2024* (June 2024), p.12

5.2 Health and Long-term Care

The European Commission's Country Report Ireland 2024 states that 'action to address long-standing challenges in healthcare is under way although it has shown no results, that the public healthcare system has continued capacity constraints and no universal coverage, and that almost half of the population has private health insurance to bypass the long, persistent waiting lists in the public system – which, in turn, creates health inequalities, as poorer patients cannot afford private health services.[32]

Healthcare demand is rising due to a growing and ageing population with increasing co-morbidities and complex care needs. At the same time many health services are being reformed and expanded. Despite increased capacity in the acute health system, a deficit of approximately 1,000 inpatient beds remains based on an 85% occupancy rate, with an additional 330 acute beds needed annually to address ongoing demand[33] (Walsh and Brick, 2023). There must be strict adherence to 85% occupancy of acute hospitals and zero tolerance of hospital and emergency overcrowding. With regard to long-term care, the European Commission noted that the public system focussed on institutional care over home care; that such care was relatively costly and limited accessibility; and that the ageing of the population was expected to put considerable pressure on the sustainability of the health and long-term care systems.[34]

The ESRI estimates that nearly three-quarters of all long-term care beds are now provided by private long-term care homes and that 14 medium/large private operators now dominate LTRC supply in Ireland. The increasing privatisation of older person care services conflicts with Slaintecare principles and compromises care for the vulnerable. The trend of outsourcing home care services should be reversed, as the prevailing cost-of-care model prioritises cost over quality care. Budget 2025 should ensure sufficient funding to implement the December 2022 Council Recommendation on access to affordable high-quality long-term care, and which recommended 'developing and/or improving home care and community-based care'.[35]Taking account of the relatively limited size of Ireland's national recovery and resilience plan, the European Commission has noted that the 'additional challenges' facing Ireland that are not sufficiently covered in the Ireland's plan included health and long-term care.[36] It drew attention to the 'uncompetitive working conditions' for medical graduates in the Irish healthcare system as well as the limited options to complete post-graduate practice in Ireland, and stated that the shortage of doctors limits the healthcare system's capacity to provide care, resulting in long waiting lists in both hospital and outpatient settings, particularly affecting poorer patients.[37]

32 European Commission (June 2024), *Country Report Ireland 2024*, pages 13,14 and 71 respectively.
33 Walsh, B. and Brick, A. (2023) *Inpatient bed capacity requirements in Ireland in 2023: Evidence on the public acute hospital system*. ESRI Research Note. ESRI.
34 European Commission (May 2023), *Country Report Ireland 2023*, p.5
35 Ibid, recommendation 5(a).
36 *Country Report Ireland 2023*, p.8.
37 Ibid, p.13

The National Economic and Social Council has also cited concerns that just over 40% of the most recent graduating class of one large nursing teaching hospital now remains in Ireland, with the lack of affordable housing being a major factor in nurses choosing not to work in the hospital.[38] Housing for essential workers has become a significant issue, affecting the staffing of many public services and, consequently, the delivery of critical services to the population. Many essential workers, who must attend their place of work, including nurses and midwives, struggle to afford rent or buy property, with rents at an all-time high and controls failing to alleviate the issue. This forces some to commute long distances, while those in high-density areas spend up to 70% of net pay on rent.

The European Commission and the OECD have also recently pointed to the 'notable increase' in the migration of Irish medical graduates and junior doctors to other English-speaking countries, 'driven by the prospect of better working conditions and career opportunities'. Ireland has become increasingly reliant on foreign-trained medical staff.[39] The Nursing and Midwifery Board of Ireland NMBI statement of strategy 2023-2025 (2023) confirms that 64% of first-time registrations were educated in non-EU countries and 29% in Ireland. The OECD (2024) has identified that the percentage of young people expecting to work as nurses decreased across OECD countries from 2.3% in 2018 to 2.1% in 2022. This decline is particularly notable in Ireland, and also in the UK, US and Canada – the countries Ireland is in competition with for internationally trained nurses and midwives.[40]

The OECD/European Commission estimate of 12.7 practicing nurses per 1,000[41] in Ireland are disputed and inflated. The European Federation of Nurses Associations, which includes the Irish Nurses and Midwives Federation among its membership, has raised concerns that the ILO definitions used for this estimate do not accurately reflect nursing practice and the diversity of nursing roles. This leads to significant mis-representation of reported data on the nursing workforces which in turn impacts national policy-making, workforce planning as well as the reliability of the World Health Organisation (WHO)'s State of the World's Nursing report.

