

Hope for a Lost Generation

Fine Gael's plans to provide hope for a lost generation by reducing the number of young people on the live register by one third over the next year



FINE GAEL

EXECUTIVE SUMMARY

Unemployment in Ireland is now the second highest in the Eurozone. The Standardised Unemployment Rate (SUR) has increased from 4.4% in 2007 to 12.5% today. The government estimates that it will rise to 13.75% next year. In raw numbers, there are now 422,000 people signing on the Live Register. This is an increase of 255,000 in two years. Some of these are working short-time or part-time but most have no jobs at all. Young people are bearing the brunt of the employment crisis with graduates unable to find jobs, apprentices unable to finish their training and young former construction workers frozen out of the labour market. Over one third of men under the age of 25 are now signing on. This requires an urgent policy response.

The government has become obsessed with the banking and fiscal crises and is ignoring the jobs and competitiveness crisis. They are only interested in the books and the banks. Fine Gael accepts that cuts in public spending and increases in taxation will be necessary over the coming year but we need a jobs and stimulus package as well. We must grow our way out of recession. In addition, we are actively assessing welfare reforms to introduce a flexi-security style labour market that has been pioneered successfully in many other European countries in order to promote employment.

This plan to tackle youth unemployment forms part of Fine Gael's Jobs and Competitiveness strategy alongside our **NewERA** plan to provide an €18 billion stimulus to the economy by retooling or selling off some of the existing semi-state companies and by setting up new ones to invest in broadband, green energy and water, **A Fresh Start for Jobs and Small Business** our eighteen point plan to reduce the cost of doing business, and our proposal to establish a **National Recovery Bank** to get credit flowing to business and consumers. To cut the cost of labour we have recently proposed a **Jobs Tax Cut** which involves reducing both rates of employers PRSI which we estimate will create or save an additional 30,000 jobs.

The proposals in this plan will be funded by the finance made available through Fine Gael's alternative budget strategy that will be made available in the coming days.

Our objectives are two-fold:

- To reduce the numbers of young people signing on to the live register by one third over the next year; and
- To ensure that young people who are not in work, education and training do not become a lost generation but instead are provided with the skills and tools they need to take up employment when the recovery comes.

PROPOSALS:

Policy	Explanation	# of places	# of people off live register	Gross Cost	Net Cost
National Internship Programme	Part-time placements in the public service, private and voluntary sectors for unemployed graduates with funding for masters or higher qualification	13,000 placements	8,666	€159m	€68m
Second Chance Education Scheme	Back to Education scheme targeted at youth unemployed with no Leaving Cert or non-construction qualifications	10,000 placements	6667	€153m	€82m
Apprenticeship Guarantee	Mandate the OPW to take on redundant apprentices for direct labour projects carried out by government and local authorities	700 apprentices	467	Funded from capital budget	
Community Employment Schemes	Increase number of CE schemes	5,000 placements	5,000	€78m	€25m
Workshare	Government supported short time working with training during off-time	10,000 jobs retained	10,000	€220m	€70m
TOTAL		38,700	30,800	€610m	€245m

Introduction

Ireland is in the midst of the worst economic crisis in a generation. This economic crisis is really five sub-crises: the fiscal or budgetary crisis, the banking crisis, the jobs and competitiveness crisis, the reputational crisis and the social crisis. The major flaw in current government thinking is their refusal to approach these crises in a holistic way and to offer an integrated solution to the problems we face. They treat the budgetary crisis as a book-keeping or accountancy exercise without taking into account the effect that higher taxes have on growth and jobs and the impact of spending cuts on people at risk of poverty. They tried to address the banking crisis with NAMA, a mechanism to prevent the banks from collapse and insolvency, but they did nothing to ensure that credit lines were restored to small business and refused to help mortgage-holders in trouble or young people experiencing debt deflation.

Worst of all, they have ignored the jobs and competitiveness crisis. Rising unemployment is accepted in a fatalistic way as a natural consequence of recession. There has been little or no public policy response. This is in stark contrast to the actions of other governments across Europe and the United States. Indeed, one could be forgiven for thinking that the government is deliberately allowing unemployment to rise in order to drive down wages which they seem to believe is the only component of cost competitiveness worth addressing. We need to address youth unemployment in particular. The effects of unemployment are more damaging on the young, permanently affecting employment opportunities, wage levels and health. Without new policies, Ireland runs the risk of creating a potential 'lost generation'.

