

## INTRODUCTION

In the Programme for Government, the Government promised that within the first hundred days they would “resource a Jobs Fund which will

- Provide resources for an additional 15,000 places in training, work experience and educational opportunities for those who are out of work;
- Cut the 13.5% rate of VAT to 12% up to end 2013;
- Halve the lower 8.5% rate of PRSI up to end 2013 on jobs paying up to €356 per week;
- Reverse the cut in the minimum wage;
- Abolish the Travel Tax as part of a deal with airlines to restore lost routes;
- Implement a number of sectoral initiatives in areas that will create employment in the domestic economy;
- Initiate a long-term strategy to develop new markets in emerging economies;
- Secure additional resources for the national housing energy retrofitting plan, as part of plans to phase out subsidies in this area by 2014;
- Expand eligibility for the back to education allowance; and
- Accelerate capital works that are ‘shovel ready’ and labour intensive including schools and secondary roads.”

On Tuesday the 10<sup>th</sup> May 2011 the Government announce its **Jobs Initiative** in which they delivered on much of the above with some changes and exceptions. For example:

- No reference was made to the Back to Education Allowance though there was an expansion of the number of places on the Back to Education Initiative.
- With regard to the sectoral initiatives and the cut in VAT the focus is primarily on tourism.
- Though the Minister for Finance referred to it in his speech there is no written reference to restoring the cut to the National Minimum Wage. The INOU understands that interdepartmental discussions are taking place as to the best legislative mechanism to restore the National Minimum Wage to €8.65 and urges that this promise is delivered on as soon as possible.
- Similarly there was very little on the development of a long-term strategy for emerging markets.

The INOU agrees with Government spokespeople when they describe the **Jobs Initiative** as a start: an integrated Jobs Strategy that spells out the role and potential of each segment of the labour market is badly needed. The INOU would not share the Government’s view, as voiced by the Minister for Enterprise, Jobs and Innovation, Richard Bruton, TD said in his JI press release, that “Governments don’t create jobs” given that the state employs 1/6 of those currently employed. Entrepreneurs from the multinationals to the sole trader all have their role to play in creating employment and re-building Ireland’s economy.

But Ireland’s crisis is not just economic, it is social as well and if the Government is to realise its vision of Ireland becoming “a modern, fair, socially inclusive and equal society supported by a productive and prosperous economy”<sup>1</sup> then social policy will have an increasingly important role in determining such an outcome. To that end the work of and work in the public, community and voluntary sectors must be incorporated into any integrated response to the unemployment crisis.

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<sup>1</sup> Ref: Government of National Recovery 2011-2016, page 3

## SO WHAT'S ACTUALLY IN THE JOBS INITIATIVE?

- Given the scale of the job loss in the construction industry and the challenge facing Ireland in creating accessible employment for these unemployed workers, a number of the measures announced are to be welcomed. However, it should also be noted that the scale of these recent initiatives and previous ones are inadequate to meet the needs of but a few: construction employment at its height employed over 270,000 men. The Retrofit programme will be given an additional €30m in 2011; an additional €30m will be made available for the schools works programme; and an additional €75m will be invested in regional and local roads and 'smarter' travel projects. Government estimates that this investment will create an additional 6,000+ jobs or to put it in perspective 1 for every 28 jobs lost over the boom-to-bust period!
- The National Internship Scheme will operate for only two years with only 5,000 places. This scheme is not in addition to the Skills Development and Internship Programme announced in Budget 2011 but instead of it. The INOU regrets this as the SDIP offer €100 top to the participant's jobseekers payment and an €50 was to go into a training fund. The new scheme will offer a top up of €50 and will operate across all sectors of the labour market.
- The INOU is keenly aware that many of the jobs lost over the past three years are lost for good and that for many unemployed people to enjoy the levels of income they enjoyed previously will require a career change and potentially significant re-training and re-education. To that end the announcement of an additional 5,900 places in the third level Springboard initiative is to be welcomed. The Back to Education Initiative; Post Leaving Cert courses; short and long-term FAS courses will all be expanded giving an additional 15,900 places. Though these places are welcome, without job growth there are too few progression options open to unemployed people and longer term courses that build up people's skills significantly will be required. This is particularly pertinent if Ireland is to fill the type of knowledge-based economy jobs that have been the focus of economic development for a number of years. Even at present there are job vacancies that Ireland appears to lack the skills to fill: this is a failure of active labour market policy that must be properly addressed. It is crucial at a time of growing negative media sentiment around unemployed people that meaningful options are made available: options that will improve unemployed people's chances of securing a decent job<sup>2</sup>.
- The single biggest expenditure item in this **Jobs Initiative** is the cut in VAT to 9% from 1 July to end 2013 aimed at supporting the tourism industry. There is a certain rationale to this decision and in particular given the geographical spread of this industry and its importance in areas with little other current economic activity or potential growth job. However, it will be important for the Departments of Finance and Transport, Tourism & Sport to monitor the impact of this change. In particular to ascertain whether or not the cut is past onto consumers: with inflation starting to rise again this would be important if the major policy objective is to be achieved. To

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<sup>2</sup> The International Labour Organisation defines 'decent work' as productive work which generates an adequate income, in which workers' rights are protected and where there is adequate social protection — providing opportunities for men and women to obtain productive work in conditions of freedom, equality, security and human dignity.

that end the job impact of this tax change must be monitored and reported on by the Department of Finance.

- Employers PRSI has been halved on wages up to €356 per week for the same time period as the VAT reduction in tourist related industries. This reduction has been introduced in part to compensate employers for the restoration for the €1 cut to the National Minimum Wage. It will be important for the Government to monitor this development and ensure that it does not have a detrimental impact on wages slightly above this rate of pay.

## OTHER KEY DEVELOPMENTS

- With regard to the review of Employment Regulation Orders and Registered Employment Agreements the INOU cautions that as these mechanisms operate primarily in the low paid sectors that any further reductions in take-home pay would further weaken consumer spending with negative implications for employment. Export led growth may be a vitally important element in building Ireland's economy recovery but without a renewed confidence and increased domestic spending the badly needed employment bounce will not materialise. As the Government notes in the JI document *"weak consumer spending and restructuring in the financial sector are expected to dampen services employment."* They also note the limitations of this Initiative when they say that *"While the measures announced in the Jobs Initiative will provide support to building activity, further losses are anticipated in the construction sector."* (p27)
- In the **Jobs Initiative** the Government notes that *"Increasing levels of engagement with the unemployed at clear milestones is a key element of our approach to creating pathways to employment for such persons."* It is absolutely vital that such engagement is built about meeting the needs of unemployed people and providing them with the very best of advice and support. The INOU has queried the wisdom of building such developments around the National Employment Action Plan given its ineffectiveness to date<sup>3</sup>: an ineffectiveness highlighted by the recent ESRI report<sup>4</sup>. The new National Employment and Entitlements Service must be ambitious and must strive to provide a first class service to unemployed people. The closer the social protection system can keep unemployed people to the labour market, the more it facilitates them to take up work while maintaining a sense of security the quicker more and more people will make the transition from welfare to work when the upturn comes. In the meantime it is absolutely vital that social welfare payments and supports are maintained.

## FOR FURTHER INFORMATION PLEASE CONTACT

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<sup>3</sup> INOU publication "Unemployment 2011: What's happening?" [www.inou.ie](http://www.inou.ie)

<sup>4</sup> "Activation in Ireland: An Evaluation of the National Employment Action Plan" [www.esri.ie](http://www.esri.ie)