



Restoring confidence

Labour's proposals for economic recovery

June 2009


Labour
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EXECUTIVE SUMMARY

Throughout the economic crisis, Labour has insisted on prioritising the protection and creation of jobs, and boosting economic activity.

The Irish economy is under-going a painful recession, but there are actions Government can take to speed recovery. The challenge for Ireland, is to manage a transition back to export-led growth, and to build the foundations of a new competitive advantage, focused on smart, eco-growth. This won't happen on its own. The speed at which the Irish economy will recover will depend on a number of policy decisions being taken by Government.

Labour's proposals for jobs and recovery are focused on six crucial areas of policy:

1. National Skills Campaign: The speed at which unemployment can be reduced depends crucially on labour market policy. The people joining the live register need options to acquire skills and work experience. There is no bigger waste of money than paying people to do nothing.

2. Restoring Credit: In its recent World Economic Outlook, the IMF has pointed out that recessions associated with financial crises are typically deeper and longer lasting than those caused by other shocks. The economy must have a functioning banking system if it is to recover. Labour's approach, based on temporary nationalisation, is the quickest and least expensive means of restoring a functioning banking system.

3. Supporting Enterprise: We need to do more to protect the jobs we have, and to create new ones. Labour is proposing a set of measures to directly promote jobs creation, and to assist enterprise in coping with the down-turn.

4. Investing For Growth: We need a revised National Development Plan to reflect the new realities of the Irish economy, to focus investment on smart eco-growth, and on labour-intensive activities. It is absolutely vital that we obtain maximum advantage from Ireland's continued high level of public investment

5. Reforming Public Services: Labour is determined to lead reform in our Public Services to deliver better, more cost effective services in the interests both of promoting economic activity and of developing a fairer society.

6. Ending 'Crony Capitalism'. Ireland must deal with its culture of 'Crony Capitalism' both to ensure that this crisis does not recur, but also to repair our reputation abroad.

There is ample evidence to show that Irish consumers are frozen by fear. The collapse in retail sales, the rise in the savings ratio, and the low level of consumer confidence indicators, all speak of a collapse in economic confidence. Labour believes that a concerted and realistic effort by Government at all levels, could contribute to the restoration of confidence that will be a vital part of economic recovery. We also believe that Government must begin the task of rebuilding Ireland's reputation abroad. The Irish people deserve new political leadership that will inspire confidence, at home and abroad. Labour is offering that leadership

SIX STRATEGIES TO SPEED RECOVERY

Ireland is facing a profound economic crisis. The ESRI predict that by the end of 2010, output per head will have fallen back to 2001 levels. This is an extraordinary reversal of economic fortunes, not seen in a developed economy since the 1930s.

It is important, however, not to see the whole of the 'Celtic Tiger' period as a mirage. From 1994 to 2001, GNP per capita rose by nearly 60% during a period of exceptional export-led growth. It was based on having a skilled labour force, a low corporation tax rate set by Labour Ministers, discipline in the public finances, and full and enthusiastic membership of the European Union. It was only from about 2001 onwards, that Ireland moved towards unsustainable property-led growth.

The Irish economy continues to have many underlying strengths. As the ESRI point out, *'Though today's economic problems are exceptional, the basic fabric of the economy remains reasonably intact'*¹. The challenge for Ireland, is to manage a transition back to export-led growth, and to build the foundations of a new competitive advantage, focused on smart, eco-growth. Sector by sector, Ireland will have to move towards a new, smarter economy. Developing the potential of green energy and investing, particularly, in broadband technology, across the whole of the Island.

This won't happen on its own. The speed at which the Irish economy will recover will depend on a number of policy decisions being taken by Government. In particular, the rate at which unemployment can be brought back down will crucially depend on Labour market policy. Ireland is facing the prospect of having more than 500,000 people on the live register by the end of this year – an appalling economic and social prospect. There is also the very real threat of a substantial problem of 'structural' unemployment emerging, particularly in respect of men formerly employed in the construction sector. This sector cannot grow back to its former level of employment, leaving a huge task in re-skilling people to find work in other areas of the economy. For more than a year, Labour has been calling for concerted action on skills, but Fianna Fáil have utterly failed to respond to the urgency of the situation. Unless, there is a substantial programme of education and up-skilling, those with low, or redundant, skills will find it much more difficult to move off the live register when the economy begins to recover.