Fine Gael's approach to the upcoming budget is very different to that of the other parties. We accept that reductions in public spending and increases in taxation will be necessary in the coming years in order to balance the books. The current government is consumed by its desire to cut spending. The other opposition parties are obsessed with tax increases. Only Fine Gael is talking about jobs and stimulus.

We can minimise the scale of tax increases and the depth of spending cuts by restoring competitiveness and going for growth. Over half of the budget deficit is due to unemployment, the forthcoming budget must contain measures to restore competitiveness and stimulate the economy as well as policies to retain and create new jobs. We need policies to ensure that people who become unemployed are not left behind and will be in a position to take up employment when the upturn comes.

Fine Gael is committed to making the transfer from a dependency based welfare system to an opportunity based welfare system using the Nordic 'flexicurity model'. Under this system citizens are assured of State guaranteed defined benefits and much more generous benefits during short term periods of unemployment. In return, however, there is a greater conditionality with reduced benefits for those that refuse to take up employment, education or training. Fine Gael has already announced its plan to cut allowances paid to people of adult working age who refuse to take up employment, training or placements after 6 months.

Fine Gael has already published our NewERA plan to provide an €18 billion stimulus to the economy by retooling existing semi-state companies and setting up new ones to invest in broadband, green energy and water services. Last May, we published 'A Fresh Start for Jobs and Small Business' an eighteen point plan to reduce the cost of doing business and restore cost competitiveness. We have also published proposals to cut the Jobs Tax (Employers PRSI) thus providing a €900 million tax cut for employers.

In the coming days, we will publish our Pre-Budget Perspectives which will outline Fine Gael's fiscal strategy and possible savings in public spending and taxation.

This document is about jobs, training and placement. If implemented, our plan to reduce youth unemployment will reduce the number of young people on the live register by a third over the next year and will ensure that young people who have lost their jobs will have the skills and tools they need to re-enter the workforce when the upturn comes.

THE PROBLEM

Rising Unemployment

Unemployment is the human cost of failed economic policies. Ireland's performance on employment has been among the worst in the Western World. We have gone from a Standardised Unemployment Rate (SUR) of only 4.4 % in 2004-2007 to an SUR of 12.5% in October 2009. The SUR was 10% when Fianna Fail wrested power from the Rainbow government in 1997. Unemployment has trebled in two years. Worse still, the government projects that it will rise further to 13.75% and that 75,000 jobs will be lost in 2010.

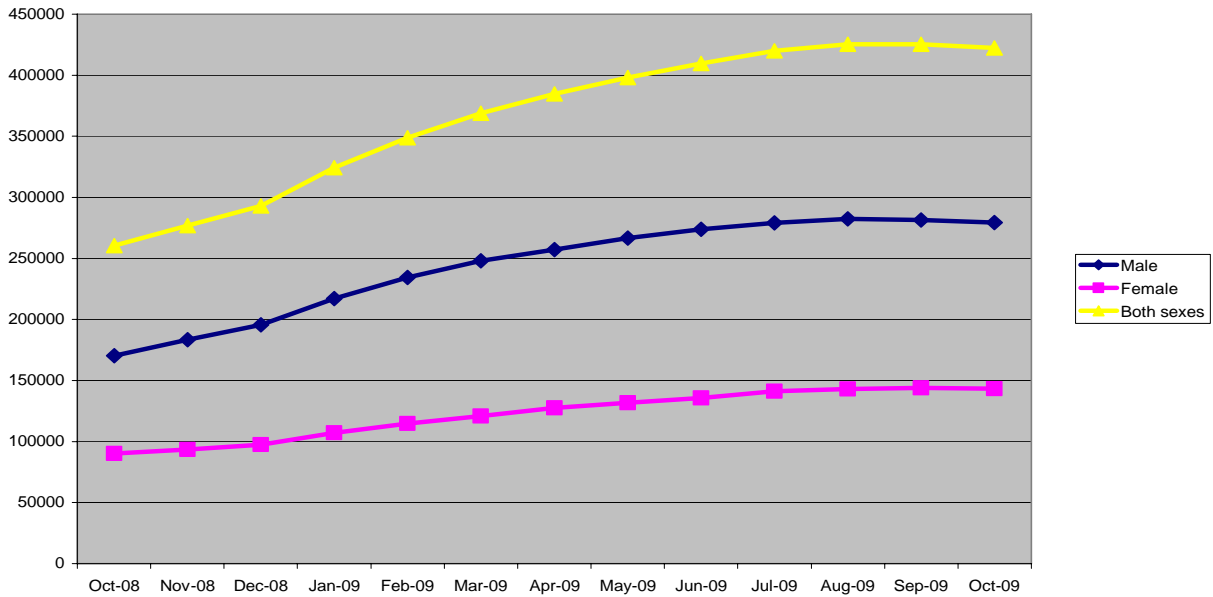
Seasonally Adjusted Standardised Unemployment Rates (SUR)

