CALEDON
INSTITUTE OF
SOCIAL POLICY

caledon statement

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The Piece-of-the-Puzzle Budget

The first black-ink budget in 30 years takes several steps in the right direction. It introduces some important measures that provide badly-needed help to low-income Canadians. Targeted tax relief (albeit flawed), a vital second installment on the new Canada Child Tax Benefit and scholarships for low-income students are noteworthy initiatives, among a number.

We support these measures because they are guided largely by the *principle of first call*. Low- and modest-income Canadians have shouldered an unfair burden in the war against the deficit. They have been hurt by deficit-driven cuts to social programs such as Employment Insurance, welfare, social services and housing. They carry a disproportionate load of rising income and payroll taxes. The poor are the only group that pays more GST with each passing year.

It is largely through the sacrifices of 3.5 million low-income Canadians that we have been able to turn black days into black ink. Canada's poor should have first call on Ottawa's soon-to-be plentiful fiscal dividend.

Despite the promise of several announcements in today's Budget, they are part of a bigger puzzle of how to tackle poverty. Other pieces include investment in early childhood development, extending supplementary health care to the working poor, adequate home care and assistance for persons with disabilities. The well-being of lower-income Canadians is still at risk unless there is progress on these vital supports.

Moreover, an effective attack on poverty requires more than the direct provision of assistance to individuals: It also requires a solid investment in social and community infrastructure.

In calling attention to the broader puzzle, we risk the accusation of profligacy – of encouraging a level of spending that would bring the country, yet again, to the verge of fiscal crisis. Not so. The numbers tell a very different story.

Ottawa can spend more/tax less and still diminish the debt

The federal government pledged a '50-50' formula in the Speech from the Throne: Half of the budgetary surplus arising in this mandate would go to increased expenditures for economic and social needs. The other half would be shared between debt reduction and tax cuts.

According to our calculations, if the contingency financing provisions go to debt reduction – as they almost certainly will given past years' records – a minimum of 44 percent of added spending in the next three years will go towards 'paying down the debt.' Moreover, as the 1998 Budget uses extremely cautious assumptions, the potential surplus in the 1998-99 fiscal year actually may be much larger. Unless this surplus is spent on programs or tax cuts, the result will be even more money going towards debt repayment.

The federal government does not need to devote this or future surpluses to debt repayment, in the process spending less than it could to strengthen Canada's weakened social infrastructure. Simply by running budgets to 2000-01 that on average balance out, Ottawa's debt will fall rapidly from its current 68 percent of GDP to about 60 percent of GDP, and keep falling thereafter. The Liberal government could have spent and/or cut taxes by at least $3 billion more in this Budget and still kept the debt-to-GDP ratio on a steep downward curve.

The extra payments that will be made on the debt do not accelerate the debt reduction process very much. For example, if Ottawa pays an additional $3 billion down on the debt each year until 2000-01, it would reduce the debt-to-GDP ratio by about one percentage point from what it otherwise would have been. Moreover, paying down the debt creates risks in today's disinflationary economic environment. It represents tighter fiscal policy, increasing the threat of a downturn in the economy.

growing tax burden on lower-income Canadians

Lower-income Canadians have been hard hit by changes to income, payroll and consumption taxes.

The Mulroney Conservatives' 1985 Budget infected the personal income tax system with a designer virus – partial deindexation – that has generated years of accumulating hidden tax increases. This 'policy by stealth' has allowed Finance Ministers in successive governments to bleed increasing billions of dollars from taxpayers without their knowledge. Partial deindexation is eating away at the integrity of the income tax system.

Partial deindexation of personal exemptions, credits and tax brackets has imposed an inflation tax on all taxpayers at all income levels, but the working poor and middle-income Canadians have been hardest hit. By gradually reducing the value of tax credits, partial deindexation has been lowering the taxpaying threshold – i.e., the income level above which taxfilers owe income tax – and adding more working poor Canadians to the tax rolls each year. The federal taxpaying threshold for a single person under age 65 has fallen from earnings of $10,172 (in inflation-adjusted 1997 dollars) in 1980 to $6,755 in 1997.

Partial indexation of the refundable GST credit is responsible for an annual consumption tax hike that affects only the poor. Because both the credit and the income threshold for maximum payments are partially deindexed, the GST credit is losing ground to inflation. As a result, the net GST burden on low-income families and individuals - i.e., their gross GST minus the credits they receive to partially offset the GST – is steadily increasing.

