

IN IRELAND'S INTEREST

JOBS, REFORM AND FAIRNESS

LABOUR'S PROPOSALS FOR BUDGET 2011

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A Budget in Ireland's Interest

The deal concluded by Fianna Fáil with the EU and the IMF does not serve Ireland's national interest.

While providing Ireland with necessary funding, the deal transfers even more of the costs of the banking failure onto the shoulders of the Irish taxpayer, to the benefit of bank bondholders. Those who lent money to Irish banks to fuel the property boom are not forced to pay for their mistakes. Instead, Ireland has been offered a line of expensive credit with which to bail them out, and to run the state for the next three years, at punishing rates of interest. In addition, Fianna Fáil have caved in to pressure, and have agreed to €6 billion in budget adjustments in 2011.

Labour does not share the conservative consensus in Ireland, and in the European Commission, that a €6 billion adjustment is the right course of action. Ireland does have an unsustainable budget deficit, and tackling it will require hard decisions, but we have to make the right hard decisions. Imposing a €6 billion adjustment in 2011 poses an unacceptable risk to jobs and growth in Ireland. In a highly uncertain economic environment, this level of adjustment risks further stagnation to the Irish economy in 2011, with worsening human consequences. It is a risk that Ireland should not take.

Labour's proposals for Budget 2011 demonstrate how budget consolidation can be combined with a strategy for growth and job creation. By making some €5.0 billion in adjustments, and by recycling €500m into job creation, a net adjustment of €4.5 million can be made, while at the same time promoting employment.

Our proposals are based on our core commitment to fairness, which should be an essential element in budgetary strategy. To get through this crisis, we must come together as One Ireland. That means that everyone must contribute, but those who have the most must contribute the most.

Ireland needs reform. Rather than lurching from Budget to Budget, we must change the way we manage the nation's finances – reforming the way we manage public spending, more effective scrutinising of spending and a set of reform measures to ensure that we never find ourselves in a crisis like this again.

Labour's budget proposals, based on Jobs, Reform and Fairness, serve the interests of the Irish people – the real national interest.

A Strategy for Jobs

Throughout the crisis, Labour has been clear that cuts alone will not solve the problem. Ireland needs a strategy for jobs and growth, and the lack of action on jobs has made the crisis in the public finances and in the banks even worse. While difficult decisions are needed, we also need a strategy to grow our way out of our predicament.

Opportunities

Despite the financial crisis at home and abroad, we are living in a period of opportunity for the Irish economy. In the advanced economies, economic growth is now increasingly driven by what is known as the ‘knowledge economy’, with new technologies driving economic growth both in knowledge-intensive sectors, and more widely across the whole economy. At the same time, the global trading system is expanding, and the emerging economies such as China and India present enormous opportunities for Irish companies. Export growth in Ireland is picking up, and competitiveness has improved. What we need now is a coherent strategy to take advantage of the opportunities that are available to us. This strategy has a number of elements.

Labour’s Jobs Fund

Labour is proposing to establish a Jobs Fund to finance a series of pro-jobs initiatives that involve elements of current expenditure. The fund would be administered by a cabinet sub-committee. Proposals from Departments, Agencies and other bodies, including the private sector, would be considered on the basis of their contribution to an overall jobs strategy and would be funded accordingly. The agencies thus funded would not be immune from making efficiencies in their budgets – funding from the Jobs Fund would be dependent on demonstrated additionality to existing operations.

Labour is proposed an allocation of €500m for the Jobs Fund in 2011.

Competitiveness

Competitiveness has improved during the past three years, but we need to ensure that, as growth creeps back in the economy, these gains are not eroded. In particular, it is important that costs in the protected sectors of the economy do not undermine the capacity of the traded sector to compete. To maintain and enhance competitiveness, Labour is proposing the following measures:

Wage Policy

Labour favours a negotiated wage freeze for three years. This would provide certainty for investment in Irish enterprise. Wage policy would form part of a new form of social dialogue on key issues such as pay and delivering public sector reform

Labour is opposed to the reduction in the minimum wage agreed by Fianna Fáil with the European Union and the IMF. The national minimum wage affects approximately 52,000 people, who are on the lowest rung of the labour force ladder. While a review of the JLC system is appropriate in respect of issues such as Sunday premiums, there is nothing to be gained from pursuing a low-pay agenda.