Labour's proposals for jobs and recovery are focused on six crucial areas of policy:

1. National Skills Campaign: The speed at which unemployment can be reduced depends crucially on labour market policy. The people joining the live register need options to acquire skills and work experience. There is no bigger waste of money than paying people to do nothing. This must be accompanied by institutional reform, to deliver a better service to people searching for work and training opportunities.

2. Restoring Credit: In its recent World Economic Outlook, the IMF has pointed out that recessions associated with financial crises are typically deeper and longer lasting than those caused by other shocks. The economy must have a functioning banking system if it is to recover. Labour's approach, based on temporary nationalisation, is the quickest and least expensive means of restoring a functioning banking system.

¹ Bergin et al 'Recovery Scenarios For Ireland', ESRI Research Series, No. 7, May 2009

3. Supporting Enterprise: We need to do more to protect the jobs we have, and to create new ones. Labour is proposing a set of measures to directly promote jobs creation, and to assist enterprise in coping with the down-turn.

4. Investing For Growth: We need a new National Development Plan to reflect the new realities of the Irish economy, and to focus investment on smart eco-growth. It is absolutely vital that we obtain maximum advantage from Ireland's continued high level of public investment

5. Reforming Public Services: Labour is determined to lead reform in our Public Services to deliver better, more cost effective services in the interests both of promoting economic activity and of developing a fairer society.

6. Ending 'Crony Capitalism'. Ireland must deal with its culture of 'Crony Capitalism' both to ensure that this crisis does not recur, but also to repair our reputation abroad. As pointed out by the NESC, Ireland is experiencing a 'reputational crisis' overseas². This will have hugely damaging effects in respect of our capacity to borrow on international markets, to attract foreign direct investment, and to promote trade. It is not enough to sell Ireland's story, we need to have a positive story to sell. We must be able to point to concrete actions that have been taken to clean up the culture of 'crony capitalism'.

² National Economic and Social Council: *Ireland's Five-Part Crisis: An Integrated National Response, March 2009*

1. NATIONAL SKILLS CAMPAIGN

As the live register approaches 500,000, Fianna Fáil have utterly failed to respond to what is an economic and social crisis. As a country, we simply must mobilise to provide people on the live register with opportunities, and with hope. The speed at which unemployment will fall, depends crucially on the adoption of active labour market policies, focused on enhancing the skills and experience of people who are looking for work. Ireland has plenty of experience on the field of active labour market programmes. We must learn the lessons of the past and press ahead with a national skills campaign.

Labour's Strategic Approach to Building Skills

In its policy document entitled 'Just the Job', Labour proposed a number of schemes for training and up-skilling people on the live register. Some of our ideas were adopted by Government, but on an entirely inadequate scale. Our idea for an earn and learn scheme, for example, has been adopted as a pilot programme, with only 277 places, while there are only 2000 work experience places being provided. A total of some 18,000 additional places were promised in April's Supplementary Budget. While these are welcome, they represent a very limited response to the increase of 188,800 in the live register in the last twelve months.

Expanded provision is clearly required, and should follow a strategic approach. In the short-term, resources should be mobilized to make greater use of existing capacities and to initiate a number of new programmes. The VECs and Institutes of Technology, for example, are capable of responding to emerging needs, and should be encouraged to do so. The graduate programme should also be developed on a much larger scale.

In the medium-term, the provision of places in training, education and work experience, should be based on the needs and characteristics of jobs seekers, the lessons learned from past Irish experience, and the longer-term requirements of the economy. Recent data suggests, for example, that just over 40% of men and over 20% of women on the live register are educated to Junior Certificate Standard or less.

The National Skills Strategy recommended up-skilling for some 500,000 people over a decade, with 66% happening to the equivalent of Leaving Certificate level. This process should be frontloaded, as part of a broader response to the unemployment crisis. Expanded provision should be based on a combination of permanent additions to the level of skills provision, and temporary programmes that can be rapidly expanded and then reduced as the economy recovers.