Low-income working people are hit harder than others by yet another tax - Canada Pension Plan contributions, which are slated to increase substantially over the next seven years in the move from pay-go to partial funding. An added problem is the decision to freeze the Year's Basic Exemption (i.e., the earnings level below which CPP contributions are not levied) which will add steadily to the rising burden of CPP contributions on workers with below-average earnings, among whom women and youth are overrepresented.

Changes to the financing of Employment Insurance (EI) will increase the relative burden of premiums on lower-wage workers. The new EI program reduced the Maximum Insurable Earnings - i.e., the highest level of earnings upon which employee/employer premiums are levied - from $42,380 in 1995 to $39,000 in 1996. In addition, the Maximum Insurable Earnings level will be frozen until 2000, which effectively will lower its value each year.

As a result of these two changes, the wage base on which EI premiums are collected will be narrowed, requiring a higher premium rate than otherwise would be necessary. The burden of EI premiums increasingly will shift from middle- and high-wage workers to lower-wage workers. This regressive shift in EI financing is especially unfair in light of the $7.3 billion surplus posted in the EI fund in 1997 and the projected $13.7 billion surplus by the end of 1998.

Reductions in EI premiums will ease this regressive burden to some extent. The premium rate has been lowered from $2.90 to $2.70 per $100 of insurable earnings effective January 1998, reducing the annual premium paid by employees by up to $78. The Budget also gives an Employment Insurance premium 'holiday' for additional young Canadians, between the ages of 18 and 24, hired in 1999 and 2000.

Caledon has argued for targeted tax relief as the first priority for tax reform in the postdeficit era. We believe that Ottawa should reduce the income and GST tax burden on the poor and redesign the tax credits for CPP contribution and EI premiums to gear assistance to income. Ideally, the federal and provincial governments would work together - as they are doing with the National Child Benefit - to design a fully-indexed integrated system of tax relief for low- and modest-income Canadians that reduces the regressive burden of income taxes, payroll taxes, the GST and provincial sales taxes.

targeted income tax relief - with an Achilles heel

The Budget's announcement of targeted income tax relief takes a small but important first step towards the Caledon proposal for an integrated system of tax relief for low- and modest-income Canadians.

Targeted income tax relief will take two forms - an increase in the basic personal and spousal credits for low-income taxfilers, and an end to the three percent general surtax for low- and middle-income taxpayers.

There will be an income-tested supplement to the basic personal and spousal tax credits. (The personal federal tax credit is calculated as 17 percent of the personal 'amount,' and the figure increases to 24 percent on average including the share for provincial income tax. The same formula applies for the married and equivalent-to-married credits.)

The basic personal amount for low-income taxfilers will increase by $500, from $6,456 to $6,956, raising the value of the federal tax credit from $1,098 to $1,183 for an increase of $85. Adding in average provincial income tax savings, the combined federal/provincial tax credit will rise from $1,549 to $1,669 - an increase of $120. (Provinces with low-income tax reductions may not necessarily pass through all the federal reduction.) The $500 supplement will be phased out at the rate of four percent of income over $6,956, which means it will disappear once income reaches $20,000.

The spousal and equivalent-to-married amounts will receive the same targeted $500 supplement. The current $5,380 spousal amount will increase to $5,880, which will boost the combined average federal-provincial tax credit from $1,291 to $1,411 for an increase of $120.

The Budget estimates that this targeted tax relief measure will eliminate federal tax payable for close to 400,000 poor taxfilers, and reduce federal income tax for another 4.6 million Canadians.

The three percent general surtax, imposed in 1986 as a temporary anti-deficit measure, will be eliminated for taxfilers earning up to $50,000 and reduced for those between $50,000 and $65,000. This change will save taxpayers up to $250. An estimated 12.6 million taxfilers no longer will pay the general surtax, and another one million will see a reduction in their surtax.

The two tax reductions will reduce federal income tax revenues by $880 million in 1998-99, $1.45 billion in 1999-2000 and $1.68 billion in 2000-2001.

On the positive side, these two tax relief measures will offer modest income tax relief to low- and moderate-income Canadians. For example, a working poor one-earner family of four earning $20,000 will enjoy a $165 reduction in its federal income tax in 1999 - 0.8 percent of earnings. Federal tax savings for a family earning $50,000 will be more - $238 - though less when measured as a percentage of its earnings (0.5 percent).

