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Introduction

Budget 2018 was delivered amid a positive economic environment, with Ireland being the fastest growing economy in the EU in 2015 and 2016 and national debt to GDP being reduced at a steady rate since 2012 (Tradingeconomics.com, 2017). Unemployment is at its lowest level since 2008 and currently stands at 6.1%. With a strong economic outlook forecast for the next couple of years, Finance Minister Pascal Donohue sought to deliver a budget that sustained this growth while promoting "fairness and provide for sustained improvements in people's lives" (Budget.gov.ie, 2017). This report will examine some of the measures that were introduced in this year's budget and analyse whether or not these objectives have been met.

The report will focus on how some of the budgetary measures effects the family as well as the effect that the newly established House Building Finance Ireland body and €750 million building fund will have on construction SMEs. The additional funding and allocation of new teachers will also be discussed and how this will impact Foreign Direct Investment in Ireland. A proposal regarding an increase in the current betting duty has been included that looks to raise extra revenue to help the government fund and protect The Irish Horse Racing industry which makes a considerable contribution to the Irish economy.

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Family Measures

One Parent Family and FIS Payments

In budget 2018 the government announced changes in relation to the One Parent Family Payment (OFP). It sees an increase of €5 weekly to the payment and the earnings disregard for the OFP will increase by €20 from €110 to €130. Also announced was an increase of €10 to the household income threshold for Family Income Supplement (FIS) for families of up to 3 children along with the new housing initiatives. However we feel these modest measures by government does little to improve the needs of one-parent families.

According to the Census 2016 1 in 4 families with children in Ireland is from a one-parent family. People in lone parent households continue to have the lowest disposable income out of all households with children in the State and the highest consistent poverty rate at 26.2%, an increase from 25% in 2014. Compare this to the consistent poverty rate of 7.7% for two-parent households. (Survey on Income and Living conditions (SILC) 2015).

Indecon a leading independent economic research organisation published a report which was an independent review of the amendments to the OFP since January 2012. The report found that more parents are working and off welfare saving the State €45 million net but despite this more parents are living in poverty. We feel that more needs to be done to support people parenting alone, to ensure appropriate services are in place for sustainable employment. We agree with Karen Kiernan, One Family CEO, when she states that "Lone parents want to work and to learn, they want to have the opportunity to build brighter futures for their families. But evidence shows that one-parent families are among those who have borne the brunt of years of austerity that they will still experience proportionally higher levels of poverty than any other members of our society today, and that the systemic barriers to employment and education are still not coming down".

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To reverse these unacceptable levels of poverty we feel the government needs to focus on investment in the services required to improve access to education and employment. The increase in the earnings disregard for OFP of €20 is a welcome development, however further increases should be a priority in future budgets. The Community Employment Scheme sees lone-parents get an extra €22.50 if they participate.

Currently lone-parents in receipt of Rent Supplement cannot receive their OFP and the SUSI maintenance grant if they take up an education. Lone-Parents in receipt of the Back to

Education allowance cannot receive the SUSI maintenance grant as well as their OFP, in our opinion Government needs to address these anomalies to encourage Lone-parents to access education.

Finally the Affordable Childcare Scheme is a welcome development however it does not include afterschool providers and childminders who are not required or permitted to register with Tusla, which we feel limits accessibility for many lone parents with older children who are subject to activation measures.

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Supporting SMEs

Home Building Finance Ireland

Securing finance has been a significant problem in the building industry over the last number of years, especially for small and medium sized businesses. A strong construction sector plays a vital role in the Irish economy as it is responsible for the supply of employment, housing and infrastructure. It is essential that construction companies of all sizes can access finance in order to sustain growth and continue to contribute to the economic development of our society.

According to a recent report carried out by the Construction Industry Federation (CIF), over two thirds of companies with a turnover of less than €9 million experienced difficulty in accessing bank finance over the last 12 months. This affects their ability to expand and secure new projects with many companies then having to rely on their cash reserves to stay in operation. The report by the CIF also highlights the fact that financial institutions are reluctant to provide funds for building projects outside Dublin and urban areas in general. This regional disparity in funding is a serious issue as the current housing shortage is a nationwide problem (The Irish Times, 2017). The government is relying on smaller rural construction businesses as well as the larger building companies to resolve this crisis. Another notable finding in the CIF's report was a survey in relation to the absence of state support for construction SMEs. The survey states that only 8% of SMEs "held the view that the government plays an active role in facilitating funding for construction" (CIF, 2017).

With this in mind, we feel the government's decision to increase investment in house building with the establishment of The Home Building Finance Ireland agency (HBFI), along with a €750 million loan fund, is a welcome move to protect the construction industry and help SMEs to stay in business and stay competitive. The loans from this new entity will be funded by the Ireland Strategic Investment Fund and will be made available to developers for "commercially viable residential development projects whose land owners want to build homes" (The Irish Times, 2017). HBFI will lend up to 80% of the price of housing estates and apartment blocks at an expected interest rate of 8%. The finance minister expects the new housing agency to deliver an additional 6000 homes to the market.

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In his budget speech, Paschal Donohue referred to the financing of housing development by stating that "We must make it easier to get funds, build homes and house families" (Fine Gael, 2017). With the introduction of HBFI, we feel that the government has made a firm commitment to achieve these objectives and has directly addressed the problem of securing finance that construction SMEs have been faced with in recent times. This is an effective measure that will make funds readily available to small and medium sized construction companies which will lead to the creation of jobs as well as sustaining growth and increasing the much needed supply of housing in Ireland today.

