

# income tax cuts - to what end?

Some supporters add that tax cuts also increase consumer spending and /or the supply of investible savings, both of which help jobs. Those secondary claims are riddled with assumptions. For example, it has to be assumed that the consumers buy Irish rather than imported goods, that the savers lend their money to industry rather than speculate in property. It has also to be assumed that the government's use of the tax revenue foregone was doing little to create jobs so that the money is better in private hands. None of these assumptions can be lightly made today.

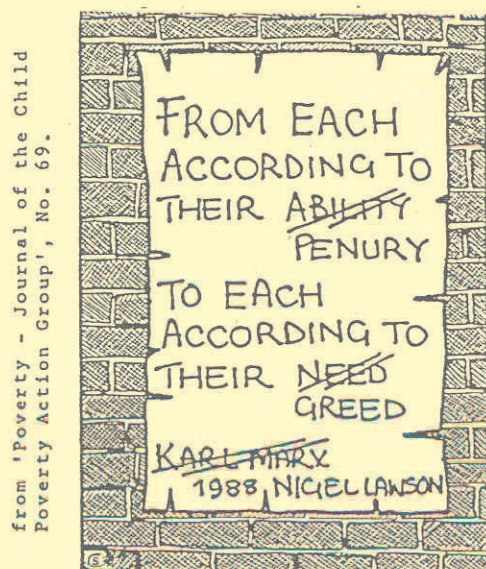
So let us examine the principal econ-

Big companies are no dummies. They have found ways of remunerating their executives ('total remuneration packages') that include untaxed or lightly-taxed elements in addition to the up-front salary. Share options are the most important factor, and the Shannon-based Guinness Peat Aviation is a good example. The increase in value of his shares is much more important to an executive like Tony Ryan than any increase in his basic salary, and is more lightly taxed. On a wider level, as far back as 1978, a survey of general managers in the UK estimated that fringe benefits amounted to 37 per cent of their basic salary.



Moving out of industry and into the professions, it is more likely that high personal tax rates have encouraged the growth of 'cash under the table' transactions rather than the decision to work less or to emigrate on the part of barristers, doctors and the like. Finally, for people who are further down the salary scale, their decision to do overtime may often have little to do with the calculation of how much of the extra pay they will get to keep. It may frequently be motivated by their need to maintain good relationships with their supervisors or have been specified as something expected of them at the time they were taken on.

In summary, the onus of proof is still on those who claim that cuts in income tax lead to a flowering of enterprise.



The popularity of income tax reductions in the UK is not due to any established economic consequences but to a general backlash against taxation that has been sweeping the industrialised democracies. There is simply less willingness on the part of people in the UK and USA today to accept the implications in taxation on them of the standard and range of public services to which they have become accustomed in their societies. An option is being made for private affluence at the expense of public squalor (for example, the condition of London's tube or the increase in homelessness there is the underside of the yuppie phenomenon). It will take great independence of the current political climate in Britain and the US to prevent Ireland running down its public standards and allowing social inequality to widen further. However, there is still a

sound case for certain income tax reductions in Ireland.

## FAIRNESS

The case is this. High marginal tax rates are being reached at relatively low levels of income, especially by single people on PAYE, while other taxpayers with far bigger incomes are being treated much more leniently. The fundamental problem is one of fairness, not of any alleged brake on enterprise. So, in Ireland in the tax year 1986/87, some 43 per cent of all personal income was outside the tax net -because of the array of allowances, exemptions and reliefs in operation. The result was that what income was liable to tax tended to get hit for all it was worth. The income getting hit the hardest was that of single people on PAYE. Income outside the tax net included, for example, £500 million belonging to mainly big income earners who were choosing to spend it on such things as mortgages on a bigger home, VHI cover, life assurance, and so on. Other income being taxed more lightly than that of the single, PAYE earner included that of the self-employed and of large farmers.

Since 1980, the situation has been deteriorating, with single people becoming liable to the top tax rate at ever lower levels of real income, while the amount of other people's income avoiding all tax has been increasing. This injustice must be addressed by the Minister for Finance in the next budget. It is not 'give away' measures that we need but a reallocation of the tax burden. More of the income presently being generated by the economy must come into the tax net so that the tax rates facing people on quite modest incomes can be reduced.