But there is an Achilles heel to the Budget's income tax relief - partial deindexation.

The 1998 Budget offers only partial relief for past income tax increases. If the income tax system had remained fully indexed, the personal amount would have been an estimated $7,742 in 1997 (the actual level under partial deindexation was $6,456) and $7,858 in 1998, resulting in average federal-provincial income tax savings of $1,886. The Budget increases the personal amount to $6,956 for low-income taxfilers in 1998, for an average federal-provincial income tax savings of $1,669. Thus the supplement to the personal credit for low-income taxfilers only partly makes up for the losses due to inflation since the mid-1980s.

The 1998 Budget will remove an estimated 400,000 low-income Canadians from the tax rolls. But 1.4 million individuals were pulled into the income tax system between 1988 and 1998 as a result of partial deindexation.

The Budget offers the working poor only a temporary reprieve from inflation-imposed tax increases because the low-income supplement to the personal and spousal credits, like the credits themselves, remain partially deindexed. Inflation (no matter how low) once again will start requiring increasing numbers of low-earning taxfilers to pay income tax in future and will impose hidden income tax increases on them. Middle- and upper-income taxpayers, who will not qualify for the low-income supplement, will see not even temporary respite from stealthy income tax increases.

Targeted tax relief, though a priority initiative, should not be the federal government's final word on income tax reform. To be effective, the low-income supplement should be fully indexed, and should be adjusted each year to offset the impact of inflation on the personal and spousal credits themselves. Better still, Ottawa should revisit the issue of indexation of the personal income tax system with a view to restoring full indexation of credits and brackets. The rate structure should be reviewed as well, including the possibility of inserting a new tax bracket between the 17 and 26 percent levels - e.g., 21 percent. The rising cost of the regressive tax deduction for contributions to RRSPs, which most benefits the well-off, requires a long hard look; such important tax assistance could be delivered in a fairer manner.

The Budget's lack of action on other components of the growing tax burden on lower-income Canadians - payroll taxes and the GST - is disappointing. We urge the federal government to redesign the income tax credits for CPP contributions and EI premiums, and to restore and fully index the refundable GST credit.

child benefits

Last year's Budget announced an additional $850 million (above the current $5.1 billion expenditure on the Child Tax Benefit) to create the Canada Child Tax Benefit, which is Ottawa's part of the federal-provincial National Child Benefit System. The Throne Speech promised "at least an additional $850 million during the course of this mandate."

The 1998 Budget reaffirmed this commitment, though it did not provide any details other than to announce a second $850 million installment ($425 million as of July 1999 and another $425 million as of July 2000). But in social policy, the angels dance and the devil lurks in the details.

The objective of this first phase of reform is to increase the Canada Child Tax Benefit eventually to replace provincial welfare benefits on behalf of children and provide a common child benefit to all low-income families with children, whatever their source(s) of income. The provinces and territories are reinvesting their resulting welfare savings into their choice of other programs for low-income families with children - e.g., income-tested child benefits, earnings supplements, child care and in-kind benefits (such as supplementary heath and dental care).

Additional federal investment is crucial to the development of the National Child Benefit System which the federal and provincial governments have committed to build together. The second $850 million (minimum) installment – Caledon called for $1 billion – is required now to get closer to the interim target of a Canada Child Tax Benefit that will displace much of or preferably all welfare benefits for children (a maximum benefit of about $2,500 per child). The second installment also is needed to enable the provinces to invest further in other programs for low-income families and to demonstrate continued federal commitment to this historic initiative in social policy.

The total $7 billion investment in federal child benefits which Caledon is advocating – an amount which is only 40 percent more than the 1996 Child Tax Benefit's $5 billion, and in fact about what Ottawa spent on child benefits in

1984 – is only the first stage in the development of an effective National Child Benefit. Caledon's vision is to have a $4,000 maximum Canada Child Tax Benefit in place by 2010, at the latest, offsetting substantially the cost of raising children in low-income families. Without successive future infusions of federal funds, the National Child Benefit will be stillborn.