Professional Fees

Despite the loss of income that has been experienced across the economy, there is evidence that some sectors have remained relatively unaffected. To prevent cost escalation in the sheltered professions from undermining competitiveness, and to ensure fairness in dealing with the burden of adjustment, Labour would establish a temporary Fees Commission to investigate and control professional fees. The Commission would have the power to recommend the use of maximum prices orders in respect of some areas such as doctors' fees. Competition policy measures to achieve structural reform in these professions should be pursued.

Upward-only rent reviews

To protect employment in the retail sector, and to boost competitiveness, Labour has tabled a bill to end upward only rent reviews.

Investment

To achieve growth, the Irish economy requires investment. The Irish Banking system has not provided, and will not provide, the kind of investment finance that is required to meet Ireland's investment needs. Labour has therefore proposed the establishment of a Strategic Investment Bank (SIB), using €2billion from the National Pension Reserve Fund as capital. Labour believes that this should be an essential component in the re-structuring of the banking system.

Establishment.

The Strategic Investment Bank would be set up as an independent commercial operation, using €2billion from the NPRF as initial capital. The capital ratio of the bank would be set by the Financial Regulator. It would operate on a strict arms-length basis from Government.

Citizens Bonds:

Irish citizens and the Irish Diaspora would be encouraged to make deposits in the bank, and to purchase Strategic Investment Bank Citizen's Bonds, which would be a way to invest in the recovery of the Irish economy, and would be of different maturities. The Strategic Investment Bank would attract funding from a number of sources, including consumer deposits and wholesale markets (once market conditions normalise). It could also use some initial funding from the NPRF.

Investment Strategy:

Irish companies need growth capital. The Strategic Investment Bank would be a key lender to SMEs and innovative firms. The Enterprise Agencies would develop relationships with the Strategic Investment Bank to facilitate introductions of high-potential firms. Investment decisions, however, would remain the exclusive preserve

of SIB. The Strategic Investment Bank would also support investment in large infrastructure-type projects.

Enterprise Policy

Given the scale of the jobs crisis, Ireland needs to re-think and re-orientate Enterprise Policy. At present, Irish enterprise policy is largely focused on attracting inward investment from companies seeking to export to European markets. While this will continue to be an essential part of enterprise policy, there is also a need to look at new opportunities, and at how Ireland is positioned in the global trading system. This re-think needs to involve a number of components:

Emerging Economies

In the emerging economies, more than 70 million people each year enter the category of middle class consumers - people who will have an appetite for Irish products and Irish brands. This represents a huge opportunity for Ireland, but we will have to work on it. Ireland will have to invest time and resources in building up our presence in emerging economies, particularly in the new power-houses of China, Russia, India and Brazil (the so-called BRICs). Enterprise Ireland, for example, only has one full-time staff member in India. This will involve long-term strategic investment by the industrial development agencies and the Department of Foreign Affairs. It will also involve political commitment and energy to support trade policy.

Start-Ups and Scale-Ups

While a lot of attention has been paid in recent government statements to high-potential start-ups, Ireland also needs to enhance its strategy for scale-ups. This means growing small firms into larger employers, rather than selling a company and its intellectual property (IP) to a foreign buyer. Labour favours a re-examination of enterprise strategy to ensure that more firms can make this transition, and that grant strategy works towards keeping companies in Ireland and expanding levels of employment.

STI/Commercialisation

Ireland has made significant strides in Science, Technology and Innovation (STI) in recent years. That investment must be protected. However, there is also a requirement for a stronger focus on commercialisation of research, and additional funding for down-stream research. This can be provided from the jobs fund.

Sectoral Strategies

Enterprise policy should not be based on ‘picking winners’; but Ireland should develop sectoral strategies in areas where Ireland has a natural competitive advantage, including the food sector, cleantech, and tourism. Sector-specific measures will be supported through the jobs fund.

Labour Market Policies

A critical issue for the Irish Labour market is the need to prevent the build-up of long-term unemployment. We need a set of strategies to cover those who have recent work experience, but limited qualifications, and those with qualifications, but little work experience. There is no ‘one-size-fits-all’ scheme that will meet the needs of everyone on the live register. Rather a number of different interventions are needed. Labour has proposed the following measures, to be funded from the Jobs Fund.

‘Bridge the GAP’ – a Graduate and Apprentice Work Placement Scheme.

More than one in four people under 25 are unemployed. Early experience of unemployment can do lasting damage to a person’s employment and earning potential. Urgent intervention is needed to connect younger people to the labour force, and to avoid damaging the potential of a whole generation.