Labour's New Approach to Building Skills

The Skills campaign must incorporate new and innovative labour market policies, as well as more flexible path-ways to training and education. Labour is advancing the following proposals

'Bridge the GAP' – a graduate and apprentice placement scheme

- New third level graduates, and newly-qualified apprentices, are finding it particularly difficult to get a first job. Without a job, they find themselves caught in a cycle of not enough experience to get work, and not enough work to get experience. There is a considerable body of evidence to suggest that periods of unemployment early in a person's life affects their earning potential for years to follow.
- A graduate and apprentice placement scheme would bridge this gap, giving first-time jobseekers an opportunity to develop their skills, and enhancing their job prospects. Participating interns would be paid at the single person's rate of Jobseeker's Allowance for the duration of the placement, plus a 'Cost of Work' allowance of €150 per week. Again, the Government's proposal of 2000 places is not adequate to the needs of the tens of thousands who will graduate from college this summer.

Earn and Learn - combining work with education and training

- 'Earn and Learn' is a scheme that enables people to formally combine work with education and training. If a company needs to put its employees on, for example, a three day week, it should be possible to arrange education or training for the remaining two days. The Government has accepted this argument, but a pilot project of 277 places is not sufficient

Back to Education Allowance and Back to Work Enterprise Allowance

- It does not make sense, particularly in an extended downturn, that someone has to spend lengthy periods on the dole before being entitled to the Back to Education Allowance, or the Back to Work Enterprise Allowance. Instead, the qualifying period for these allowances should be reduced to three months.

Further Education

- There must be an expansion in the number of VEC places nationwide We have the further education colleges; a wide variety of training options already on offer; and staff experienced in adult education – these existing resources would just need to be expanded. The same goes for Institutes of Technology, which have substantial experience in providing the kind of technical, skilled training that our workforce badly needs. This expansion in Further Education and Institute of

Technology places should be accompanied by an expansion in the number of places on the Back to Education Initiative and an expansion in the number of VTOS.

Skills Exchanges

- The hundreds of thousands of people currently on the dole are a vast reservoir of professional experience and skills. A 'Skills Exchange' within VEC colleges, Institutes of Technology or FAS training centres, would enable those availing of training in one field to use their previous professional experience to help train other people.

Literacy

- According to the most recent survey of adult literacy, one in four Irish adults score at the lowest level of literacy. Having limited literacy makes changing jobs, or adapting to new working practices extremely difficult. This is why it is essential that literacy is at the forefront of any action plan to counter unemployment.

Tax back for full-time study

- The Seed Capital Scheme allows a person looking to set up a new company to claw back their income tax for up to six of the preceding years. If we can give people their tax back to invest in their company, we should also help people to invest in themselves.
- If a person loses their job or business, and wants to return to full-time education, the financial supports available to them are limited.
- This tax back scheme would be primarily aimed at those who are not eligible for existing education-related supports, but for whom a lump sum would ease the financial strain of full-time education. For example, a person doing a two-year diploma or master's degree full-time could claim back their income tax from their last two years of work in order to offset their loss of income.
- Tax back for education would only be provided for people studying in authorised institutions, would apply only to tax paid up to €50,000 and would be subject to completion of the declared course.

Employment Services

- A recent OECD report³ has highlighted the weakness of employment services in Ireland. As we face into a period of rising unemployment, it will be particularly

³ Grubb, D. et al 'Activation Policies in Ireland' OECD Social, Employment and Migration Working Papers, No. 75

important to beef up the employment service. This should be achieved through redeployment of staff from within the existing public service.

European Initiatives

- Labour in Europe is proposing to fund a Skills Programme through the current EU budget, to train workers across Europe for, amongst other things, the eco-jobs of the future, such as in the renewable energy sector.
- Labour proposes to expand funding, within the current European budget, for education and training exchanges to include, for example, apprentices and older people, building on the success of the ERASMUS programme, and giving as many young people as possible the chance to study abroad. Mobility should be the rule not the exception. Every young European should have the chance to enjoy it. Advantage should be taken of the possibilities offered by the European Social Fund for integrating the unemployed into the labour market and for training workers.

2. RESTORING CREDIT

A functioning banking system is vital

Our economy cannot function without a functioning banking system. Business needs credit to function. It needs working capital. It needs to bridge the gap between dispatching an order and getting paid. It needs to be able to pay suppliers and meet payroll. It needs credit to engage in international trade. Lending to non-financial corporates fell by approximately €1 billion in March, and by approximately €900m in April. This is a clear indication of how the banking crisis is having its impact on business.

