

# **Budget 2011**

## **Proposals from Labour Youth**



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## Introduction

It has- predictably- been a disappointing year for Ireland. The discredited Fianna Fáil-Green government made fanciful and deluded claims that Ireland was “turning the corner” and seeing “green shoots”.

The reality is that this government has no plan for growth and certainly has no plan for jobs. Instead they have hoped that the strength of the recoveries in the United States and the European Union would pull Ireland into recovery and a phase of job-creation.

Ireland needs leaders and not bystanders. With the Department of Social Protection now accounting for 38% of current government spending, it is clear that fixing the unemployment crisis means restoring order to the state’s finances<sup>1</sup>.

These budget proposals focus on areas of high priority to young people- i.e. the minimum wage, education, student fees, student grants, work placement for graduates, social welfare and the social implications of unemployment.

## Background

As of August this year, unemployment now stands at 13.6%- an increase of 1.1% on the previous year<sup>2</sup>. This represents 293,600 people.

Worryingly, long-term unemployment has risen from 2.6% in 2009 to 5.9% in September 2010<sup>3</sup>. This indicates that there is a structural problem in the labour market as a result of the collapse in the construction industry. This needs to be addressed through the up-skilling and retraining of the long term unemployed. For this reason, Labour Youth opposes the €200 charge being introduced on post-Leaving Certificate courses by the government.

27% of young people are unemployed- that’s 91,646 young people not in education or employment in Ireland<sup>4</sup>.

Additionally, the spectre of emigration has returned. Net outward migration is estimated to be 70,000 in 2010 and 50,000 in 2011<sup>5</sup>.

1 <http://www.rte.ie/news/2010/1030/economy.html>

2 CSO’s Quarterly National Household Survey, September 2010

3 <http://labour.ie/press/listing/128507710110463958.html>

4 <http://www.labour.ie/youth/news/index/128931301313706543.html>

5 ERSI’s Quarterly Economic Commentary: Summer 2010

## The National Recovery Plan

The government has presented a four-year National Recovery Plan designed to restore order to the public finances. There should have been a general election before the drafting of such a plan. This government does not have a mandate to plan for the economy beyond its term in office. Either the IMF will force any new government to stand by the plan in exchange for funding (in which case this government has acted *ultra vires*) or the National Recovery Plan is merely Fianna Fáil's economic manifesto.

The so-called National Recovery Plan outlines a series of deflationary measures without any strategy for job creation or stimulus. No country has ever cut and taxed its way to recovery. The plan is both socially and economically regressive in nature.

### The Minimum Wage

Labour Youth completely opposes any cut to the minimum wage. The 12% cut proposed by the government in the four year plan makes no economic sense. Cutting the minimum wage will not address the budgetary problems the state faces- it will only exacerbate them by depressing economic activity. Only 3% of Ireland's workforce earn the minimum wage<sup>6</sup>.

Furthermore, claims that the minimum wage was cut to restore competitiveness do not hold up under examination. The value of goods and services exported in the third quarter of this year was €40.4 billion, an increase of 9.3% on the same period last year<sup>7</sup>.

Our export sector is performing better than the economy as a whole. Our retail sector, however, is suffering. Therefore, a better, fairer and more sensible way to ease the pressure on employers would be to outlaw upward-only rent provisions. 30,000 jobs were lost in the retail sector in 2009 and rents have increased for many businesses<sup>8</sup>.

Labour Youth believe that it is inappropriate for the lowest-paid workers to be forced to take pain in an economically and socially regressive move- especially when a third rate of income tax for high earners has still not been introduced.

6 <http://labour.ie/press/listing/129061901313044223.html>

7 <http://www.rte.ie/news/2010/1027/exports-business.html>

8 <http://www.labour.ie/press/listing/128506943110327868.html>

## Education

Labour Youth believes that Ireland should follow the example set by Sweden and Finland in investing in education during an economic downturn and in doing so invest in our future workforce. Education cuts are counter-productive and harm the capacity of the economy to return to growth.

### Third-Level Fees

The National Recovery Plan proposes replacing the Student Services Charge with a third-level student contribution fee of €2,000. When the Labour Party abolished tuition fees in 1996, a Student Services Charge of €190 was introduced. The government's intention to scrap the SSC and replace it with a "contribution fee" is the reintroduction of third-level fees.