How a Graduate and Apprentice Work Placement Scheme would work:

- A web-based brokerage service connects employers offering placements and prospective interns.

- 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).
- 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 modest cost-of-work allowance.

Tax back for full-time study

If a person loses their job and wants to return to full-time education, the financial supports available to them are limited, particularly if they have a working spouse or if they were self-employed.

Applying the principle of the Seed Capital Scheme for start-up businesses, a person would be entitled to claim back their income tax from their last two years of work in order to offset their loss of income while undertaking full-time study in an authorised institution. This scheme would initially be limited to 2,000 applicants, on a first come-first served basis. Only annual income up to €50,000 would be eligible for a tax refund.

'Earn and Learn' – combining short-time work and training

This scheme would incentivise people on 'short time' to combine a shorter working week with training or education. This could be done through a broker (i.e. FAS, a local VEC or Institute of Technology), which would facilitate businesses in the provision of appropriate training for the remainder of the week. Participants in the scheme could be paid a pro-rata payment for days spent training.

Extend the employer's PRSI holiday

Labour will extend the Employer PRSI Incentive Scheme, and extend the exemption period to 18 months, to incentivise employers to employ people who have been on the live register for 6 months or more.

Make it easier for people to come off the dole and into education

Labour favours reducing the qualifying period for the Back to Education and Back to Work Enterprise Allowance to three months, and allowing for greater access to post-graduate courses under the Back to Education Allowance during this exceptionally difficult time in the labour market.

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 included in any national plan to prevent long-term unemployment.

Labour's plan includes:

- 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.

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 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.

Look beyond FAS for education and training

Labour has earmarked just under 30,000 new places across the entire training and education system, which reflect the skills that our economy needs. This includes 7,000 places specifically aimed at young and lower-skilled jobseekers, such as:

- 6,000 new places in the Back to Education Initiative
- 1,000 new places on the Vocational Training Opportunities Scheme

It also includes lifting the cap on further education places in the VEC sector, allowing up to 10,000 extra people to access those courses.

Investment in training and education for people who are unemployed should be made with a view to maximising their long-term employment prospects, and minimising their risk of long-term unemployment. As well as FAS, further education colleges, Institutes of Technology and universities are all publicly-funded institutions with the facilities and expertise to provide training, and will be required to be flexible and innovative in responding to our unemployment and skills crisis.

Labour is opposed to the proposed charge for Post-Leaving Certificate (PLC) courses. PLC courses are a pathway to further education that is disproportionately accessed by students from less well-off backgrounds. A €200 annual charge would act as a disincentive to those who benefit most from these courses.

Public Service Reform: The Comprehensive Spending Review

The Need for Reform

Despite the scale of the deficit that faces Ireland, Fianna Fáil have failed to introduce any kind of real reform in public expenditure or public service delivery. Rather than introducing a multi-annual approach to budgeting and public expenditure management, they have lurched from budget to budget, introducing a series of crude expenditure cuts. Crude cuts in budgets and service levels have been imposed, rather than achieving savings through a process of reform that could minimise the impact on frontline services.

The only contribution to any form of reform or re-think of public expenditure has been the Bord Snip report, which was essentially a crude cutting exercise, rather than a real review of public expenditure priorities. Moreover, the decision to hand-over the review to an outside expert, with no Ministerial involvement, meant that there was little or no buy-in from Government Ministers or Departments. The Four Year Plan adopts a broadly similar approach.

The Bord Snip report stands in marked contrast to what is now regarded as international best practice in managing public expenditure during a fiscal consolidation. Labour is proposing an alternative approach to public expenditure consolidation through a **Comprehensive Spending Review (CSR)**, which would have the following features:

Asking Fundamental Questions

Rather than starting with the question ‘what can we cut?’, a CSR would start with the question ‘What service do we want to provide and how can we provide it?’.

Following the Canadian model, the CSR then becomes a major social or Governmental project, that asks fundamental questions about what Government can and should do in a changing environment, on a ‘whole of Government’ basis.

Multi-annual Approach

A Comprehensive Spending Review would be undertaken every three years, and would provide a basis for multi-annual budgeting of Departmental Expenditure.

Strong Leadership and Buy-in

Responsibility for co-ordination of the review must rest at the centre of Government, through a special cabinet committee of senior Ministers. At Departmental level, the process must be led by the Minister and the Secretary General.