2020 Country Specific Recommendation (CSR) 1, subpart 2 recommended that Ireland 'improve accessibility of the health system and strengthen its resilience, including by responding to the health workforce's needs and ensuring universal coverage for primary care. The European Commission's assessment as of May 2024 was that Ireland had made 'some progress' on the relevant aspect of 2020 CSR 1[42]. However, the INMO points out that the shortage of nurses and midwives was worsened by recruitment moratoriums and cost-saving measures introduced between 2007 and 2014 and that the December 2007 WTEs figures was not reached until August 2020. The current recruitment freeze threatens the progress made in terms of recruitment and retention and negatively affects patient safety, prompting healthcare unions to seek lifting of the moratorium especially in grades such as nurses and midwives who are in short supply globally.[43]

38 NESC (April 2023), *Understanding the Irish Economy in a Time of Turbulence*, COUNCIL REPORT No.160, p.21.
39 European Commission/OECD (December 2023), *State of Health in the EU Ireland Country Health Profile 2023*, p.22
40 OECD. (2024) Fewer young people want to become nurses in half of OECD countries. Focus On Series, May 2024.
41 European Commission/OECD (December 2023), *State of Health in the EU Ireland Country Health Profile 2023*, p.12
42 *Country report Ireland 2024*, p.25.
43 INMO (March 2024), *Submission to the European Semester and National Reform Programme,* p.3

Budget 2025 needs to address the staffing challenges facing the Irish health system to recruit and retain appropriate staffing levels and skill mix to ensure optimal patient safety, across the acute, primary and community settings established.

The European Commission and OECD also highlight that hospitals in Ireland face significant capacity constraints, leading to frequent overcrowding due to rising demand, and overly hospital-centric model of care:

> 'Partly stemming from insufficient investment following the post-2008 Irish economic downturn, Ireland's public hospital care is characterised by chronic under-capacity.... Acute care hospital beds consistently operated at nearly 90% occupancy pre-pandemic, surpassing the recommended threshold for maintaining an adequate buffer for emergency situations'.[44]

The health system faces a critical recruitment and retention problem in nursing and midwifery grades. While there has been progress in measuring the ratio and need analysis via the *Framework on Safe Nurse Staffing and Skill Mix*, there is insufficient funding to implement its findings and ensure high-quality, safe patient care. A revised approach to implementing safe nurse and midwife staffing is essential, and must be mandated by legislation and enforced.[45]

Budget 2025 should set out how the recommendations of the Health Service Capacity Review report will be implemented.

The European Commission again points out that Ireland remains the only EU member state without universal primary care coverage and at the same time that healthcare reforms included in Ireland's national Recovery and Resilience Plan do not address this issue. It states that 'Fully implementing the Sláintecare reforms has the potential to increase the accessibility of health and long-term care, thereby reducing the demand for more complex and costly services. However, the timing, cost, and exact scope of some reforms are yet to be fully determined.[46]

Recommendation: Prioritise investment in healthcare on prevention, and on the provision of universal primary care.

44 European Commission/OECD (December 2023), *State of Health in the EU Ireland Country Health Profile 2023*, p.18
45 The General Scheme of the Patient Safety (Licensing) Bill) could progress this and should be adopted.
46 *Country Report Ireland 2023*, p.13

5.4 Early Years

Ireland's 'market-driven approach to childcare has left marginalised communities underserved as private providers do not operate in very disadvantaged areas.[47] Ireland is one of the member states in the 'to watch' category under the European Social Scoreboard as regards the percentage (19%) of children aged less than three taking part in formal early years services in 2022, approximately half the EU average of 36%. Budget 2025 should ensure sufficient funding to make progress towards the revised Barcelona target of 45% participation by 2030 and to implement the EU Council Recommendations on High-Quality Early Childhood Education and Care Systems (May 2019), establishing the European Child Guarantee (June 2021), and on early childhood education and care (December 2022), particularly their recommendations to improve working conditions and skills.[48]

Recommendation: Re-instate the early years model in place during the lockdowns, with lower fees for parents, and with improved terms and conditions for staff. Expand childcare provision to underserved areas.

5.5 Education

> 'Teacher shortages have become more acute, and there are problems with retaining new teachers, who often work on part-time and temporary contracts'
> *European Commission, June 2024*

Ireland's rate of early leavers (18-24) from education and training rate at 3.7% remains one of the lowest in the EU, despite the increase from 3.3% in 2021. However, the rate in the Northern and Western region was 6.2%, almost twice the overall average while the rate among people with disabilities was 10.7% (in 2018).[49] The rate of young people (15-29) neither in education, training or employment (NEETs) was reduced from 9.8% in 2021 to 8.7% in 2022, making it ninth lowest in the EU.

70.5% of the Irish population (16-74) reported having basic or above basic overall digital skills[50] in 2021, the third highest in the EU. However, this leaves almost one third of the adult population lacking such skills. Under the Government's strategy *Adult Literacy for Life Strategy* (2021) one in five adults still would not have basic skills in 2030. Ireland's target for 2030 are levels achieved by the Netherlands and Finland last year.