	2004	2005	2006	2007	2008	2009
	%	%	%	%	%	%
January	-	4.3	4.4	4.4	4.8	9.4
February	4.8	4.2	4.4	4.5	4.9	10.1
March	4.7	4.3	4.4	4.5	5.2	10.8
April	4.5	4.4	4.5	4.5	5.3	11.3
May	4.4	4.5	4.5	4.6	5.5	11.6
June	4.3	4.5	4.5	4.5	5.9	12.1
July	4.3	4.5	4.5	4.5	6.4	12.4
August	4.3	4.5	4.6	4.4	6.8	12.6
September	4.4	4.4	4.5	4.6	7.1	12.6
October	4.5	4.3	4.4	4.6	7.6	12.5
November	4.5	4.3	4.3	4.9	8.2	12.5
December	4.4	4.3	4.4	4.7	8.5	
Annual Average	-	4.4	4.4	4.6	6.4	

Source: CSO, Live Register, November 2009

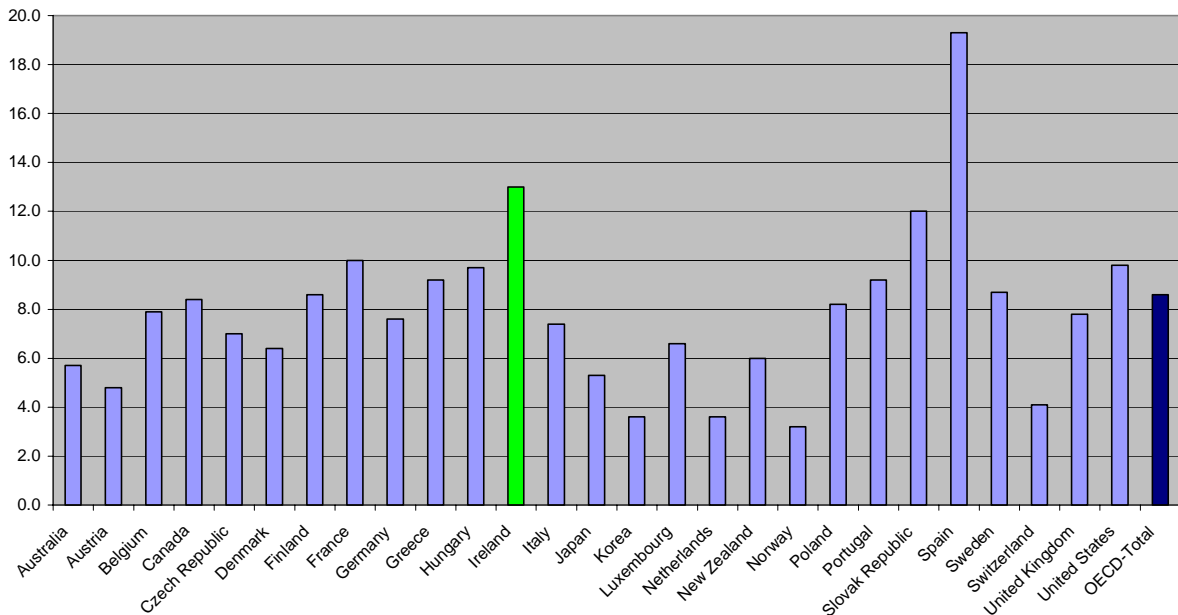
In raw figures, the number of people signing on has increased from 167,100 in October 2007 to 423,400 in November 2009. The recent levelling off in numbers on the live register can be best explained by the large numbers of people leaving the labour market to return to education, to work in the home, leaving the country altogether or failing the means test for Jobseekers Allowance as they have a working spouse. The number of redundancies reported to the Department of Enterprise, Trade and Employment continues to increase and exceeded 6,000 in October 2009. In November 2009 the Live Register increased by a further 900.