‘Nothing is Agreed Until Everything is Agreed’

Collective Government is a fundamental feature of the Irish constitution, and the same is true of effective expenditure reforms. By using the ‘nothing is agreed until everything is agreed’ rule, the system is fairer and more open, and implementation is more effective as a result.

Efficiency and Service Re-design

Sustained expenditure reduction requires a multi-annual approach. Economies can be achieved through waste reduction and achieving greater efficiency within existing structures, or through a fundamental re-design of service delivery. The object of the CSR exercise is to deliver the same quality of service, or better, with fewer resources, including both pay and non-pay budgets. Our proposals for Budget 2011 include a number of up-front efficiencies that will reduce the cost of providing public services. To avoid damaging the quality of front-line services, however, a CSR is required.

Staff Involvement

The CSR will be a matter for Government, but it will be necessary to involve staff in delivering change. The outcome of the CSR will feed into negotiations with staff.

Public Sector Employment

As part of the process of re-designing public services and achieving savings, it will be necessary to reduce the numbers employed. This can be done through a combination of natural wastage and voluntary redundancies in targeted areas. Numbers policy will be a key output of the CSR. For Budget 2011, Labour is adopting a target of reducing payroll costs by at least €400m.

Non-Commercial Semi-State Bodies (NCSSBs)/Quangos

Non-Commercial Semi-State Bodies have mushroomed in numbers in recent years, and there is growing concern about the value-for-money achieved by this approach to public service delivery. In particular, it is questionable whether the benefits of quasi-autonomous organisations exceed the additional over-head costs. The CSR would include a full-evaluation of all NCSSBs ('Quangos'), with each body being required to justify its continued existence outside of the parent department. Remaining NCSSBs would be required to be accountable to the Oireachtas.

Annual Scrutiny of Public Spending

The Estimates Procedure

Labour favours a radical reform of the Estimates procedure to make it more transparent, and to ensure real-time scrutiny of expenditure decisions.

The annual Estimates will be brought forward, so that it concludes in the summer prior to the annual budget. It will also distinguish between monies being allocated to maintaining the existing level of service for existing programmes and money to support new programmes or policy decisions.

Departments proposing new expenditure programmes will be required to simultaneously publish a five-year projection of costs and benefits of those proposals.

The Estimates will also distinguish between discretionary and non-discretionary spending, i.e., spending arising from legal entitlements which must be met (such as pensions).

The Book of Estimates will be accompanied by a detailed performance report on what the previous year's spending had achieved. It will also give details of the level of performance achieved by agencies under service delivery agreements with Government.

A Budget Commissioner, with strong powers to obtain all necessary information, will be appointed within the Houses of the Oireachtas to manage the advance scrutiny of spending proposals, in the same way that the Comptroller and Auditor General scrutinises the outcome of spending, after the event.

An Independent Fiscal Advisory Council

Labour will establish an independent Fiscal Advisory Council (FAC), separated from fiscal decision-makers in government, that would scrutinise all official fiscal projections.

Its modeling assumptions and inputs will, as far as possible, be open to public scrutiny and its outputs would be freely available to external bodies, including in particular, the opposition parties.

The Fiscal Advisory Council will be independent of Government and will report to the Dáil. Its functions will include identifying and advising on cyclical and counter-cyclical fiscal policies and structural deficits; the cyclical or temporary nature of particular revenues; and the need to maintain an appropriate and effective tax base.

Reform of the Oireachtas: making the Dáil effective and vigilant

Together with our proposals for reforming how public money is spent, Labour will reform how the Dáil does its business to make it a more effective and more vigilant public watchdog.

Comprehensive Oireachtas reform to make the business of government and parliament more transparent, more effective and more efficient has been a long-standing Labour objective. Our programme will include the following:

A more effective Dáil

- A 50 per cent increase in Dáil sitting days, with sittings four days a week, a shorter summer recess and significantly reduced breaks at Christmas and Easter.
- A petition system for the Dáil, similar to that operating in the European Parliament.
- A break-up of the Government monopoly on legislation and its stranglehold over the business of the Dáil.
- A restriction on the use of guillotine motions and other procedural devices that prevent full debate on Bills and other measures.
- A role for the Ceann Comhairle in deciding whether a Minister has failed to provide reasonable information in response to a question.

A more transparent Dáil

- Legislation to ensure that cabinet confidentiality cannot be used to cover up necessary investigations.