There are thousands of small employers whose businesses are perfectly sound, but who have large sums owing to them not immediately realisable in cash, but nevertheless perfectly well secured. It is the perfectly legitimate custom of such employers to draw from their banks overdrafts upon their deposits in order to enable them to keep their businesses going, paying back to the bank the sums thus borrowed according as they themselves are paid by their debtors.

James Connolly

The IMF has not only warned that Ireland's banking crisis could cost the State more than any other country. It has also pointed out that recessions associated with banking crises are generally deeper and longer lasting than other downturns. A decline of one tenth in national income is an enormous shock. But our capacity to recover from it, and to begin to grow again, to create new jobs, will depend on having a functioning banking system.

Results suggest that recessions associated with financial crises tend to be unusually severe and their recoveries typically slow

IMF World Economic Outlook, April 2009

We must address the banking crisis urgently and coherently.

Labour's approach to this issue is temporary nationalisation of the banks. This is not part of any ideological agenda. Instead, it is the view of a wide range of economists, from across the political spectrum, and many leading economists internationally, that nationalisation is the least cost and most effective option for dealing with the banking crisis.

NAMA will impose huge costs

The Fianna Fáil approach of establishing NAMA imposes huge risks on the Irish taxpayer. The problem is summed up by the 20 economists who have proposed temporary nationalisation, when they wrote in the Irish Times that:

There is ... a fundamental internal contradiction in the Government's current position. The Government is claiming that it can simultaneously: (a) purchase the bad loans at a discount reflecting their true market value; (b) keep the banks well or adequately capitalised; and (c) keep them out of State ownership.

These three outcomes are simply mutually incompatible, and we are greatly concerned that the Nama process may operate to maintain the appearance that all three objectives have been achieved by failing to meet the first requirement. This would arise if Nama purchases the bad loans at a discount - but still well above market value. With €90 billion in loans to be purchased, the consequences to the taxpayer of overpaying for bad assets by 10 to 30 per cent are truly appalling

Knowing what we know about Fianna Fáil's record on this issue, and their determination to favour the banks over the taxpayer at every opportunity, we have every reason to fear that the economists' prediction will be proven correct.

Temporary Nationalisation the least cost, more effective option

- Labour's approach is to take the banks into public ownership on a temporary basis, until the bad debts can be cleaned up, and the balance sheets restored. This removes the requirement to value the bad loans at a time when market conditions are so uncertain.
- There will still be a requirement for substantial state investment in the banks to deal with the bad loans, but there will be a return to the exchequer when the banks are returned to private ownership. The bad loans would initially be managed within the issuing banks, though consolidation of bad loans would be an option, without the valuation risk inherent in the NAMA proposal. The nationalised banks would operate with a commercial mandate.

A Banking Commission to effect regime change

- As part of the nationalisation process, Labour has proposed the creation of a Banking Commission to oversee the replacement of the boards and senior management of the Banks. This is necessary to begin to restore international confidence in the banks. While there have been changes, they have been reluctant, piecemeal and delayed, which if anything has damaged the banks further. The banks need a clean break, and the opportunity to get on with their business.
- The Commission would be an independent body, composed of people of the highest international reputation and competence, with a mixture of Irish and non-Irish Commission members. The Commission's functions would include the approval of appointments to the Boards of Irish Banks, the approval of the appointment of senior executives, the vetting and monitoring of business plans. The Commission could also oversee the setting of board and executive remuneration.

The Shareholders

Labour believes that the Government should explore options to allow shareholders to recover some of their losses from holding shares in the banks.

- Shareholders could, for example, be given the option of putting the residual value of their shares into trust, to be converted into shares in the bank when it is re-privatised. The state should be proactive in looking at ways of giving shareholders some potential up-side, if they leave their investment with the banks. This could be as simple as an option to receive shares later, or there may be other ways in which shareholders could enjoy some future up-side.

The Costs of Delay

The longer it takes to achieve a resolution of the banking crisis, the more businesses and jobs that will be lost. While Fianna Fáil are attempting to set up NAMA on an interim basis, it will in fact be extremely difficult for it to start work without a legislative framework to underpin it.

A non-statutory state agency cannot simply send people into the banks to start picking over loan documents, unless they have adequate authority to do so. Indeed, it is questionable whether the financial regulator would even be in a position to hand over the PWC report to a non-statutory NAMA, without adequate supporting legislation.

