

# FIVE TESTS FOR THE JULY STIMULUS

A series of seven white five-pointed stars arranged in a slight upward curve above the word 'LABOUR'.  
**LABOUR** A series of three white five-pointed stars arranged in a slight downward curve to the right of the word 'LABOUR'.



# Five Tests for the July Stimulus

Following the economic shutdown caused by COVID-19, we need strong Government action to help hundreds of thousands of people get back to work. The Government's July Stimulus package and its subsequent National Economic Plan and Budget 2021 will be crucial to set out a new direction for our economy. They will show how committed the Government really is to creating jobs and maintaining people's living standards.

Labour will judge the Government's July Stimulus and economic plans on the basis of five tests:

1. **The stimulus must be big enough to counteract the negative impact of COVID-19 and Brexit** on jobs, businesses and household finances.
2. The stimulus must be directed at **the creation of good quality jobs, especially for younger workers.**
3. The goal must be to create **a new economic model, based on lifelong learning, caring and sustainability.**
4. Stimulus measures must **reduce economic inequality.**
5. The stimulus must **strengthen public services**, including a single-tier public health system, a safe return to school in September and major investment in public housing.

## 1. The size of the stimulus

With a forecast decline of at least €36 billion in economic output in 2020 compared to 2019, **Labour is calling for a front loaded stimulus of at least €10 billion in the period 2020-2022.** That would be the equivalent of 2.8% of economic output, compared to the EU's €750 billion Next Generation EU Recovery Fund, which is equivalent to 5.4% of the EU's GDP in 2019, but which will be spread out over a seven-year timeframe.

To maintain existing jobs, **Labour is calling for the development of short-time working schemes, with a strong training element**, which were demonstrated to be very effective in other jurisdictions during the last recession and which several European countries have reintroduced. The existing Temporary Wage Subsidy Scheme (TWSS) should be repurposed to become a short-time working scheme, working in co-operation with trade unions to implement this. A reformed TWSS should include social conditions for

businesses to be eligible, and should allow for the full recovery (“clawback”) of State funding if there are economic dismissals during the period of support. Employers benefiting from a short-time working scheme must also be required to reach agreement with trade unions and worker representatives before any large-scale layoffs. Top-up payments should be mandatory where companies can afford them.

To maximise the multiplier effect of household demand, the Government’s stimulus must prioritise raising the incomes of the poorest households. **Labour is calling for a permanent rise of core welfare rates by €10, alongside maintaining the higher rate of Pandemic Unemployment Payments (PUP) for seasonal workers.** Welfare support including PUP should be linked to training and up skilling opportunities, giving workers the time and the means to prepare themselves for new work opportunities if there are fewer jobs available in their previous sector of the economy. Welfare supports for people under-25 should be restored to full adult level.

The July Stimulus must strike a balance between supporting the sectors that are hardest hit by the COVID-19 shutdown and supporting those sectors (including emerging sectors) that have the greatest chance of providing quality jobs into the future. **Labour is calling for any 2% cut in VAT to be a general cut to the headline rates, rather than sector-specific cuts. That way, sectors with the potential to grow new jobs will also benefit.** A cut of the standard rate of VAT from 23% to 21% will benefit all sectors of the economy and will give the greatest proportionate benefit to low income households.

The Government must tap into all available resources at EU level to add to domestic stimulus, including the European Globalisation Fund in the context of Brexit, the proposed new Brexit fund, the European Green Deal investment plan, the EU LEADER programme, EU SURE, etc. As part of this, **Labour is calling for the Government to increase the Rate of Aid in LEADER from 50% to 75% for private enterprise and up to 90% for community projects.**

### **Context: Why €10 billion stimulus is needed**

*The Government predicts that Ireland’s real GDP will decline by 10.5% in 2020. The domestic economy will disproportionately be affected, with GNI\* forecast to decline by 15.5%.<sup>1</sup> While the Government’s forecasts predict that economic output will grow in 2021, the OECD cautions that a second economic shutdown due to the COVID-19 will lead to steeper decline in 2020 and negligible recovery in 2021.<sup>2</sup>*

*The situation in 2020 is very different from 2009. Today, the Government can borrow at extremely low interest rates and the EU and other major economies are engaging in investment and stimulus to promote economic output. The Government can afford to*

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<sup>1</sup> Government of Ireland (April 2020) Stability Programme Update. <https://www.gov.ie/en/publication/43a6dd-stability-programme-update-2020/>

<sup>2</sup> OECD (June 2020) Ireland: Economic Forecast Summary <http://www.oecd.org/economy/ireland-economicsnapshot/>

take bold initiatives to radically transform the economy, to make it both more productive and more sustainable.

