

INTRODUCTION

More than 173,000 people have signed on the live register over the past 12 months, signalling the fastest rise in unemployment since records began. It is estimated that as many as half a million people could be out of work by the end of 2009.

Unemployment is a crisis for individuals and households, particularly in light of high levels of personal debt accumulated over the housing boom. But high unemployment also places a major burden on the public finances. For every person made unemployed, the Exchequer loses at least €20,000 a year in social welfare payments and tax forgone. Over half of the Government's €2 billion worth of cuts and levies in January was immediately absorbed by the €1.2 billion cost of 63,000 additional people on the live register in January and February alone.

As long as people are losing their jobs, the Government will have to keep cutting expenditure to pay for them, which in turn depresses the economy. This is why getting people back to work is the cornerstone of Labour's strategy for economic recovery.

Labour's jobs strategy is two-pronged: stimulate job creation in the short term, and create the conditions for new, sustainable job creation in the medium to long-term by up-skilling our workforce.

We cannot afford to be blinkered by our current economic difficulties. Investing now in the skills of those who find themselves unemployed, or under-employed, is an investment in the longer term health of our economy. We need to position ourselves to take advantage of the global upswing, and subsequent growth in the trend for skilled, knowledge-intensive jobs. If we don't, we could find ourselves lagging behind for years to come.

The ten ideas in this document are creative responses to the unemployment crisis we face now, and the need to be ready for the employment opportunities that will come with a global recovery. Many of our proposals pay for themselves, and cost less per person than the €20,000 annual cost of unemployment.

The extra costs associated with our ideas have been accounted for in The Labour Party's priorities for the 2009 Emergency Budget. Ours is a plan for economic recovery, not panic measures. For economic recovery to be sustainable, we need to invest in our most valuable natural resource: a skilled population.

JOBS: GETTING PEOPLE BACK TO WORK

Unemployment is a personal tragedy, and the growth in mass unemployment poses profound difficulties for the Exchequer. The higher unemployment rises, the more the State is required to spend on social welfare payments, and the less it receives in income and consumption taxes. This fall-off in employment is the cause of the hole in the public finances, not the other way around.

We need to take action immediately to stem job losses, and to create employment, in order to prevent the economy spiralling further into a vicious circle of cuts to pay for unemployment, which in turn results in more job losses.

The Labour Party has consistently argued for strategic stimulus measures that will simultaneously deliver much-needed infrastructure, and create jobs. Our proposals have included a major school building and refurbishment programme to address significant deficits in our schools, and a national home insulation scheme. Both ideas have since been adopted as policy, in principle, by the Government. What is needed now is action.

SKILLS: KEEPING PEOPLE IN WORK

New skills for old

Many of the jobs that existed during the boom, such as the massive expansion in house building, will not return. We need to replace these with new, more sustainable, jobs. In some cases, this will mean adding to existing skills. For example, green construction could be a €25 billion industry, but we need a labour force with the right skills.

For others, it will mean a whole new set of skills. The nature of work is already changing. Workplaces are becoming more skill-intensive, and jobs more demanding. Skills that were once deemed specialist, such as computers, are now obligatory in many jobs.

The most recent National Development Plan predicted that by 2010, two out of every three net jobs created will require a third level qualification, compared to 30 per cent of jobs in 2001. However, in 2006, only 22 per cent of our working age population was educated to degree level or higher, while 35 per cent was educated to Junior Certificate level or less. More worryingly still, an estimated one in four Irish adults has limited literacy skills, making them especially vulnerable to unemployment.

If we want to protect our population against long-term unemployment, we need to enable people to learn the skills that will allow them to take advantage of new jobs.

Avoiding long-term unemployment, creating lifelong learners

This current jobs crisis must not become a crisis of long-term unemployment. We cannot afford to abandon up to half a million adults to the dole, with each week that passes eroding their skills, energy and self-esteem.

A business as usual approach to education and training will not meet the needs of the large and diverse group of people who have suddenly found themselves unemployed, or under-employed. The challenge ahead will not be solved simply by expanding the existing supply of continuous education and training – we also have to look at how and where it is delivered; new ways of combining work and training or education; and innovative ways of using the considerable wealth of skills that people already possess.

A real knowledge economy

In the 21st century, a skilled population is the most important natural resource a country can possess. This is particularly true for a small, open economy like Ireland. Ireland's competitive advantage depends on both its ability to foster new industries, and in the attraction of a skilled workforce to foreign investors.

Being a knowledge economy is not just about high-level investment in R&D and fourth level education. The *Expert Group on Future Skills Needs* estimates that half a million people already in the workforce will have to move up at least one skill level by 2020. This includes over 320,000 people who need to retrain up to the equivalent of the Leaving Certificate.