- The provision of adequate powers for parliamentary inquiries into matters of public interest and importance, if necessary by an amendment to the Constitution.
- Repeal of the Official Secrets Act, retaining a criminal sanction only for breaches which involve a serious threat to public policy (the international relations of the State, the conduct of a fair trial, national security and the like).
- A repeal of the “gag” clause that applies to the officers of public bodies and prevents them from expressing an opinion on the merits of Government policy.
- A requirement that the Attorney General’s advice to Government be published if it is publicly relied upon as justifying or requiring the passage, defeat or amendment of a Bill or the development or amendment of a policy or programme, unless the advice is given in the course of litigation or in relation to pending or contemplated litigation.

Clear lines of responsibility

- A reformulated code of laws, replacing both the Ministers and Secretaries Acts and the Public Service Management Act, which would spell out the functions, powers and duties of Ministers in charge of each Department of State. The law that defines the relationship between Ministers and their Departments to enshrine three basic propositions:
 - if the Minister takes a decision personally, he or she should say so and account for it
 - if the decision is taken by the Department, under a delegated power, then the relevant, named official should say so and account for it
 - the Minister would then have to account for the degree of supervision he or she exercised over the Department in relation to the exercise within it of delegated powers.

- Legislate for a system of delegation of specified Ministerial powers to specified officers who would, to the extent of the authority delegated to them, be accountable both within the Department and also directly to the Oireachtas for the exercise of those powers.
- Ensure that each Minister is responsible for the supervision and oversight of his or her Department to ensure that adequate standards are maintained; outputs are delivered as determined or agreed; and procedures are in place to enable the Minister to respond to problems of administration and to give an account to the Dáil and to the public generally.
- The responsibilities of Secretary Generals to be strengthened by assigning to them authority and accountability for ensuring that the Department and its officers perform their functions in a non-political and impartial manner, in accordance with law and with the highest ethical standards of conduct and integrity and in accordance with any prescribed code of conduct.

Never Again: Restoring Ireland's reputation

Labour's pledge is that Ireland will never again be vulnerable to the kinds of abuses of corporate and political power that have undermined our country's sovereignty.

For the second time in a generation, Fianna Fáil in Government has 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.

- Labour will immediately enact legislation to provide for a binding code of practice for corporate governance, which will be obligatory for companies wishing to be listed on the Irish stock exchange. 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.
- Labour will end the link between big money and politics. To restore its citizens' faith in democracy, and our country's reputation abroad, we need to send a clear message that influence in Ireland is not for sale.
 - Labour will introduce spending limits for all elections, including Presidential elections 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.
 - Since it is not constitutionally feasible to completely eliminate personal political donations, Labour's legislation will 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.
- Labour will reform the system of appointments to state boards to ensure that the process is transparent and that those appointed have the requisite knowledge and skills.
- Labour will legislate to provide for a statutory register of lobbyists and a statutory code governing the practice of lobbying.
- Labour will introduce Whistleblowers Protection legislation to protect an employee who reports misconduct from losing their job, or being otherwise penalised, and will thus encourage greater transparency, both within the public service and in private institutions such as banks.

- Transparency is one of the most powerful weapons against corruption. Labour will restore the Freedom of Information Act so that it is as comprehensive as was originally intended. The remit of the FOI Act, and the remit of the Ombudsman Act, will be extended to the Garda Síochána, the Central Bank and many other bodies, including bodies significantly funded from the public purse, that are currently excluded.

Budget Proposals for 2011

Scale of Adjustment

Labour believes that the proposal to make budget adjustments totalling €6 billion in 2011 represents an unacceptable risk to the Irish economy. While the present deficit is unsustainable, the level of frontloading in the adjustment risks causing substantial damage to the fabric of the economy.

The decision by Ecofin to extend the deadline for achieving a deficit of 3% of GDP in Ireland, coupled with the recently published Commission Economic Forecast for Ireland, constitute an admission by Europe that the Labour Party's argument on this issue is correct. The Commission is effectively admitting that it does not have confidence in the strategy that has been negotiated with the Government, and that the risks to the Irish economy of a €6 billion adjustment are such as to potentially undermine the strategy in the Four Year Plan.

It is clear that the Irish Government caved in to external pressure, and was forced to move off a proposed adjustment of €4.5 billion, having itself advanced the argument that doing any more than €4.5 billion was essentially self-defeating. The proposal to make a €6 billion adjustment didn't convince the markets, and it hasn't convinced anyone else, because of the danger of removing too much money from the economy in one year. In the Commission's own forecast, it is expected that a €6 billion adjustment will not reduce the deficit below 10%, because the forecast growth rate is half of the rate in the Four Year Plan.