There is a clear legal risk that the NAMA model will be dragged out and delayed in its implementation. Yet, until a solution is put in place, a cloud of uncertainty will hang over the banking sector. This relates to three sets of bad incentives created by the delay

- The incentive for developers not to service their loans or negotiate with their banks, in the belief that they will get a better deal from NAMA
- The disincentive for banks to make good loans in circumstances where a productive business is wrapped up, for banking purposes, with an interest in development land. Banks will not lend to such businesses where they believe that such loans might possibly be transferred to NAMA.
- The incentive for good assets to be 'hidden' from NAMA.

European Reform of Financial Services

The turmoil in the financial markets revealed the true importance of European cooperation to prevent a collapse of the banking system and stabilise the markets. Coordinated action in the EU has helped to protect people's jobs, savings, pensions and homes. But the financial crisis has revealed deep-seated flaws in the market system that need to be tackled to prevent such crises happening again. We need reform in Ireland, but we also need reform at European level.

- Building on talks that have already taken place in the EU and at global level, Labour in Europe is committed to reform of financial markets. Regulation should cover all financial players. We need a new standard for transparency and

disclosure. There should be rigorous capital requirements for all financial players, and limits on excessive borrowing and bad loans to prevent excessive risk-taking and debt. Limits are also needed on top executive pay and bonuses, notably so that earnings reflect losses as well as profits.

- New rules are needed to prevent conflicts of interest. We must ensure that workers have full rights to information and consultation during all takeovers and that employees paying into pension funds know where and how their money is being invested. Ireland must implement long-standing EU rules designed to protect workers' pensions in the event of the insolvency of their employer.
- The European system of supervision must also be further improved. Financial institutions must state all risks on their balance sheets. Detrimental short-selling made the crisis worse and should be curbed by regulatory authorities. Hedge funds and private equity funds must be monitored and regulated more effectively. The key issues are obligations to disclose asset and regulatory structures, more stringent requirements to inform investors about risks, the limitation of excess debt financing and restrictions on investments.
- The European Union should take strong action to deal with tax havens, tax avoidance scams and tax evasion, and step up the fight against money laundering in the European Union and globally so that everyone pays their fair share of tax to the countries in which they operate.
- Europe should take a lead in working towards reform of the global financial architecture in order to prevent the recurrence of a financial crisis and to make the power of financial institutions subject to democratic scrutiny.
- Labour will continue to press the Fianna Fáil government to implement in full EU rules designed to prevent money-laundering and white collar crime.

3. INVESTING IN SMART ECO-GROWTH

The smart, eco-economy will not just happen, we will have to invest in it. We will need the infrastructure, the skilled people, the R&D to compete in the world economy that will emerge from the crisis. Ireland's efforts can be assisted and enhanced by action at European level. The European Union must adopt a similar agenda, and the European Union institutions and the EU budget should be central to this strategy. EU-funded investment projects should be swiftly implemented to help achieve these goals.

Doing More With Less; Re-Organising Capital Expenditure

Across the whole of the public sector, there is a pressing requirement to achieve 'more with less'. Since 2001, Labour has been calling for reforms in public expenditure management, and more efficient use of public funds. This is true of both capital and current expenditure. While it was believed that budgeting mechanisms for capital spending had been improved, with, for example, the introduction of capital envelopes, significant short-comings remain.

The management of the public capital programme is supposed to rest on a National Development Plan, implemented through a set of rolling multi-annual capital 'envelopes'. This structure, however, has been undermined by recent events. The most recent NDP is a heavily politicised document, prepared in advance of the 2007 election, and was based on a set of assumptions which no longer hold true. While there are supposed to be multi-annual budgeting arrangements, during our recent engagement with the Department of Finance before the emergency budget, the Department was unable to provide the Labour Party with a comprehensive 'pipeline' of capital projects. We found this quite extraordinary. While there is an urgent necessity to maximise the return on existing levels of investment, and to achieve economies as a result of falling tender prices, it is far from clear that the existing system is structured to achieve those objectives. Although the National Development Finance Agency has been set up to deliver PPP projects for some Departments, and to give advice to others, the overall structure of capital procurement is now complicated and illogical.