The Government's July Stimulus needs to be big enough to grow the economy in these extremely challenging circumstances. It also needs to be frontloaded, with major investment in 2020 and 2021 to offset the worst impact of the crisis and to prepare the economy for the likely shock from the new UK-EU trading relationship from January 2021. Given the serious impact of COVID-19 on the Irish economy, combined with the imminent shock from the next phase of Brexit, the Government must match the EU's level of ambition through domestic measures.

## 2. High quality jobs

Now is the opportunity for the Government to take the necessary steps to reorient our labour market towards higher levels of productivity and value creation, which in turn will create higher paid jobs. An improvement in pay and conditions must be achieved for those in cleaning and retail jobs and other previously low paid work that the COVID-19 crisis has shown to provide a great deal of public value, as well as in sectors like arts and the creative sector that have been devastated by COVID-19. **Labour will judge the Government's stimulus not only on the quantity of jobs that are created in the economy, but on the quality of those jobs.**

Everyone aged under 25 who is not already in education or work should be guaranteed an offer of decent work and/or training, whether through an apprenticeship scheme, a voluntary placement in an appropriate community setting or in-work training and/or remote study. **Labour is calling for the July Stimulus to include a strong Youth Guarantee.**

In order to replace jobs lost in recent years in the Midlands and other regions with a low level of foreign direct investment, **Labour is calling on the Government to invest heavily in state enterprises (like ESB, Eirgrid, Coillte and Bord na Móna) to create thousands of sustainable jobs for the future.**

Equally, there is a need for greater investment in towns and regions that have fallen behind in recent years. **Labour is calling on the Government to invest in more balanced regional development, including town-level economic development plans.**

### *Context: Why quality employment is needed*

The Government predicts that total employment in the economy will decline from 2.3 million in 2019 to 2.1 million in 2020, with 13.9% unemployment in 2020 and 9.7% unemployment in 2021.<sup>3</sup>

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<sup>3</sup> Government of Ireland (April 2020) Stability Programme Update. <https://www.gov.ie/en/publication/43a6dd-stability-programme-update-2020/>

*This represents hundreds of thousands of households facing joblessness and a severe decline in their standard of living. Young people are disproportionately numbered among those who are likely to lose their jobs. The long-term unemployed are less likely to find work with so many others competing for available jobs. Despite record levels of employment in 2019, one in four workers were in low paid jobs and young people's employment tended to be temporary and/or precarious.*

### **3. A new economic model**

Due to COVID-19, some sectors of the economy are going to shrink for the foreseeable future, which means that workers will need to retrain and upskill in order to find jobs in new areas of the economy. **Labour is calling for significant investment in retraining, upskilling and lifelong learning in order to provide people with real work opportunities.**

In order to meet the demand for retraining and upskilling, the Government will need to invest heavily in existing programmes, building on those with a proven track record, such as Local Development Companies (LDCs). Examples include training programmes for the unemployed, the Back to Education Scheme, Jobs Plus Youth, and the Youth Employment Support Scheme. There is also a need for investment in a new National Access to Apprenticeship Scheme. In addition, successful activation schemes such as Tús, LES and Jobs Clubs must be given an increase in places and more flexible eligibility criteria.

**Labour is calling for investment in State training services and schemes to be at least tripled.** Entry criteria for services and schemes should be opened up to allow more people to avail of them without having to be long-term unemployed. In addition, those who were already long-term employed before COVID-19 must not be excluded or marginalised when it comes to supports for employment.

COVID-19 has highlighted the essential role of childcare, Maternity Leave and of care of people with disabilities, including the elderly. All types of care provide a basic infrastructure without which society cannot function and without which many people (especially women) cannot engage in full-time employment. COVID-19 has tested existing provision of nursing homes and childcare, and both have been found to be flawed and in need of reform. **Labour is calling for significant State-led investment and provision of disability and elderly care (including home care and support for family carers, alongside housing adaptation grants) alongside greatly enhanced State-led childcare, as part of the new economic model.**

**Labour is calling for recognition of new employee rights to consolidate best practice in remote and flexible working and to improve people's work-life balance.**

**Labour will judge the Government's economic plans by how well they provide for gender equality,** including a three-month extension to Maternity Leave for mothers impacted by the pandemic, and childcare measures that support women to return to work.

