



## Budget Cuts Living Standards and Signals More Cuts to Come

The 2010 Budget was an undisguised attack on workers' living standards. But the Minister has signalled more to come.

### 1. Public and Private Sector Pay

Public Sector Pay will be cut along the following lines:

- a cut of 5 per cent on the first €30,000
- a cut of 7½ per cent on the next €40,000
- a cut of 10 per cent on the next €55,000

There will be higher cuts at the upper end of the public sector pay scale. The following shows the actual amounts that will be cut:

	<b>Earning €30,000</b>	<b>Earning €40,000</b>	<b>Earning €50,000</b>	<b>Earning €60,000</b>	<b>Earning €75,000</b>
Amount Cut (€)	1,500	2,250	3,000	3,750	5,000
<i>Cut as a % of Wage</i>	5%	5.6%	6%	6.2%	6.7%

This will also affect pensions downwards except for workers retiring in 2010.

The Minister also referred to private sector. He stated that the reductions in public sector pay *'will lead by example in this national downward readjustment of pay.'*

This refers to what is called 'real devaluation'. This claims that we can only restore our competitiveness if we cut wages across the entire economy – public and private sector pay. This is a clear signal to employers to start cutting wages with the Government's blessing. In the future, cuts in public and private sector pay will be part of the same process.

### 2. Attack on Families

Child Benefit was cut by 10 percent or nearly €200 per year (though families on social welfare and Family Income Supplement will be compensated).

Early Childcare Supplement will be abolished altogether (half of it was cut in the April budget). This means families with a child under 5 years will lose nearly €500 per year.

### 3. Attack of Social Welfare Recipients

With the exception of old age pensioners, social welfare rates will be cut by 4.1 percent. This will result mean a cut of €432 for a single person (unemployed, sick and disabled, carers, widows pensions, etc.) and €718 for a couple.

### 4. Future Measures

(a) The Minister announced the following:

- Introduction of a property tax
- Introduction of water charges
- The eventual abolition of mortgage interest relief

All of these will impact heavily on low and average income earners. It should be remembered that this will take place against interest rates rising – probably starting late next year or early in 2011. This will impact hard on households who have bought a house in the last few years.

These measures, combined with rising interest rates and the call by the Minister for general wage cuts, will continue to put strains on workers and their families.

(b) Another measure announced by the Minister is the amalgamation of PRSI, income and health levies into a new '*new universal social contribution*' that will be paid by '*everyone*'.

This is code for bringing the ultra low-paid (i.e. minimum wage workers, part-time and casual workers) into the tax net. With the cuts in public services - nearly a €1 billion will be cut this year alone – this will depress the living standards of the lowest paid in society.

\* \* \*

The Minister stated that this would be the last of the 'harsh' budgets. However, given the extreme nature of the cuts, which workers and social welfare recipients will be suffering from for years, in addition to the wage cuts and tax increases in the future, the harshness will keep on coming.

The contrast with the treatment of the wealthiest groups couldn't be starker. The Government is seeking only €55 million in minimal tax changes from the wealthy. And this won't come on stream until 2011.

That's the priorities of Fianna Fail.