Labour is proposing the following changes to the management of public investment:

- A new NDP must now be drawn up to reflect the new economic realities, and to set out priorities for public investment in education, health, energy, transport, environment etc. The profile of investment should prioritise labour-intensive projects and projects that are currently 'shovel ready' in the early years of the programme, with a particular emphasis on school-building, housing and urban regeneration projects. Insulation and other energy-related activities should also be front-loaded, to absorb some of the shock from the collapse of construction activity.
- Preparatory to, and in conjunction with, the establishment of a National Investment Bank, the system of procurement for public capital programmes should be reformed. The advisory functions of the NDFA should be transferred to the National Investment Bank, when it is established. Under our proposals, the relevant Government departments and local authorities would continue to be

responsible for proposing capital investments. However any such annual and multi-annual capital programmes would then have to be submitted to the National Investment Bank for appraisal. The National Investment Bank would assess the proposed programmes on economic, social and environmental / sustainability grounds and in line with overall Government policy in relation to each Department. Following this evaluation, the National Investment Bank would be obliged to report back to the relevant Minister as well as to the Minister for Finance setting out:

- the viability of the investment on economic, social and environmental grounds, including contribution to economic development, employment and reduction in carbon emissions;
- the optimal means of funding the project
- the optimal means of procuring the project; and
- a business case for the proposed project.

In general, we believe that line Departments should retain responsibility for procurement of capital projects, though their expertise may have to be strengthened in this regard. A small centre of excellence on public procurement should also be established within the Department of Finance.

A National Investment Bank

- The traditional procurement model of up-front payment has been complemented to a large degree in recent times by Public Private Partnerships. While some PPP structures have been questionable from the point of view of securing value for money for the taxpayer, they can be valuable tools in cash-flow management for the exchequer. While the bar should certainly be raised in terms of designing cost effective PPPs, the PPP model of delivering public infrastructure is likely to remain a key component of public service delivery in the years ahead.
- At present, however, the PPP model is under severe strain, as private sector operators experience difficulties in financing their end of a PPP. The banks have no appetite for investment in public infrastructure projects at present. For example, only one PPP project has reached financial close in the past two years (the NDFA Schools 1 project funded by Bank of Ireland). The recent collapse in PPP negotiations for Thornton Hall is another example of the problems being experienced. In the short-term, the credit crunch is set to limit the viability of many PPP projects while over the longer term, access to PPP finance could continue to be problematic.
- Furthermore, the reluctance of the private banks to invest in productive sectors of the economy has not just happened since the financial crisis exploded. Throughout the Celtic Tiger era, the vast majority of lending by Irish financial institutions was for property speculation, with hardly any investment in productive sectors like technology and R&D. To address this issue and to retain profit from public infrastructure delivery within the public sphere, the Labour Party proposes

the establishment of a National Development Bank to fund and deliver infrastructure projects.

Broadband

- Developing the smart, low-carbon economy in Ireland requires far better availability of broadband. If, as seems likely without Government intervention, Eircom is sold again, it will be its fifth change of ownership since privatisation. During this period, Ireland has fallen further and further down the broadband league tables. The present ownership structure of Eircom has not delivered the sustained investment in this vital infrastructure that Ireland needs. In addition, competition in the sector in Ireland has been fiercely resisted by Eircom.
- Labour believes that a further private sector sale of Eircom is not in the public interest. This vital national infrastructure cannot continue to be treated as a plaything of investors. Rather, Eircom must be vested in a structure which protects the public interest, that ensures that Ireland's telecommunications infrastructure benefits from long-term investment, while remaining close to emerging market and technological trends.
- This can be achieved in a number of ways, one of which is nationalisation. Another approach is to enter into a strategic alliance with another European telecommunications company, with an equity stake being taken by the strategic partner. The new ownership structure should also accommodate a separation within Eircom of the infrastructure and consumer arms, as part of the process of ensuring fair access by other telecommunications providers to the network.

European Investment

- There is an important European dimension to investment in the smart economy. Labour in Europe, for example, is proposing a European initiative to expand the use of green energy and tackle climate change. Effective use of wind energy, for example, requires new, cross-border grids, the development of which should be supported by Europe.
- Significant investment in developing broadband networks is also needed throughout Europe. Labour in Europe is proposing greater European investment in broadband infrastructure. The European Investment Bank is already involved in the financing of energy as well as telecoms infrastructure and could step up its commitment. Greater use of European Structural Funds should also be considered.