The federal government should go farther than its $850/$850 million increases. Effective the year 2000, it should commit at least another $850 million to launch the next phase of reform: Additional injections of federal cash are needed to raise the Canada Child Tax Benefit above the replace-welfare-benefits-for-children level and in the process increase total child benefits for welfare families (which in some provinces will see no increase until the Canada Child Tax Benefit exceeds $2,500 per child) as well as other low-income families.

Changes to child benefits since the mid-1980s have reduced benefits for non-poor families with children, even though the Canada Child Tax Benefit will continue to deliver payments to the large majority (eight in ten) of families. At some point, it would be desirable to restore some of these lost benefits for modest-income families. Moreover, restricting future increases in the Canada Child Tax Benefit to low-income families will require that ever-steeper marginal tax rates be imposed on families in the $20,921-$25,921 income band, resulting in a ski-jump shape distribution in which child benefits would decline sharply.

However, timing is critical to the development of the National Child Benefit. *It is imperative that further increases in the Canada Child Tax Benefit be concentrated on low-income families until the goal of a replace-welfare-benefits-for-children $2,500 target is reached.* After that, the federal government should continue to raise the level of maximum benefits for low-income families *and* improve child benefits for modest-income families (e.g., those in the $26,000-$45,000 range).

But the first spending priority must be lowering the welfare wall and establishing the firm foundation for a common child benefit for all low-income families. Moreover, Ottawa has entered into an historic political agreement with the provinces and territories in which increases to federal child benefits for low-income families will allow provinces to reinvest welfare savings into other programs and services for low-income families with children: Ottawa would break that agreement if it failed to follow through on future increases to the Canada Child Tax Benefit targeted to low-income families.

Like the personal income tax system and the refundable GST credit, the new Canada Child Tax Benefit is partially deindexed. Ottawa should fully index the Canada Child Tax Benefit and its income threshold for maximum payments. Otherwise, social policy by stealth will continue: Increases to the Canada Child Tax Benefit will be smaller than they appear, and the goal of providing a stable income supplement to families with children will ever recede.

If Ottawa is serious about addressing child poverty, it will make a triple-$850 million ($2.6 billion total) staged increase to the Canada Child Tax Benefit by the year 2000, paving the way for additional enrichments during the first decade of the new century. Mounting surpluses easily can pay for this critical social investment.

child care

The Budget announced an increase in the child care expense deduction from $5,000 to $7,000 for children under age 7 and from $3,000 to $4,000 for children between the ages of 7 and 16. Caledon always has supported measures that help families with their child care responsibilities. The increase to the child care expense deduction is no exception, though a fairer approach would be to redesign the deduction into a credit.

But the increase in the child care expense deduction does nothing to address the nub of the problem around child care: the inadequate supply of high-quality child care. If ever there were a need for 'investment in infrastructure' to which the Budget refers, child care ranks high on the list.

Despite its recognized importance, child care has been noticeably absent from the public agenda in recent years. Moreover, the impact of the CHST upon child care has been particularly severe. Licensed child care spaces are being lost in response to the substantial decline in federal transfers.

We recognize that Ottawa is highly unlikely to use the old-style conditional grants to the provinces to establish a national child care system. The federal government has said that it will not apply its spending power in areas of provincial jurisdiction without approval of the majority of provinces. However, if Ottawa made a substantial sum available for building an affordable supply of high-quality child care throughout the country, agreement from most provinces likely could be obtained. The Budget measure, while important for many families, does nothing to build a solid child care infrastructure across Canada.

young Canadians

In recent years, the economy has seen strong growth which finally is starting to translate into jobs. In December 1997, unemployment dropped below the nine percent level for the first time this decade. But strong job growth has not yet made a dent in the special problems faced by youth, whose unemployment rate – at 16 percent – runs well above the national average. The actual youth unemployment rate may be closer to 25 percent if discouraged young people who have withdrawn from active job search are taken into account.

The Budget was wise to begin to address this problem. The Canadian Opportunities Strategy is a package of measures designed to encourage access to education, lifelong learning, upgrading and continual skills development. Its centrepiece is the Canada Millennium Scholarships Fund that will provide an average $3,000 per year for full-time study to more than 100,000 students from low- and middle-income families. Scholarships will be awarded on the basis of both need and merit. Ottawa will make an initial endowment of $2.5 billion to the Canada Millennium Scholarship Foundation to administer the program.