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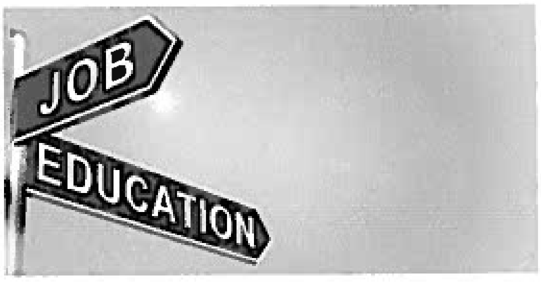
Foreign Direct Investment

Education measures



One of the key measures in the 2017 Budget that will have an impact on Foreign Direct Investments (FDI), is the package that was delivered for education. A highly educated and skilled workforce has long been an incentive for foreign companies to invest and set up business facilities in Ireland. The fact that huge multi-nationals like Apple and Google have chosen to invest here is evidence of that. Grant-Thornton (2014) states that "The development of a strong skills base has been a key driver of economic growth in Ireland and has played a pivotal role in helping the country attract significant knowledge based FDI". The education system in Ireland is ranked very highly in the world.

In our opinion the new education package of over €10 billion, which accounts for roughly 16.6% of total spending, should help to ensure that Ireland is capable of continuing to supply the existing requirement in relation to a skilled workforce and a large enough excess to supply any new companies considering investing or relocating to Ireland. This increase of just over half a billion on the figure allocated last year shows that this government is committed to ensuring that Ireland will continue to be ranked among the best in the world. It should also help Ireland meet the skilled workforce requirements of any foreign companies interested in investing in Ireland. This increase in funding for education also shows that this budget continues to address the skills gap that was identified a number of years ago (Grant-Thornton 2014).

Some of the measures that are included that will be of the most significance to foreign direct investment are:

- 1,000 additional Springboard places
- A range of new upskilling and reskilling initiatives that will be developed in consultation with employers to response to regional skills needs

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- Enhanced funding for Skillnets to deliver training in key skills areas identified by employers such as Life Sciences; Brexit and International Financial Services; Data Analytics; and Sustainability, Green Finance and Responsible Investments
- Over 6,000 new apprenticeships and 10 new apprenticeship schemes
- A new performance and innovation fund that will support capacity building in higher education institutions and reward institutions that exceed targets in key priority area
- Funding will be provided to cater for demographic growth, facilitating 2,100 new students to access higher education.
- Also, following the Mid-Term Review of the Capital Plan, an additional €8 million in capital funding is being allocated to the higher and further education sectors in 2018. This will be used to fund capital costs associated with apprenticeship expansion.

We believe that the minister's statement in the budget about employers having a central role in determining priorities in the sectors of education and skills will surely have a positive impact on any future foreign investors (Budget.gov.ie, 2017).

With Apple getting the go ahead for their new €850 million data centre in Athenry (Independent.ie, 2017), we believe that the education package will give them, confidence in Ireland's ability to supply them with, a workforce with the necessary skill set required. The iconic automotive manufacturer Jaguar, now owned by Tata an Indian company, has also made it known that it intends to open a design centre in Shannon, Co Clare (Irishexaminer.com, 2017). We feel that the availability of an educated and skilled labour force would have been a significant incentive for them to locate here.

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Proposed Measure

Increase in Betting Duty

One area that was ignored in the budget that we feel has the potential to raise a substantial amount of revenue for the government is betting tax. Ireland has a significantly low rate of gambling tax compared to other countries around the world, with rates on gambling income as high as 25% in the US and 10% on bookmaker's profits in the UK. We feel that there is an opportunity to raise the current betting duty of 1% without having a detrimental effect on the gambling sector.

Since the betting duty was lowered to 1% in 2006 tax receipts have lowered considerably. With betting turnover of around €5 billion in 2016, €51 million of duty was collected compared with €68 million in 2001 from a turnover of €1.1billion (Independent.ie, 2017). An increase of 1% or 2% in betting duty could bring in a significant amount of extra revenue for the government while still keeping Irelands betting duty rate considerably lower than the rest of the world.

From 2001 to 2016 €1.03bn has been paid to Horse Racing Ireland (HRI) and the national greyhound body Bord Na gCon out of the state funded Horse and Dog racing fund. In 2016 €80 million alone was allocated to the two institutions. Any addition money raised in betting tax receipts or gambling income tax could help to fund these two important industries. The horse racing industry supplies 14000 jobs and provides annual turnover of €1.1bn to the Irish economy. One million people attend races each year with 80000 tourists coming into the country each year to attend these races (Oireachtas.ie, 2017). Horse racing and breeding is very important to the economy and any additional revenue that could be made available to the horse and greyhound racing fund is pivotal to the development of these industries and would enable the government to allocate funding to other areas of the economy.

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We propose that the current betting duty of 1% on all bets placed online and at bookmakers be increased to 2%. Based on betting turnover figures from 2016, this increase will generate an additional €50 million per annum for the exchequer. As this increase is relatively small and a large proportion of betting in Ireland is currently being done online, this proposal should not have a negative effect on the gambling industry or cause the loss of any jobs.

Conclusion

Budget 2018 was a balanced, cautious budget that sought to "sustain growth in gradual steps" (Budget.gov.ie, 2017). It was neither an austerity budget nor was it a giveaway budget like some of the budgets in previous years before the recession. While the increases to the household income threshold for Family Income Supplement (FIS) and the one parent family payment were a welcome move, we feel that more could have been done to protect and help Irish families. In relation to SMEs and Foreign Direct Investment, the introduction of the House Building Finance Ireland body and the budgetary measures regarding education were proactive steps by the government to sustain and encourage growth in these important sectors of Ireland's economy.

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