Citing a teacher union survey, the Country Report Ireland 2023 acknowledged that teacher supply remained a significant challenge in particular in urban areas as a result of high living costs, especially housing, and were a disincentive for taking up temporary posts and for younger teachers. It referred to teacher unions calls for call for permanent, full-time positions for

47 *Ibid*, p.57

48 Recommendation 17: 'It is recommended that Member States support quality employment and fair working conditions for ECEC staff, in particular by promoting social dialogue and collective bargaining and by supporting the development of attractive wages, adequate working arrangements, high standards in occupational health and safety, and equality and non-discrimination in the sector, while respecting the autonomy of the social partners'.

49 European Commission (2021), *European comparative data on Europe 2020 and persons with disabilities,* p.110.

50 Basic digital skills are broadly understood as being able to use computers, tablets and smartphones and email and social media to perform tasks such as accessing information online, communicating through digital means, being able to use word processing and spreadsheets, navigating the internet etc.

all teachers, moving away from low-hour temporary employment contracts.[51] The European Commission has also referred to the pilot scheme for sharing teachers among schools in Ireland as one of the measures member states have taken to address 'acute teacher shortages'.[52] However, this measure was reported to have resulted in just a single shared teaching post by early 2024.[53] The European Commission now warns that 'persistent teacher shortages may ultimately damage the quality of education.'[54]

Despite commitments, the Further and Higher Education sector still does not enjoy secure, stable and appropriate funding at the level required to remedy existing deficits and to meet the many educational, research and skills challenges. The Congress preference is for a publicly-funded sector, with state funding reaching the OECD average within a clear timeframe. This must also address key issues around student supports on an equitable basis, including the ongoing crisis in student accommodation, which should be delivered on a not-for-profit basis and be genuinely affordable for all who need it. There should be full engagement with unions and key stakeholders in respect of the funding strategy and a coherent approach to social dialogue and engagement across the sector.

A key issue in the sector is the student-to-staff ratios and the challenges presented by demographic changes in the years ahead. A recent TASC briefing paper for the Irish Federation of University Teachers[55] recommended increasing academic teaching staff by 650 net annually over the next decade. Adding these posts will reduce the student-staff ratio and allow for the creation of quality research-informed teaching posts. OECD figures indicate a student-staff ratio of 22.4:1. To reach the OECD average of 15:1, staff numbers would need to increase by 49%, or by approximately 6,500 new teaching positions[56]. Government projections show increases in student numbers over the next decade of between approximately 6% and 19%. In that context, an increase of some 650 staff annually is actually a conservative estimate of what is required to reach the OECD ratio average. Working towards the lower ratio will enable a greater proportion of jobs to be filled on a long-term, full time basis thereby tackling the problem of precarious employment, across the sector. This in turn can aid staff recruitment and retention, which has been undermined by years of underfunding, privatisation and casualisation. Academic careers across the sector must be attractive to talented teachers and researchers and all should enjoy a comprehensive and coherent career framework.

Recommendation: Increase investment in education at all levels, to bring expenditure per pupil up to peer countries' average over the medium-term, to reduce class sizes, to address teacher supply problems, and to achieve a more inclusive education system.

51 *Country Report Ireland 2023*, p.59.
52 European Commission (November 2023), *Proposal for a Joint Employment Report*, p.84.
53 'Teacher-sharing scheme to tackle school shortages results in single full-time post', *The Irish Times*, 3 January 2024 https://www.irishtimes.com/ireland/education/2024/01/03/teacher-sharing-scheme-to-tackle-school-shortages-results-in-single-full-time-post/.
54 *Country Report Ireland 2024*, p.11
55 Cited in IFUT (2023) Precarious Employment in Higher Education 2023, p.75
56 These estimates assume no change in student numbers and no fall in teaching staff due to retirement etc.

5.6 Just green and digital transitions

The Council's recommendation on Ireland's NRP 2023 noted that labour and skills shortages in sectors and occupations key for the green transition 'were creating bottlenecks in the transition to a net-zero economy'. CSR 4 2023 included a call to 'Step up policy efforts aimed at the provision and acquisition of skills and competences needed for the green transition'.[57]

Recommendation: Increase investment in digital skills and in green skills, including by introducing paid training leave. This could be funded via the National Training Fund

5.7 Overseas Development Aid

Congress, once again, calls on Government to set out a clear short-term pathway in Budget 2025 towards ensuring that Ireland meets its obligation to raise Overseas Development Aid to at least 0.7% of GNI*. This pathway should ensure that at least 0.15% of GNI goes to the Least Developed Countries (LDCs), in line with SDG 10.b, to prioritise the attainment of SDG 8, and to support debt cancellation and debt restructuring for poorer countries.

Recommendation: Set a path towards raising ODA to 0.7% of GNI*.

57 Council (2023), *COUNCIL RECOMMENDATION on the 2023 National Reform Programme of Ireland and delivering a Council opinion on the 2023 Stability Programme of Ireland.*

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