While we are aware of some provinces' complaints that the Millennium Fund encroaches on an area of provincial jurisdiction, we do not accept these objections as anything more than posturing. There is no Constitutional prohibition against Ottawa paying grants directly to Canadian citizens, nor should there be such a prohibition. A province can negotiate with the federal government and find ways to harmonize programs in order to maximize the utility of the Millennium Fund, if they are willing to do so in good faith.

The Millennium Fund will ease access for individual students, but the monies will address only partially the need for investment in the research and teaching expertise, labs and libraries, and bricks and mortar that comprise the institutional infrastructure of Canada's colleges and universities.

The decline in government funding for postsecondary education has created serious problems. The drop is due partly to lower federal transfers under the new Canada Health and Social Transfer (CHST), which reduced provinces' fiscal capacity, and partly to the choices made by some provinces, such as tax breaks for taxpayers, including the well-off. The cuts have resulted in substantial increases in tuition fees and the actual and impending privatization of several universities or at least selected faculties, with some charging an annual fee of $18,000 – clearly prohibitive for most students. Even if students could qualify for a loan, they would amass a huge debt before they set foot in the labour market.

Although education is formally a provincial responsibility, in a knowledge-based economy federal spending on knowledge and skill development is a wise and necessary investment. Increases in federal transfers under the CHST will not guarantee that provinces actually will spend the dollars on postsecondary education. Nor can the federal government provide payments directly or indirectly to education facilities for their core funding.

However, Ottawa can make selective investments by means of targeted programs, not only through loans and scholarships to students, but also in such areas as biomedical and computer engineering research, upgrading of computer technology, expansion of library facilities and improvements to physical plant. The increase in support to the major granting councils that fund basic research – the Natural Sciences and Engineering Research Council, the Medical Research Council and the Social Sciences and Humanities Research Council – is an important step in the right direction.

We also support the initiatives to help students manage their debt load through interest relief and extension of the repayment period. We applaud the measures to encourage families to save for their education. The Canada Education Savings Grant is an important innovation. Ottawa will provide a grant of 20 percent on the first $2,000 of annual contributions made to registered education savings plans (RESPs) for beneficiaries up to age 18. The initiative sets an important precedent for the federal matching of private contributions in order to encourage savings.

However, we also would like the federal government to establish a system of Individual Development Accounts (IDAs) to help low-income households. These accounts are restricted savings plans established as early as birth by low-income individuals, families or groups. Unlike loans, IDAs do not have to be repaid. The accounts are matched at a set ratio (e.g., 3:1) with tax-deductible funds donated by charities, businesses, service clubs and individuals. Matched funds can be withdrawn without penalty only for designated purposes, such as postsecondary education, business start-up or expansion, a down payment on a home or collateral to obtain a micro-loan.

These accounts allow governments and the private sector to match household savings for a variety of purposes that include, but move beyond, postsecondary education. There are two key advantages to the IDA approach: 1) it covers a broad range of areas, and 2) it would provide some assistance for welfare recipients who will not qualify for any of the tax relief measures in this Budget because these households typically are too poor to pay income tax.

Aboriginal investment

The principle of first call clearly applies to Aboriginal Canadians. No other group lives with such high rates of unemployment, poverty, inadequate housing and poor health. The 1998

Budget provided funding as promised for a number of important initiatives previously jointly announced by the Assembly of First Nations and the Minister of Indian Affairs. This is a good first step down a long and difficult road: It is a positive measure in the Budget for which both the government and Aboriginal peoples deserve credit.

The $350 million Healing Strategy begins a process of restitution and community healing which is critical to the success of all other initiatives. The extension of the Aboriginal Head Start program on reserve will help reduce the impact of child poverty and promote healthy development in early childhood. Other initiatives, such as the preservation and teaching of Aboriginal languages, are important not only in strengthening Aboriginal culture, but in enhancing a heritage which is of great value to all Canadians.

But these announcements only begin the investment required to address the severe housing, social and health-related problems faced by Aboriginal Canadians – both on and off reserve. Poverty in Aboriginal communities is rampant. The suicide rate among Aboriginal young males is four times the rate in the general population. The incidence of alcoholism and drug abuse is disproportionately high. Infant mortality is greater than the general population while life expectancy is lower.

At the same time, there are several positive signs: Many First Nations themselves are taking on the task of instituting community change and development. There is a strong will among First Nations and the Aboriginal community in general to move off welfare and focus on jobs and training.