In the Four Year Plan, Fianna Fáil argue that this level of front loading will boost the economy through 'confidence' effects. While confidence is important and must be restored, these 'non-Keynesian' effects are essentially speculative and unpredictable, in contrast with the more predictable and mechanistic impact of the 'Keynesian' effects. The Commission forecast essentially agrees, stating that 'Albeit partly offset

by positive confidence effects, fiscal consolidation measures should also have a dampening impact.’

These dangers are compounded by the risks of further bank losses arising from mortgage defaults, which will in turn be borne by the state under the terms of the EU loan agreement.

Balanced Consolidation and Strategic Investment

Labour is proposing an approach to the budget based on balanced consolidation and strategic investment. We propose budget adjustments totalling approximately €5.0 billion, and the establishment of a Jobs Fund of €500m, providing for a net adjustment of €4.5 billion. The jobs fund will provide resources for a number of jobs initiatives, as set out above, and would be allocated outside of the normal budgetary process.

The agencies allocated resources through the fund would not be immune from having to make efficiency gains in their existing operations. Any resources allocated under the fund would be based on demonstrable ‘additionality’ and impact on jobs.

The scope of the fund, which would be disbursed by a Cabinet committee, would be broad, and would not be limited to the enterprise agencies. The Cabinet sub-committee would also consider private-sector proposals. The jobs fund is intended to provide support through the current budget. Capital projects and other strategic investments would also be supported through the Strategic Investment Bank.

The consolidation measures proposed here are based on an approximate 50:50 balance between spending reduction and revenue-raising. As shown by the Swedish experience of the 1990s, this provides for an orderly adjustment over time, rather than loading a disproportionate burden onto a limited number of areas.

Table 1: Outline of Budget Measures for 2011

	€m
Capital Spending Reduction	1200
Current Expenditure Reduction	
Pay and Pensions	400
Non-Pay Expenditure Reductions	960
Total Expenditure Reductions	2560
Taxation Measures	2478
Total Adjustments	5038
Jobs Fund	500
Net Adjustment	4538

Expenditure Reductions

Capital Spending

For some years, Ireland has spent a high proportion of GDP on its capital budget, when compared to other advanced economies. This was appropriate, given the infrastructure deficit, but is no longer affordable. Direct expenditure support for capital spending will now have to be reduced to a more 'normal' level. Labour is proposing a reduction of approximately €1.2 billion in 2011. It is vital, however, that every opportunity is taken to find public and private substitutes for this spending. Labour's proposal for a Strategic Investment Bank would provide a source of funding for capital projects that would mitigate the impact of the cut in direct exchequer spending.

Current Spending

Overall Approach

Labour believes that reductions in current spending should be achieved following a Comprehensive Spending Review (CSR). Although the Four Year Plan makes a passing reference to such an exercise, none has been carried out. The 2011 Budget, therefore, is being framed on the basis of another series of ad hoc cuts.

Since savings must be achieved in 2011, Labour is proposing a set of expenditure adjustments based on the following principles:

1. Safeguarding our future by maintaining investment in education.
2. Maintaining front-line services in health, while reducing the cost base in the health service.
3. Reducing the cost of providing public services to ensure their long-term viability, including maximising savings through efficiency and reform
4. Increasing public sector productivity, by delivering the same or better services with fewer staff.
5. Targeted reductions in non-pay budgets.
6. Delivering a fair budget by protecting those who most need support.

Public Sector Pay Bill

Labour has consistently argued that substantial savings can be made in the pay bill through negotiated reform of the delivery of public services. In the Four Year plan, the Government has finally adopted a target of €400m in pay-related savings to be achieved through reform in 2011. This is the minimum that should be achieved. We do not accept that crude cuts should be made in primary school staffing levels in 2011, but believe that more determined action can be taken to achieve savings in the civil service, the local authorities and the Non-Commercial Semi-State Bodies.

In addition, in the interests of fairness, and to achieve further economies we are proposing a cap on all public sector and political salaries at €190,000.

Non-Pay Departmental Savings

Details of proposed savings by Department are set out in Table 2. These will yield total non-pay savings of approximately €960 in 2011. These are consistent with the approach outlined above of driving down the cost of providing public services, together with targeted reductions in non-pay budgets.