Live Register - Seasonally Adjusted



The scale of the unemployment crisis is brought into stark focus when one compares Ireland's performance with that of other Western countries. Two years ago, Ireland was among the countries with the lowest level of unemployment. Now we are the second highest in the Eurozone behind only Spain. Unemployment rates in Ireland are well above those in the United Kingdom, United States, Iceland, Canada, Australia, Singapore and Japan. This is a result of two factors; the severity of the recession in Ireland compared with other countries and the absence of a policy response from government to the jobs crisis.

Harmonised Unemployment Rates - Latest OECD Figures



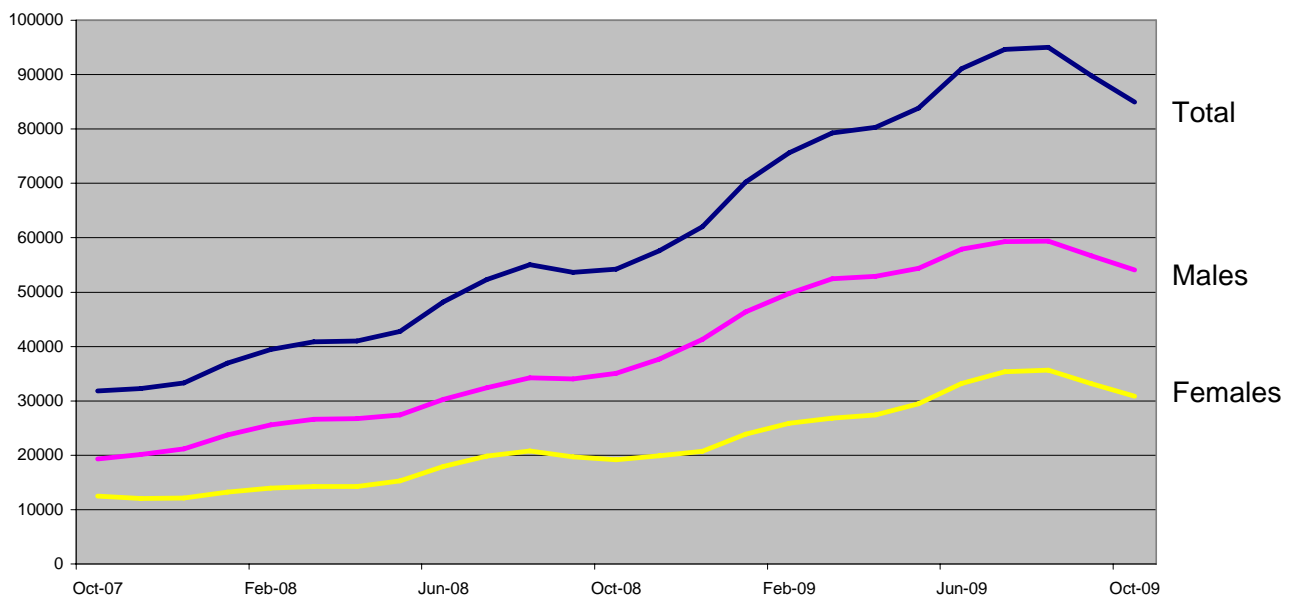
Unemployment is the human cost of failed economic policies and it comes with grave social costs including increased poverty, higher crime rates, exclusion, family breakdown and social division.

Youth Unemployment

The number of people under the age of 25 who are on the live register has increased from 33,900 in October 2007 to 87,100 in October 2009. This represents a 155% increase in the number of young people signing on. Of these 55,500 are male (63%). One third of men under the age of 25 are now on the dole. The effects of unemployment are more damaging on the young, permanently affecting employment opportunities, wage levels and health. Without new policies, Ireland runs the risk of creating a potential 'lost generation'.