Students should not and cannot be viewed as cash cows from whom money can be made. Investment in education means investment in the future of the economy and investing in our competitiveness. Reintroducing third-level fees means reducing access to and participation in third-level education.

### Student Grants

Due to the deteriorating situation in personal finances, there was a 21% increase in the number of students claiming maintenance grants in 2009/2010. The annual cost of going to college away from home is, on average, over €10,000. The highest grant rate available at present is €6,355<sup>9</sup>. The maintenance grant was cut by 5% in last year's budget. The government's intention to cut grant rates again so as to save another €51 million per annum is further proof that this government merely pays lip service to the knowledge economy.

Labour Youth believes that there should be a centralised grant system and that including the incomes of one's parents in means-testing for grants should be discontinued.

<sup>9</sup> USI's Budget 2011 Lobby of the Oireachtas document

## Part-time Education

It would cost the taxpayer €33 million to abolish the fees charged for part-time courses. That cost is equivalent to an extra 1,650 people claiming social welfare, but it would up-skill five times that number of people<sup>10</sup>.

Labour Youth calls for the government to:

- Abolish tuition fees for part-time courses.
- Make funding available to third-level institutions to develop part-time courses in targeted areas for national economic development, such as green energy

## Back to Education Allowance

The Back to Education Allowance for third-level is available only to those who have been unemployed for 12 months. In reality, this can mean a wait of up to two years before somebody can avail of the allowance and begin a course.

Labour Youth calls on the government to reduce the Back to Education Allowance qualifying period from 12 months to 3 months.

<sup>10</sup> *Tackling Youth Unemployment*, Labour Youth

## **Work Placement Programme**

The introduction of the FÁS Work Placement Programme was a welcome step in helping to give unemployed individuals the opportunity to enhance their future employment prospects.

Since the start of the programme a total of 2,200 people have commenced a placement under the programme. Worryingly, there are a further 1,369 placements potentially available to be filled<sup>11</sup>.

With 293,600 people unemployed, there is no reason why those places shouldn't be filled. With so many people unemployed, the government should be seeking to expand the WPP to provide new opportunities to as many people as possible.

### Work Placement for Graduates

Labour Youth endorses calls for the introduction of a graduate and apprentice placement (GAP) scheme. Such a scheme would be designed to bridge the gap whereby new graduates and newly-qualified apprentices are finding it difficult to get a first job due to a lack of experience. The GAP scheme would enhance the job opportunities for these people.

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.

<sup>11</sup> Dáil written answer [36180/10]

## **Social Welfare**

27% of young people are unemployed in Ireland. These people rely on social welfare payments as their only source of income. Labour Youth condemns the government's decision to reduce the rate of social welfare payments available to those under 23 in the last budget. Young people have the same needs as other adults and rely on social welfare payments to cover food, clothing, bills and any costs incurred in seeking employment.

Labour Youth calls on the government to discontinue treating young people as second-class citizens and restore their social welfare payments to the levels paid to other recipients.

Labour Youth also strongly opposes any further decreases in social welfare payments. Reducing social welfare is a deflationary measure that takes money out of local economies. It also makes it harder for people to get by. The vast majority of these people are seeking employment. They should not be made to pay for the government's failure to create jobs.

## **Social Implications of Unemployment**

Unemployment cannot be tackled from only an economic point of view- there are social implications to unemployment, especially for young people and for the long-term unemployed. Anxiety, depression, stress and low self-esteem are some of the social pressures that an unemployed person may have to contend with as a direct result of losing their job and/or their inability to gain employment.

The National Youth Council of Ireland has found that 23% of young people (aged 18-25) are either "concerned" or "very concerned" about their mental health<sup>12</sup>. Ireland has the fifth-highest suicide rate in the EU. Irish males aged 15-24 have more than four times the suicide rate than their counterparts in the UK.

With long-term unemployment standing at 5.9%, it is important that the government provides the appropriate mental health services to the unemployed.

Labour Youth calls on the government to:

- Continue the "Your Mental Health" campaign
- Provide more counselling services for people who are affected by unemployment
- Lift the staff embargo in the HSE to provide free counselling services for the unemployed.

<sup>12</sup> <http://www.youthhealth.ie/content/mental-health-publications>