Social Welfare

The best way to reduce spending on social welfare is to get people back to work. In respect of the 2011 Budget, Labour believes that headline social welfare rates should be protected. Substantial savings are, however, possible in the social welfare budget through a series of measures. These include

- A systematic programme to reduce fraud and abuse to yield €100m.
- Reform in rent supplement to yield €65m
- Miscellaneous reforms yielding €50m

Political Leadership

In addition to Departmental Savings, it is necessary that the political system provide leadership in this process. Labour is proposing a set of political reforms that will save approximately €5m, including the following

- A cap of €190,000 will apply to all public sector appointments, including the Taoiseach.
- A corresponding further reduction of 17% will apply to all Ministers and Ministers of State.
- It will no longer be the norm that Oireachtas Committee Chairs and Vice-chairs are paid, with limited exceptions such as the Chair of the Public Accounts Committee.
- The allowance paid by the Oireachtas to Ministers who have constituency offices staffed by civil servants will be abolished.
- A series of economies will be made in the management of Leinster House
- New sitting arrangements will apply in the Senate, with corresponding reduction in costs.

- A car-pooling arrangement will apply for Ministers, and Garda Drivers will be replaced by civilians, other than where the Garda Commissioner advises that security considerations apply.
- The arrangements for Ministerial Pensions and severance packages will be subject to regular review by an independent person, such as the C&AG.

Table 2 Non-Pay Expenditure Savings

Agriculture	
Reduced expenditure on REPS	35.7
Reduced expenditure on disease eradication	6.3
Closure of ERS scheme	5
Reduction in intervention costs	4.5
Efficiencies in running state bodies	3
Other savings	5.5
Non pay administration savings	9
Total	69
Communications, Energy, Natural Resources	
Reduce exchequer funding for TG4 to replaced from licence fee	6.2
Merge Comreg and BAI without reducing industry contribution	1.4
Non-pay administration savings	1.7
Total	9.3
Community, Rural and Gaeltacht Affairs	
Reduced funding for Rural recreation	0.6
Reduced funding for Gaeltacht and Island Development	1.4
Savings across Irish Language programme	0.6
Non-pay administration savings	3.1
Total	5.7
Defence	
Reduction in current non-pay expenditure	10
Education	
Reduction allocation to teacher training colleges	3
Integrate senior traveller training centres	24
Non-pay administration savings	4
Total	31
Enterprise Trade and Innovation	
Reduce administration budget inc NERA	0.7
Merge Valuation Office; OSI; Property Registration Authority	1.8
Industrial relations/social partnership	0.8
Merge Competition Authority and National Consumer Agency + rationalise expenditure on Consumer Affairs	2
Operational efficiencies in agencies	0.8
Health and safety authority	0.5
Misc	0.3
10% cut in FAS Services to Business Unit	8.7
Non-pay administration savings	4.5
Total	20.1

Environment, Heritage and Local Government	
Lower Exchequer Contribution to Local Government Fund*	75
Non-pay administration savings	2.6
Total	77.6

* To be replaced by a number of cost-recovery measures for local authorities

Finance Group	
Target for administrative savings in OPW, Revenue and Finance including rent rolls	24
Non-pay administration savings	0.8
Total	24.8

Foreign Affairs	
Programme Savings	1
Non-pay administration savings	3
Total	4

Health and Children	
Further 8% reduction in professional fees paid to dentists, pharmacists and doctors	84.3
Charge full cost of private beds in public hospitals	100
Savings on generic drugs	200
Non-pay administration savings	7.5
Total	391.8

Justice	
Criminal Legal Aid efficiencies	5
Asylum savings	5
Garda Management Efficiencies	20
Courts - efficiencies across the network of courts	5
Procurement savings	10
Non-pay administration savings	5.6
Total	50.6

Taoiseach's Group of Votes	
Administrative Budget	1
Programme savings	1.4
Attorney General's Office	0.1
CSO	3
Non-pay administration savings	2
Total	7.5

Tourism Culture and Sport	
Replace exchequer support for Horse & Greyhound Racing Fund with 1.5% betting levy	15
5% cut in non-pay Arts & Culture expenditure	4.6
Non-pay administration savings	4
Total	23.6

Transport	
Administration	0.18
Operational Efficiency in Road Safety Authority	2
On-line motor tax	0.5
Reduce subvention to public transport, agency rationalisation and administrative savings	10
Non-pay administration savings	2.1
Total	14.78
Social Welfare	
Measures to combat fraud	100
Savings through re-structuring of rent supplement	65
Misc savings through programme reform	50
Total	215
Political System	5
Total	960

Taxation

In order to achieve a balanced budgetary adjustment, it is necessary to raise additional revenues. Labour believes that this should be achieved through a comprehensive programme of tax reform, aimed at a more efficient and fairer tax system. While the burden will be broadly shared, those who have the most must contribute the most, and revenue-raising should begin with reform, rather than constantly delay it. Indeed, it is notable that the Four Year Plan finally admits that additional revenues can be raised from curtailing tax expenditures, despite repeated denials from Fianna Fáil over many years.