Live Register - Under 25s

Total, Males & Females



A large number of the young men who are now unemployed are former construction workers. They left school earlier for high wages in the construction sector. Most of them will never work in construction again and do not have the skills or tools to gain alternative employment. We must ensure that they are not left behind when the upturn comes. We should not rely on foreign labour to fill the jobs of the future. We must educate and re-skill our people for these jobs.

Ireland also needs a specific policy to assist the large number of recent college graduates who are unable to secure employment and are not catered for by existing government employment schemes. We also need to ensure that the four hundred apprentices who are unable to finish their apprenticeships because they cannot get on-the-job experience can do so.

Inadequate Government Response

The government's response to the job crisis has been appallingly inadequate. They found €7 billion to over-pay the banks for their development loans, but could not find €1 billion for jobs. Government schemes that have been introduced to date are piecemeal and small scale.

The first round of payments under the *Temporary Employment Subsidy Scheme* were made last month, six months after the scheme was announced in the Emergency Budget. Only 7,478 jobs are being subsidised and Enterprise Ireland accepts that up to half of these would not have been lost in the any case. Only 102 people have taken up six-month placements on the Work Placement Programme (WPP) to date and FAS has only managed to identify 403 placements. There are only 277 places on the Short Term Work Training Scheme and less than 180 have been filled. The government will invest only €20.5 million in these three schemes in 2009. The number of training schemes offered by FAS has been doubled in capacity but most are short courses that do not give the participant a useful qualification, many are on-line and the quality has deteriorated.

The government's response to the jobs crisis has been wholly inadequate.

Training and Upskilling

Fine Gael firmly believes that any new or additional training schemes and employment supports offered or funded by government must have a real and meaningful training component attached to them. We should use the recession and reduced working time to upskill our labour force which enhances competitiveness for business and improves employment and earning prospects for workers.

THE SOLUTIONS

In time, growth will return to the Irish economy. This in turn will lead to the creation of new jobs. However, employment growth can lag recovery by many years. The recession of the 1980's ended in 1983 but unemployment did not start falling for more than five years.

Fine Gael's **NewERA** stimulus package will ensure that history will not repeat itself. This plan will provide an €18 billion stimulus to the economy by retooling existing semi-state companies and setting up new ones to invest in broadband, green energy and water. This will be funded off-balance sheet from the National Pension Reserve Fund, proceeds from sale of existing state assets and investments from private pension funds and individuals through a national recovery bond. It is estimated that such a plan has the capacity to create 105,000 in the economy over four years.

Our eight point plan to reduce the cost of doing business, **A Fresh Start for Jobs and Small Business** includes proposals to support business by abolishing the travel tax, ending upward-only rent reviews, reforming the JLC and employment regulation order system, cutting the cost to business of government red-tape and regulation, reducing energy costs which are regulated by government, ensuring the government sector pays its bills on time, freezing local authority rates and government charges and strengthening the voice of small business in the Partnership process.

We have also proposed to establish a **National Recovery Bank** to get credit flowing to business once again.

Fine Gael has also recently proposed a **Jobs Tax Cut** to bring down labour costs in the Irish economy in order to regain competitiveness. The proposal is based a reduction in both rates of PRSI which would result in a reduction of €887 million in employment taxes and costs for 175,000 Irish businesses employing 1.7 million workers. The changes would have the effect of reducing average pay costs by 2.5%, resulting in 30,000 extra jobs by 2015. This will be of greater benefit to younger people entering the workforce over the next four years. The changes would also be of particularly benefit to the indigenous labour-intensive industries (food, tourism, engineering etc.) that are most vulnerable to the strength of the euro against sterling.

In addition to NewERA, Fine Gael argues that the **capital budget should not be cut** as is proposed by Government. We should use the opportunity of lower tender prices to invest in new infrastructure. Capital spending is labour intensive and the infrastructure provided by this spending boosts competitiveness. The capital budget should not be cut until there is a recovery in private sector investment. This measure will save 10,000 construction, civil engineering and related jobs.

The policies outlined below constitute Fine Gael's plan to reduce the number of young people on the Live Register by a third by Christmas next year. This will be done through a combination of measures aimed at saving or creating jobs and providing placements in training, educational and employment schemes.