**Labour is calling for significant investment in retrofitting of homes, businesses and public buildings, as well as investment in public transport, planning and incentives for low carbon economic activity as a Just Transition component to the July Stimulus.**

#### **Context: Why a new economic model is needed**

*There is no going back to the economy of 2019. The economy of the future must be a learning economy, a caring economy and a sustainable economy.*

*Ireland has a low level of in-work training and education compared to many other north-western European economies. In society, adult literacy and numeracy levels are lower than in peer countries.*

*Ireland is a climate laggard with the highest per capita emission of CO<sub>2</sub> equivalent in the EU. Too many people are car dependent due to poor planning or due to a lack of public transport or cycling infrastructure, especially in rural areas. Levels of home insulation are low compared to Ireland's peer countries and there is a need to greatly improve building standards.*

## **4. Reduce economic inequality**

**Labour will judge the July Stimulus by the extent to which it paves the way for higher productivity in the economy linked to higher pay, including ensuring that all workers to be paid at least a living wage set at two-thirds of median income.**

Labour recognises that many businesses cannot afford to increase their level of debt and that the offer of State-backed loans may not benefit them. However, simply giving grants to businesses will increase wealth inequality. **Labour is calling for all supports to business to come with either State acquisition of an interest (shares) in those businesses and/or for supports to come with strictly enforced social and environmental conditions, including recognition of trade unions, collective bargaining and compliance with the State's industrial relations mechanisms.** Where businesses are offered loans, these should be at very low interest rates, in line with what the State can currently borrow.

#### **Context: why economic inequality must be reduced**

*Before taxes and social welfare, Ireland has the highest level of income inequality in the OECD. This shows that the economy is deeply divided between those with good quality, well paid jobs and those who have low paid jobs, which are often precarious and can involve uncertain hours on a weekly basis. One in four jobs in Ireland is low paid. The solution is to raise the qualifications and skills of workers, so that workers in every sector of the economy are more productive and add more value, which in turn will justify and sustain higher wages. Such a virtuous cycle has been created in the economies of Denmark, the Netherlands and Sweden, and the same can and must be achieved here.*

## 5. Stronger public services

**Labour is calling for stimulus to be targeted at weaknesses in Ireland's public infrastructure, including public transport, public housing and public care services, including childcare. In addition, Labour is calling for public procurement and tenders to be the right size to allow small and medium local businesses to compete for contracts, with strict requirements for good quality employment and environmental protection as part of those contracts.**

Recognising that many students rely on seasonal and part-time work to pay for their studies, neither of which will be available in 2020, **Labour is calling for enhanced student supports and increased SUSI payments to ensure that no one drops out of their studies due to COVID-19.** Increased funding for third level (under the new department) should pave the way for lowering student fees.

Recognising that many parents cannot return to work unless primary and secondary education are full-time from September, **Labour is calling for the necessary investment in extra teachers and teaching assistants, as well as school capital investment, to ensure a safe return to school for all in September 2020.**

**Labour is calling on the Government to accelerate investment in the procurement and direct building of public housing, as a stimulus to the economy.**

This year has decisively shown that only Ireland's public health services have the capacity to deal with emergencies of the scale of a pandemic like COVID-19. There can be no going back to a two-tier system, with public and private health care operating in parallel. **Labour is calling for the Government to make the necessary investment to deliver in full on the SláinteCare vision of a single public health service that serves everyone.** In the short term, the best way to support economic recovery is to prevent a second surge of COVID-19.

**Labour is calling on the Government to increase funding for Health and Safety inspectors and COVID-19 wardens and to insource and upskill cleansing services as preventative public health measures.**

### *Context: why investment in public services is needed*

*The COVID-19 crisis has shown the importance of the State and of public services like hospitals, schools, public transport and housing. There can be no return to the situation where Ireland made inadequate investment in public services. Studies by both the OECD and IMF have shown that public investment can pay for itself in circumstances, such as in Ireland, where public capital stock is low and when interest rates are low.*



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