If we don't take action now, it has been predicted that within 10 years there will be 200,000 more low-skilled workers than jobs for them, and an unmet need for 150,000 people with higher skills.

Even in these straitened times, investing in the skills of our labour force is a win-win bet on our own economic future. During their financial crises of the 1990s, Finland and Sweden continued to invest heavily in skills and education, and reaped substantial benefits in the years which followed. Similarly, we need to prepare our workforce for the jobs of tomorrow, otherwise the jobs of tomorrow will pass us by.

JUST THE JOB: 10 IDEAS TO LAUNCH A NATIONAL JOBS AND SKILLS DRIVE

1. Redraw the NDP to prioritise labour-intensive projects

Priority in capital spending should be given to labour-intensive projects which can support employment. A new national development plan should be drawn up consistent with that objective.

Over €600m of the capital programme in the Department of Education alone has not been contracted for. We need school buildings, and we need people designing and building them. Labour has been arguing for a major school building and refurbishment programme for schools since last September. Investing in education infrastructure is just one example of how we can combine necessary investment and job creation.

2. 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.

3. Reduce the cost of doing business

Expanding exports and employment depends critically on the cost base in the non-traded sector, such as utilities, legal fees and insurance. It is vital that, where the non-traded sector is sheltered, or not subject to adequate competition, that downward pressure is exerted on prices. This must come from a combination of competition policy, more effective regulation, and in limited cases, direct price controls.

4. Earn and Learn

'Earn and Learn' is a scheme that enables people to formally combine work and 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.

This could be done through a broker (i.e. FAS, a local VEC or Institute of Technology), which would facilitate the provision of appropriate training for the remainder of the week. Participants in the scheme could be paid a pro-rata PRSI-related payment for days spent training.

5. '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.

For employers, a graduate and apprentice placement scheme would make available a talented pool of people, who could contribute to their organisation.

How it would work:

- Employers sign up to accept new graduates or apprentices for 6 month placements in their organisation (public and private sector, as well as voluntary or community organisations).
- A web-based brokerage service connects employers offering placements and prospective interns.
- Both parties would have to agree to code of practice – i.e. the work offered has to provide useful professional experience for the graduate; the graduate intern also has obligations to the host organisation.
- It would be a condition of participation in the scheme that an intern would not be displacing an existing employee, and measures would be put in place to prevent potential displacement.
- 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.

6. Reduce the qualifying period for Back to Education Allowance and Back to Work Enterprise Allowance to 3 months, and enhance eligibility for Community Employment schemes.

It does not make sense, particularly in an extended downturn, that someone has to spend 12 months on the dole before being entitled to the Back to Education Allowance, and a whole two years before being eligible for the Back to Work Enterprise Allowance.

Instead, the qualifying period for these allowances should be reduced to three months.

A reduction in the waiting period for the Back to Education Allowance would save the Exchequer the expense of a further 9 months' social welfare payments, in the case of a person wishing to take the opportunity to return to

education. It would also act as an incentive to encourage people to improve their skills, thus reducing the incidence of long-term unemployment.

Enhancing eligibility for Community Employment schemes through, for example, reducing waiting periods, would broaden the number of people who could contribute to valuable community projects during their period of unemployment.

7. Lift the cap on the number of places in Vocational Education Committee Colleges of Further Education.

The Government's plan to allocate all 51,000 extra training places to FAS is lazy thinking, and reflects bureaucratic inflexibility when it comes to budgeting for training. FAS do not have anything near the internal capacity to train an extra 51,000 people, so the majority of these places will be contracted out.

Instead, we could look for much better value for money, and quality training, within the institutions we already have. The number of VEC places nationwide is capped at just over 30,000, despite consistently higher demand. 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 has 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 by 6,000, and an expansion in the number of VTOS places by 20 per cent.

8. Create 'Skills Exchanges' to tap into the wealth of work experience of those currently unemployed

The hundreds of thousands of people currently on the dole are 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.

9. Make literacy a national priority

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. This means:

- A three-fold increase in the number of places for intensive literacy and numeracy tuition.
- The incorporation of literacy and numeracy tuition into other kinds of skills training, wherever appropriate.
- A campaign specifically targeted at retired people, asking them to volunteer to become a literacy tutor.

10. 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. VTOS and BTEA are benefits which a person with a working spouse, or a person who was self-employed, may not qualify for.

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, and would be subject to completion of the declared course. The number of years for which a person could claim their tax back would be limited to the duration of the course being pursued, with a maximum claim of two years. This scheme would initially be limited to 2,000 applicants, on a first come-first served basis. An income limit of €50,000 would apply. This means that a person who fulfilled the criteria, and who was doing a two-year full time course, would be eligible for a maximum of €17,000 back (i.e. two years worth of income tax).