4. SUPPORTING ENTERPRISE

Incentivising job creation

- A PRSI exemption scheme should be put in place that would exempt employers from paying employer's PRSI for 18 months, where they employ a person who has been unemployed for more than 6 months, and where they demonstrate clearly that they are creating a new job.
- Private and public sector employers should be incentivised to offer career breaks and flexible work options to facilitate parents, carers or others who wish to take time out of the workforce, and to improve job opportunities for other workers. There should be legal protection provided to employees to ensure they get their job back, and to safeguard pension and social security entitlements.

Rent and Rates

- Local authorities should have the power to encourage the creation of local jobs through a new Rate Increment Scheme, which would allow new start up businesses to pay a discounted rate base over a specified period of time, subject to reasonable conditions.
- At a time when prices are beginning to fall in the economy, 'upwards-only' rent reviews are an unfair burden on business. Labour is proposing an initiative to ensure that rents charged after periodic rent reviews, under existing as well as new leases, cannot exceed the going market rent: the rent which a willing tenant not already in occupation would give and a willing landlord would take for the premises.

Action In Europe

- Labour in Europe is committed to acceleration of the Better Regulation Programme which aims to reduce the red tape facing businesses, so as to generate more European trade and jobs, based on high environmental and social standards.
- We also support the introduction of legal framework for SMEs through a statute for European Private Companies, together with easier access to the Internal Market and to financial and innovation resources. Ireland should access more of the extra €30 billion European Investment Bank funding for business. Ireland should also make greater use of the reformed Globalisation Adjustment Fund.

5. DOING MORE WITH LESS: PUBLIC SERVICE REFORM

Commitment to high quality public services is central to Labour's politics. We believe that there are areas of our economy and society where markets will not provide adequate levels of service, or where they will not do so fairly. We believe too in an ethic of public service, and we seek to build public services that incorporate that ethic of service. It is precisely because of our commitment to high quality public services that Labour is committed to public service reform. It is those who most value public services who will seek to obtain the best services for the money invested in them. We also believe that Labour's commitment to public services positions Labour to deliver public service reform.

Labour has argued for many years that far greater value-for-money can and should be obtained from public spending, and we have advanced numerous proposals on how this could be achieved. Reform in this area can no longer be delayed. The present fiscal crisis means that the total level of public expenditure will be severely constrained for several years to come. Irish society, cannot, however, stand still. New needs will arise, and new priorities will emerge. This means that structure of public spending will have to change to deliver better services with severely limited resources: doing more with less. This will require quite fundamental changes in the way that public services are organised and delivered.

Public Sector Pay and Staffing Policies

Achieving better value for money requires quite significant changes in policies pertaining to pay and staffing. Blanket recruitment embargoes are a crude instrument which can have an undue impact on service provision, and concentrate decision-making at a very high level. More devolution of responsibility is required, with Departments and agencies being required to manage and deploy available resources.

- The Government is introducing a plan to reduce numbers in the public service through voluntary retirement and career breaks. For this to work effectively far greater mobility of staff within the public sector will be required, so that key posts can be filled by transferring staff from low to high priority areas. With that kind of flexibility in place, payroll costs can be reduced without undue damage to services. The implementation of this scheme should be complemented by full flexibility of movement between all branches of the public and civil service for relevant grades.
- While recruitment to the public service may be limited for some time, the 'more with less' principle means that closed recruitment policies must be ended. Open recruitment to all public service posts should now be introduced. Every promotional opportunity in the public sector should be advertised for open competition.

- Labour has already published detailed proposals on reform of the HSE, which reflect our determination to strengthen local decision-making within the public service. They include proposals for a redundancy package to remove approximately 1000 staff in the management grades. As well as yielding significant on-going cost savings, this would contribute to more effective management of the HSE budget.

Government Rents

- Government should review its rent payments, and seek downward revision in rents paid by all public sector bodies, including schools. Rent payments under social welfare schemes should be reviewed, and a retention tax should be applied where direct payment is made to landlords.