In developing these policies, we studied the New Deal in the United Kingdom, the Kurzarbeitgeld and WorkShare short-term working systems in Germany and the United States. We also commissioned research from the Oireachtas Library and Research Service comparing active labour market policies in Finland, Denmark and Germany. We also had regard to the papers written by Philip O'Connell of the ESRI on active labour market policies. Joe Carey TD

contributed to proposals on apprentices and unemployed construction workers. Research on upskilling and back to education was carried out by John Carroll, Parliamentary Assistant to Leo Varadkar TD and a comparative analysis of unemployment and redundancy entitlements across the EU was done by Maggie Comstock and John Mulqueen, Institute of Public Administration interns from the United States.

NEW PROPOSALS

1. Introduce 'Workshare'

Fine Gael is impressed by the Kurtzarbeitgeld and WorkShare policies in Germany and the United States. These policies provide government support for enterprises and their employees that opt for short-time working instead of redundancies. Under both schemes, the government makes up part of the income lost by employees instead of paying welfare to the redundant employee. Under the German scheme, employees engage in training and upskilling while they are not working. Essentially, this programme allows an employer with one hundred employees, for example, to avoid making twenty staff redundant by putting forty on short-time.

In Germany, up to 1.4 million people have been protected from unemployment by this scheme. This does not come cheaply however, as the exchequer must bear the cost of subsidising the employees wages and also loses tax revenues due to fall in the income of the workers retained. There are also residual costs for the employer as payroll taxes and holiday and other entitlements must be honoured. Therefore it must be a time-limited measure lasting no more than eighteen months to two-years.

The government's Short Time Working Training Programme is inadequate. It is only open to only 277 participants and is managed by FAS. Training is provided by FAS rather than being enterprise-based and participants only receive basic social welfare payments for their off-days.

The government has conceded that 75,000 jobs will be lost in 2010. Fine Gael rejects this fatalistic approach. We believe that many of these jobs can be saved if a proper short-time working scheme is introduced. Our scheme, WorkShare, will be modelled on the German system. It will be open to viable enterprises facing a cyclical downturn in business and orders as a consequence of the recession. These could include manufacturing, retail, tourism and other services. It would also benefit younger workers who might lose their jobs under a 'last in, first out' system or are on temporary contracts. Where employees are put on a 3 day week or week-on/week-off arrangement, the government will ensure that they maintain 75% of original income up to the average wage. This could be higher where a collective agreement is in place and the employer is willing to pay more.

The net cost, taking in to account lost tax, welfare substitution and a training grant of €1,000, will be €7,000 per job saved.

10,000 jobs can be saved at a cost €70 million using this policy in a full year.

2. National Internship Programme

Fine Gael is gravely concerned about the large number of university and third-level graduates who cannot find a job. These include solicitors, architects, teaching and nursing graduates. The government's Work Placement Programme (WPP) is designed to give graduates such as

these six months experience in the work place at no additional cost to the exchequer. It is managed by FAS. The WPP is not working. Only 104 graduates have taken up positions and only 400 placements have been identified. Very few of these are in the public sector. It lasts only for six months, there is no formal training component to it and there is no recognised certificate for completing it.

Fine Gael is proposing the establishment of a National Internship Programme (NIP) targeted at young graduates who are not in education, employment or training. It will be run and certified by the Department of Enterprise, Trade and Employment. Placements will last for one year.

The National Internship Programme will have two streams:

- A Public Service Graduate Internship
- Private and Voluntary Sector Graduate Internship

Public Service Graduate Internship

Approximately 4,000 positions have been lost in the public sector as a consequence of the recruitment moratorium. We believe that there is a strong case for allowing unemployed graduates to take up positions in the public sector as interns. These would include teaching interns in schools, nursing interns in hospital, interns in local authorities and Government Departments etc. They would work a 20 hour week and would be paid the basic entry level rate of pay in lieu of welfare. Participants would also be given a €3000 education voucher to buy a place in a third level institution to enable them to study for a masters or additional qualification during the time that they are not in work place.

With 3,000 places, the net cost of this scheme would be €30 million in a full year.