Will the day come when we can look forward to not just a fairer distribution of the tax burden but to a reduction in the overall tax burden all around? The answer to that is 'Yes, when we are content with the standard of our public health services, with the pupil-teacher ratio in our schools, with the provisions made for people on social welfare, with the training services available to the unemployed, with the amenities and standard of maintenance in public housing areas, and so on.' That day has certainly not come. Not yet. ■



# inou budget campaign

On Tuesday November 8th, about 100 members of the Irish National Organisation of the Unemployed (INOU) picketed the Dail as part of the organisations pre-budget campaign. The INOU is demanding that a full, (100%) double payment be paid this Christmas instead of the miserly 65% announced by the Minister for social welfare. They are also demanding that seven specific measures designed to improve the situation of the unemployed be included in next January's Budget. These are:

- Full double payment at Christmas and at the start of the school year for all long-term recipients to be guaranteed in the budget.
- That provision for 'allowable income', i.e. income disregarded when calculating a persons means, be extended to those on unemployment assistance, and that the amount allowed be increased in line with inflation.
- Increase in basic allowances to £50, with payments of £33.30 for adult dependants and £12.10 for children, as an immediate phase in the introduction of the allowance recommended by the Commission on Social Welfare (£56 - £65 at 1988 prices)
- That the income limit for dependent spouses should be increased from £50 to £70.
- That all one parent families should be treated equally
- Introduction of Social Welfare payments for 16-18 year olds.
- An end to the Jobsearch Scheme

The INOU emphasise that "all demands for improvements in social welfare must be seen in the context of the necessity to create real sustainable jobs at decent rates of pay, and the Governments responsibility to carry this out"

The campaign is continuing with the collection of a petition in support of the seven demands, with lobbying of T.D's and other activities. All offers of support are welcome. Contact the INOU at 48 Fleet St.

# poverty report

A major report released by the Combat Poverty Agency in September shows that the link between poverty and unemployment has grown much STRONGER in this country during the 1980's.

\* 47% of all homes where someone was receiving Unemployment Assistance were poor in 1987 (nearly ALL would have been below the poverty line if the other 53% hadn't developed additional sources of income - the mother taking part-time work or the older children bringing in some earnings, etc.)

\* 33% of all homes in poverty in Ireland in 1987 were headed by an unemployed person (up from 15% in 1980)

\* while the typical Irish household ran a 19% risk of falling into poverty in 1987, a household headed by an unemployed person ran a 60% risk.



Holding down a job is not necessarily a ticket out of poverty either.

\* after homes headed by the unemployed and small farmers, homes headed by employees made up the most numerous group among the poor.

\* the Family Income Supplement is just NOT WORKING as an intended support to low-paid workers with families. At most only 22% of the eligible families were claiming it. In concrete terms, 16,000 families were foregoing an average of £8 a week! ■



# the 'fwenu' phenomenon

In 1982, a unique meeting on unemployment took place in the European Community headquarters in Brussels. Unemployed people from around Europe, gathered to share among themselves their experiences. This meeting was initiated by the "European Contact Group" (E.C.G), a group of protestant pastors in industry, who were concerned with the massive effects of unemployment. The Brussels meeting was such a success that it was decided to continue the process. It was hoped that the sharing of experiences would lead to an effective network of unemployed people. At the '84 conference, again held in Brussels, the group acquired its name, FWENU, - the First West European Network of the Unemployed.



The September '88 conference in Hannover was the fifth such conference, funded for the most part by the E.E.C., with a small subsidy from both the E.C.G. and Dutch church foundations. About 40 representatives from England, Wales, Belgium, Holland, France, Germany, Austria, Spain and Ireland were present. There were 6 Irish present, and two of them - Mike Allen, executive secretary of the Irish National Organisation of the Unemployed, and Kenny McAdams also of the I.N.O.U., will represent Ireland on the steering group of FWENU.

A central concern of the conference was the question of how best to organise among the unemployed. While the activities - welfare rights information, education for the unemployed

seemed to overlap, some centres emphasised one aspect of their work more than another. The "Zusammen" (Together) group in Austria saw their work exclusively in campaigning: a year ago, October 1987, the largest demonstration since the 1950's was organised by this group in Vienna. Also, throughout the week-long conference, there were repeated calls for strengthening the solidarity between the unemployed and in particular the Trade Union movement, which was seen to be a natural ally of the unemployed.

One delegate, Jackie from Wales, offered the following reflection on organising - "People have a need and they are aware of their need, and if they feel that there is a hope of doing something about it - that is the biggest incentive." Jackie's reflection came from the success of a tenants' association in Leeds in campaigning for improvement to the housing in a 1,500-dwelling council estate. Today £17,500 is being spent on each council house in that estate. Murray, a community worker in the estate added - "So, the tenants identified the most important problem for them, and organised themselves around this issue with the expectation of winning". The Leeds' success serves to highlight - precisely because it involved a localised one-issue campaign with relatively short-term visible goals - both the main theme of the conference and the difficulty in forming an effective european-wide network of the unemployed. In comparison the Leeds' instance seems so easy!

The week was an important event. Above all, it reaffirmed the need and the resolve to work steadily together to strengthen the movement of the unemployed. In the near future we should see the first bulletin of FWENU, which will give us more concrete information of the situation of the unemployed in various countries in Europe. Next year too we look forward to the conference taking place in Ireland.

WORKING NOTES carries information and analysis of the unemployment situation and related issues. We welcome feedback and dialogue on material covered in the bulletin. Use these working notes in any way you like, but please acknowledge the source if