Public Expenditure Management

Labour has previously brought forward a range of proposals to significantly improve the management and scrutiny of public expenditure. These include

- Strengthened strategic management of the estimates process to ensure resources are clearly directed at key priorities
- Strengthened systems of evaluation of public spending in the civil service
- More timely scrutiny of public expenditure by the Dáil, and appointment of an Estimates Commissioner within the Houses of the Oireachtas to facilitate ex-ante scrutiny of spending.
- Establishing a centre of excellence in procurement within the Department of Finance
- Clearer lines of authority and delegation including amendment of the Public Service Management Act to specify that Ministers are responsible for the supervision and oversight of their departments, as well as for their own direct actions, and
- Repeal of the Carltona Doctrine which states that statutory powers may be exercised on behalf of a Minister by a civil servant without his knowledge or authority, and replace it with a proper system of delegation of authority. Where authority is delegated, the person concerned should be accountable to their Minister, and to the Oireachtas

6. NEVER AGAIN: ENDING 'CRONY CAPITALISM'

For the second time in a generation, Fianna Fáil have brought Ireland to the verge of bankruptcy. From 1977 to 1981, and again after 2002, Fianna Fáil's economic policies have been disastrous for Ireland.

As part of the agenda of restoring confidence at home and abroad, Ireland must make, and be seen to make, significant changes in the culture and framework within which business is conducted. That applies both to the formal rules of corporate governance and to the relationship between money and politics. The 'regime change' in the banks referred to above is part of that agenda, but only part of it. Other changes are needed to rid Ireland of its 'Crony Capitalism' image.

Make good corporate governance the law, not a luxury

- As it stands, a company may choose not to comply with the Combined Code on Corporate Governance of the Financial Reporting Council, but as long as it notes in its annual report that it is not in compliance, it is not in breach of the code. This is a blank cheque for corporate misconduct.
- It is clear that voluntary codes of conduct do not now provide sufficient reassurance to investors, who need to be convinced that Ireland is a fair, transparent place to do business. The Government should immediately enact legislation that would provide for a binding code of practice for corporate governance, which would be obligatory for companies wishing to be listed on the Irish stock exchange.

End the link between big money and politics

It is not enough to fold up the Galway tent. We have to end the culture that created it: a culture where money can buy access, at the very least. To restore its citizens' faith in democracy, and its reputation abroad, we need to send a clear message that influence in Ireland is not for sale. To do this, the Government must;

- introduce spending limits for all elections, including Presidential and constitutional referendums and impose spending limits on political parties for a period of six months in advance of scheduled Local, European, General and Presidential Elections.
- As it is not constitutionally feasible to eliminate political donations, legislation should significantly reduce the limit on political donations to political parties and candidates to €2,500 and €1,000 respectively, and require disclosure of all aggregate sums above €1,500 and €600 respectively.
- This is considerably lower than the revised limits announced by the Taoiseach, which would still allow donors to give up to €4000 each to political parties, and up to €2500 without having to declare their interest.

Legislate to regulate the practice of political lobbying

- It is in the public's interest to know who is paid to seek to influence public policy and decision making, at national and local level. Labour's proposed legislation would, for the first time in Ireland, regulate the practice of political lobbying. Labour's legislation would provide for a statutory register of lobbyists and a statutory code governing the practice of lobbying.

Introduce Whistleblowers Protection legislation

- Whistleblowers play an extremely important role in exposing institutional wrongdoing. Whistleblowers were responsible for the establishment of tribunals of inquiry into planning corruption; inquiries into Garda corruption in Donegal; and the uncovering of a major overcharging scandal in AIB, to name but a few recent incidences.
- Whistleblower's Protection legislation, as repeatedly proposed by the Labour Party, would protect an employee who reports misconduct from losing their job, or being otherwise penalised, and would thus encourage greater transparency within the public service, and private institutions such as banks.

Extend Oireachtas powers of oversight and investigation

- The Oireachtas has an important role to play in scrutinising Government and governance, and in protecting the right of citizens to hold their elected representatives accountable.
- Effective scrutiny is a prerequisite for a functioning democracy. The Government could immediately improve the transparency of – and confidence in – governance in Ireland by empowering the Dáil to inquire into and report on any exercise of executive power in the State, or in relation to the administration of any public service. Ministers should be required to ensure that questions are answered in full, and not passed off to a State agency.

Restore the Freedom of Information Act

- Transparency is one of the most powerful weapons against corruption. Far better to prevent corruption at source, rather than having to clean up the consequences.
- The Freedom of Information Act should be restored so that it is as comprehensive as was originally intended. The fee structure for Freedom of Information requests should be reformed so that cost does not discourage individuals and organisations from seeking information. The remit of the FOI Act, and the remit of the Ombudsman Act, should be extended to the Garda Síochána, the Central Bank and many other statutory bodies, and bodies significantly funded from the public purse, that are currently excluded.