But the message is clear. The massive scope of economic, social and health problems facing Aboriginal Canadians requires more than the worthy but limited programs funded in this Budget. Ottawa has made a good start; other Budgets over the next several years must build on this foundation.

health

When it comes to health, the principle of first call applies to all Canadians, not only the poor. The basic philosophy of medicare is that every citizen should have access to necessary health services based on their medical needs, not their financial circumstances.

Medicare is vital to everyone, but none more than those living on low incomes. The poor face a greater risk of illness and can least afford to pay for health care. In the days before medicare, low-income Canadians were least likely to receive necessary medicare care. They had to rely on charity medicine since they could not afford private health insurance. Low-income Canadians are best served by a single-payer medicare system which serves the entire population.

Medicare cannot be protected and reformed unless there are sufficient funds to ensure the availability and delivery of high-quality services throughout the country. We support the Budget announcement of a minimum $12.5 billion floor in federal transfers to the provinces and territories under the CHST. A substantial federal cash guarantee is essential not only to help provinces pay for insured health services. It also is necessary to ensure that the federal government can protect the principles of the Canada Health Act.

It is impossible to enforce the Canada Health Act without substantial federal cash transfers to the provinces. Ottawa must have the ability to withhold funds in the event of a province contravening the conditions of medicare. But while enforcement leverage is important, it is a last-resort weapon brandished only when all else fails. There is a need for thoughtful deliberation and informed debate about medicare – what it should include, how it should evolve and how pressures on the system can be better addressed.

There needs to be an in-depth exploration of the principles of medicare – which should be seen as more than tools which bureaucrats use to decide whether to pay or withhold federal funds. These principles should act as beacons that give shape, guidance and direction to the current and future medicare system.

A crucial first step is to explore the meaning of 'medical necessity' in the principle of comprehensiveness. We are not proposing the development of a designated or definitive list, which is a dangerous and limited approach. The challenge is to employ the appropriate procedures in the right circumstances, rather than try to find procedures that should never be used. This discussion should include preventive health-related services – e.g., auditory and visual screening for children. The delivery and financing of preventive services should be examined to encourage greater consistency and more equitable coverage throughout the country.

home care

The deep cuts in federal funding under the CHST have made provinces sceptical of federal cost-sharing for innovations in medicare. The First Ministers' meeting in December 1997 made clear the provincial position: Medicare should be restored and bolstered before Ottawa embarks upon so-called 'boutique' programs – i.e., 'fancy' extras such as home care and pharmacare.

We do not view home care and pharmacare as 'extras' which should take second place to traditional health care services. Home care is an essential service. It has become an integral part of the acute care system as hospitals discharge patients as early as possible and perform more and more procedures on an out-patient basis. Home care is not a frill but rather a central component in the continuum of health care.

In recognition of the fact that many families provide their own care at home to infirm or elderly family members, the Budget introduced a new tax credit for caregivers (it had provided some tax relief in the past in the form of an infirm dependant credit). Again, we fully support all measures that help families in their caregiving responsibilities. But despite the importance of this individualized approach, it cannot replace the home care infrastructure that would provide important support and respite to a range of families.

We support the Budget's measure to help the self-employed offset the cost of health and dental insurance costs. However, our primary concern lies with the broader group of low-income Canadians (some of whom are self-employed) who rarely work for employers that provide supplementary health plans covering prescription drugs. Nor can most of these households afford to buy private insurance. As a result, they either pay full price or do without. The principle of first call would suggest that the first priority with respect to health-related costs is to assist low-income Canadians through targeted measures, such as covering the costs of prescription drugs or dental care.

persons with disabilities

As in the past few years, the Budget announced a few modest tax measures for persons with disabilities. It increased by $25 million – to a total $193 million – the contribution to the Employability Assistance for Persons with Disabilities Program which replaces the Vocational Rehabilitation of Disabled Persons Program. The Budget also provides $14 million a year for grants for students with disabilities to help them pursue their studies.

While these are all worthwhile measures, we trust that the federal government will take more seriously the need to invest more broadly and generously in supports for persons with disabilities. This need will be especially important to demonstrate Ottawa's commitment to and leadership in respect of the *National Framework on Disability Income and Supports* which the First Ministers supported at their December 1997 meeting. As in the past, this piece-of-the-puzzle Budget also misses in a substantive way this crucial piece of the puzzle.

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