Private and Voluntary Sector Graduate Internship

Similarly, Fine Gael will seek one year placements in the private sector, voluntary organisations, NGOs for graduates who cannot find work. These will include registered charities, voluntary and cultural organisations and sporting organisations. We will also support voluntary placements overseas for graduates with appropriate skills and experience selected by aid agencies. This will be in addition to funding from the Overseas Development Aid budget.

We will work to ensure that none of these placements merely displace an existing job and that no deadweight cost arises from giving interns to companies that could afford to hire more staff. We envisage paying the interns €250 per week based on a twenty hour week with the private sector body meeting €100 of the cost. Participants would also be given a €3000 education voucher to buy a place in a third level institution to enable them to study for a masters or additional qualification during the time that they are not in work place.

With 10,000 places, the net cost of this scheme would be €38 million in a full year.

This programme will replace the existing Work Placement Programme (WPP) at the end of its current life

OTHER PROPOSALS

1. Second Chance Education Scheme

The average unemployment rate for people whose main qualification is the leaving cert or lower is 15.5% against 9% for people with a post-leaving cert or third level education. During the

boom years, tens of thousands of young people, particularly young men, left education early to take up well paid jobs in construction and other sectors. Most of them will never work in construction again in this country and they do not have the skills or tools to take up new employment when the recovery comes.

Fine Gael believes that we need a specific policy response for people under 25 who are not currently in education, employment or training. The Back to Education Allowance is too restrictive for this group of people. It is not available to people under the age of 21 or to people under the age of 24 in the case of third level education, albeit with some exceptions. Moreover, it is not paid during the summer period. The €500 cost of education allowance is an inadequate incentive to encourage young people who are on the dole to take up full-time education.

Fine Gael's second chance education scheme would be open to unemployed people under the age of 25 who do not have their leaving certificate or any basic vocational qualification outside of construction. We would envisage paying participants 2/3 of the minimum wage (€11,670) as well as a cost of education allowance of €500 per annum. A bonus of €3,000 will be paid on satisfactory completion of the basic qualification. We would hope to use spare capacity in schools, ITs, PLCs, the VEC sector and private trainers to cater for increased demand.

We will target 10,000 of the 87,100 under 25's who are currently unemployed to avail of this programme. The estimated additional cost relates to premium payment above basic welfare (€1,070p/a), the cost of education allowance (€500 p/a), the annual completion bonus (€3,000) and the cost of the course itself (€3,600). The total added cost per participant would be €8,170 in a full year.

The net cost to the exchequer would be €82 million in a full year.

2. The Apprenticeship Guarantee

Currently, there are over seven hundred apprentices who cannot finish their qualification due to a lack of on-the-job experience. 168 apprentices require on-the-job training and assessments at Phase 3, 130 Apprentices require on-the-job training and assessments at Phase 5 and 391 Apprentices require on-the-job training and assessments at Phase 7.

The government has introduced some measures to assist apprentices. These include incentives for employers to take on more apprentices and changes in the rules to allow apprentices to jump ahead to the next stage of off-the-job training. However, much more can be done.

Fine Gael will mandate the FAS training centres and the OPW to carry out construction projects by direct labour on behalf of the government and local authorities. The work will be monitored and assessed by FAS apprenticeship teachers and trainers. In general, these projects will be small in nature and can be funded out of the capital budget. They will have a specific mandate to take on apprentices in need of on-the-job experience along with other unemployed construction workers. This will be done at the agreed REA rate. We will seek the co-operation of the trade unions and industry federation in establishing and running the corps. This apprentice guarantee will be modeled on the discontinued Community Youth Training Programme (CYTP).

Works will be carried out on OPW property or behalf of government departments and local authorities.

3. Increase the number of Community Employment Schemes

Community Employment schemes have not proven to be as effective as active labour market interventions in general. However, they do provide a useful social role both for participants and for the community as a result of the environmental and other works that are carried out and can provide support for NGOs and other voluntary organisations that cannot afford to hire staff.

Fine Gael supports increasing the number of CE schemes by 5,000. They will be pared back again once employment growth returns. Priority will be given to young people who are unemployed and control of CE schemes will be transferred from FAS to Local Authorities.

The estimated cost of providing 5,000 additional places is €25 million in a full year.