Table 3: Taxation Measures	€m (2011)
Increase carbon tax to €25 per tonne (net of fuel poverty measures)	130
Reduce Pension Reliefs	400
Third rate of tax at 48%	255
Investment Property Relief	150
Property schemes	360
Minor Reliefs	219
Progressive Structure for Capital Gains Tax	130
New rate structure and thresholds for CAT	110
5% increase in rate of DIRT to 30%	125
Reduction in personal credit by €250	335
Increase tax on second homes from 200 to 500	94
Excise package and anti-smuggling initiative	180
Tax Exiles	100
Abolish airport travel tax	-110
Total Tax Measures	2478

Details of proposed tax changes are set out in Table 3. They include the following:

Tax Expenditures

The first priority should be the elimination of unnecessary tax expenditures, as Labour has been proposing for many years. We are proposing the elimination or curtailment of a range of tax expenditures, many of which are based on the report of the Commission on Taxation. These include all legacy property schemes, and reduction to 25% in the amount of interest that can be offset against rental income for tax purposes. A set of minor reliefs should also be curtailed or abolished, including

- Abolish relief on Patent Royalties
- Abolish relief on trade union subscriptions
- Abolish relief for rent paid on private rented accommodation
- Curtail Relief for disposal of a site to a child
- Abolish relief for Heritage buildings and gardens
- Cap the artist's exemption at €40,000.
- Curtail the relief for sportspersons
- Apply PRSI, levies etc to share-based remuneration
- Curtail stock relief for farming businesses
- Limit CGT relief for businesses to 3m
- Limit CAT relief for businesses to €3m
- Limit CAT relief for farm businesses to 75%.

Labour has long-argued that a minimum effective tax rate should be in place, and that it should apply to all tax reliefs.

Pensions Relief

The total level of tax relief for pensions is no longer affordable and must be reduced. Rather than simply standardising the rate, however, Labour is proposing an alternative approach that will retain a stronger incentive for people to invest in their pensions, while also making the system fairer. These include

- Capping the level of tax relief on pension contributions from both employers and employees.
- Reducing the maximum tax-free lump sum
- Reducing the maximum pension fund
- Including pension tax relief in the calculation of minimum effective tax rate of tax,

We believe these measures can yield at least €400m in 2011.

Capital Taxes

In an environment where income tax is required to increase, it is not fair or equitable to defer increases in capital taxes. We are proposing the introduction in 2011 of a new progressive structure for CAT and CGT, a reduction in CAT thresholds, and an increase in the rate of DIRT to 30%.

In respect of CGT, the following structure would apply

- First €50,000 at 25%
- Next €50,000 at 30%
- Balance at 35%

In respect of CAT, the following structure would apply

- First €50,000 over threshold at 25%
- Next €25,000 at 30%
- Balance at 35%

In addition, the CAT thresholds would be reduced by 25%.

Indirect Taxes

A further increase in the rate of carbon tax to €25 per tonne is proposed, offset by €30m for fuel poverty measures, as is an increase in the rate of tax on second homes to €500. Additional revenues totalling €180m should be raised from excise, through a combination of rate increases and a determined anti-smuggling drive, as proposed by the Irish Cancer Society.

Income Tax

Regrettably, it will be necessary to increase the take from income tax in Budget 2011. In order to ensure a fair and progressive system, Labour is proposing a third rate of tax at 48% on joint incomes over €200,000 (single incomes over €100,000), and a reduction in the personal credit of €250.

Tax-exiles/Anti-avoidance

Despite having loudly trumpeted their determination to deal with the issue of Tax exiles in Budget 2010, not a single cent has yet been received by the exchequer, nor will it be until October 2011. Labour believes that a target of €100m should be set as a contribution from this group.

Anti-avoidance measures should be strengthened, including measures to prevent avoidance by clients of NAMA.

Air Travel Tax

Labour supports the abolition of this tax in order to promote the tourism sector.