

Economic downturn

New figures to signal €4bn of tax hikes and spending cuts

Continued from Page 1

€2bn higher than estimated. However, today's figures will show a black hole of up to €5.5bn to €6bn for the rest of the year.

Finance Minister Brian Lenihan will seek to bridge €3.5bn to €4bn in tax increases and cuts in public spending in next Tuesday's Budget.

There were clear indications from ministers that the Government intends to increase the income levy introduced in last October's Budget.

Changing income tax rates half way through the year would

be too difficult for the tax system, but the levy can be changed relatively easily as it applies to all income. Taoiseach Brian Cowen yesterday indicated the Government will have to find €16bn over the next five years to replace lost taxes from the Celtic Tiger era.

He reaffirmed that the Government has shifted the goalposts in its measurement of the level of borrowing. Rather than the General Government Deficit, which is the normal calculation, Mr Cowen is now stating the level of borrowing in

terms of a Structural Deficit.

The Government is going to abandon its agreement with the European Union this year to keep borrowing at 9.5pc of the economic activity.

Balance

The General Government Balance, which measures borrowing as a percentage of GDP, will rise to around 10.5pc, or €20bn.

But the Government will argue its structural deficit, which takes account of the amount of revenue that has to be replaced because it will not

regenerate even as the economy recovers.

Mr Cowen said a structural deficit had emerged because, as a result of the change in activity in the economy, the tax revenues are not likely to be replaced from the same sources of income from which they were originally collected.

"That deficit could be of the order of 8pc or €16bn. There will be a need to examine tax expenditures and consider other means of raising taxes.

"We will also be obliged to cut expenditure programmes that

are no longer regarded as necessary, or to redesign them in light of the new circumstances in which we find ourselves."

Mr Cowen said the challenge the Government faces in the coming years is to redesign the tax base.

"The gap that has emerged cannot be bridged by relying on the sources of income on which we relied in the past," he said.

Social Welfare Minister Mary Hanafin confirmed that the Government will be looking at increasing income levies. The

burden on the tax side will fall on income tax, most likely in the form of income levy hikes.

The Government is thought to be preparing to double the income levies.

From the start of January, the levy has been charged at 1pc on incomes up to €100,000, 2pc on the further amounts up to €250,000 and 3pc on any income above that amount.

Low-paid workers are exempted from the income levy. The Budget will most likely see these levies increased to 2pc, 4pc and 6pc.

Jobless figures hit record high as 20,000 join dole queue

Senan Molony and Aideen Sheehan

UNEMPLOYMENT is on target to hit half a million by the end of the year, despite a slight fall-off last month in the rate at which jobs are being lost.

Another 20,000 people joined the dole queues last month leaving a record 372,800 unemployed when seasonally adjusted.

The number of unemployed now account for almost 1pc of the population, new Live Register figures reveal.

Some 600 jobs a day were lost in March, down from the unprecedented levels of 1,000 a day in February.

On this rate of increase, Ireland's army of unemployed will burst past the 500,000 mark by the end of October.

Announcing the latest figures in the Dail, Mr Cowen said: "The unemployment rate has continued to rise strongly, but has shown some signs of abating. A fall is however unlikely in coming months - seasonal factors will further disimprove the position in June.

"Some 224,000 are in receipt of payments in respect of being unemployed for a full week and over 50,000 are receiving payments in respect of being unemployed for part of the week.

"In the context of the Budget, we will do all in our power to reallocate existing resources into areas where activation, reskilling and other opportunities can be created in order to assist people who were unfortunate enough to lose their jobs."

1,600 redundancy claims weekly as small firms sink

THE Government is receiving more than 1,600 claims for redundancy payment rebates per week as the recession digs in to the small firms sector.

Junior enterprise minister Jimmy Devins yesterday revealed that a surge in job losses had seen an "unprecedented" 19,742 claims pour in since January. And he said that the swell of claims had led to an eight-week wait for statutory lump sum payments to workers whose employers failed to pay the statutory entitlement.

Those who correctly submitted online claims were waiting 12 weeks, while there was a 16-week wait for manual claims sent in by employers, he said.

PATRICIA MCDONAGH

Unemployment increased to 11pc, up from 10.4pc in February and 7.7pc in the final quarter of 2008, and men outnumbered women more than two to one, the CSO figures show.

Meanwhile, European unemployment increased to 8.3pc in February, the highest in almost three years.

And the latest "horrendous" redundancy figures from the Department of Enterprise show that 350 people a day are being made redundant, half of them

in construction and manufacturing and a third in services, the Irish Small and Medium Enterprise Association said.

The Irish National Organisation of the Unemployed (INOU) last night said the unemployment rate has now reached a level not seen since 1996.

It said the rising number of jobless must be treated with the same urgency given to the financial crisis, with no cuts in dole payments or duration in next week's Budget.

Fine Gael employment spokesman Leo Varadkar described the growing jobs crisis as "a catastrophe on a massive scale" with only Belgium and Spain worse hit in the euro-zone.

Fear

Labour leader Eamon Gilmore said this was the third successive month in which unemployment had been the highest ever recorded, and this did not include the 240 jobs that will be lost at Schering-Plough, nor the 1,200 at Dell, and 1,200 at SR Technics.

"Job losses are engendering fear right across the economy, and to such an extent that even those who are in employment are afraid to spend and tax revenues are decreasing further as a result," he said.

Half of all families in Ireland say they are already feeling the pinch, according to a survey by Berkley Recruitment Group.

Some 51pc of those affected say they have been hit by redundancy while 17pc have had a pay cut, and a staggering 86pc think things will only get worse.



Record numbers of mature students going back to school

John Walshe
Education Editor

RECORD numbers of adults are going back to school in a bid to make themselves more employable as the jobs crisis deepens.

New figures reveal a significant 19pc jump in the numbers applying to the Central Applications Office (CAO).

The increase pushes the numbers aged 23 or older seeking a college place over the 10,000 mark for the first time.

There has also been a rise in the number of queries to higher education institutions by mature learners about returning to education.

Higher Education Authority (HEA) chief executive Tom Boland said

the figures reflect two trends. "Firstly, there are those already in the workplace who want to raise their skills to new levels.

"Secondly, there are those who have become unemployed and see the value of retraining to secure employment in the future," he said.

Hunger

This year's total of 10,005 mature applicants compares with 5,934 in 2003 and 8,432 last year.

"There are already over 10,000 full-time students in the higher education system who are more than 30 years of age.

"The figures demonstrate the real hunger for educational qualifications that exists," Mr Boland said.

But he added that Ireland's performance to date in reaching out to adults had been undermined by the limited availability of part-time study opportunities at undergraduate level.

Currently, only 7pc of entrants to undergraduate programmes are part-time students.

Mr Boland said the effectiveness of part-time courses in reaching out to adults was evident in the fact that 86pc of those part-time undergraduate entrants were mature students (aged 23 or over) and 60pc were aged over 30.

"The current low level of part-time study opportunities limits the accessibility of higher education for working adults and adults with caring responsibilities."