Campaign for Labour Policies

1. **Invest in Growth and Jobs**

We are calling on Labour to **kick-start investment with an additional €2 billion from the state's own resources in Budget 2013**. This will create 20,000 direct jobs, increase growth and lower the deficit – all without need to increase borrowing.

2. **Repair Public Finances by Taxing High Income Groups**

There should an end to cuts in overall current spending (health, education, social protection). All budgetary adjustments should fall on high-income groups – and their capital and property – through increased taxation. This will minimise damage to economic growth, protect public services and maintain the living standards to those on low incomes.

3. **Expand Public Enterprises, Don't Sell Them Off**

There should be no sell-off of public enterprises. Instead, new public enterprises should be established and current enterprises expanded to promote growth, investment and employment in the economy.

4. **Increase Labour Rights in the Workplace**

Increasing labour rights in the workplace is an economic and social good. Introduce the legislative right to collective bargaining and the right of part-time workers to full-time work in their workplace as per EU law.

5. **Repudiate Odious Debt**

Private banking debt should be removed from the state's books. Suspend Anglo-Irish promissory notes and require the Central Bank to negotiate a write-down of this odious debt.

The Campaign for Labour Policies believes that the agenda of equality and inclusion needs to be at the forefont of Government policy. We do not believe that 'stabilising' our economy through cuts today will help the Labour party to pursue its equality agenda tomorrow.

It's doesn't make sense to ignore the lessons of the Celtic Tiger: the economics of tax breaks, privatisation, and insecurity in the workplace will only lead us to further inequality and exclusion.

Labour Policies for a fair economic recovery

1. Invest in Growth and Jobs
2. Repair Public Finances by Taxing High Income Groups
3. Expand Public Enterprises, Don't Sell Them Off
4. Increase Workers' Rights
5. Repudiate Odious Debt

Ireland needs an alternative: **an alternative driven by members of the Labour Party.**

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1. Invest in Growth and Jobs

State-led investment to drive growth, boost employment and reduce the deficit makes sense

Government plans to cut investment by a further €550 million in 2013 make no sense in the current climate. The driving force behind the recession is the collapse in investment. In the absence of private sector investment, and given the delay in accessing outside funds, this investment must be state-driven.

We are calling on Labour to **kick-start investment with an additional €2 billion from the state's own resources in Budget 2013**. This will;

- Directly employ 20,000 people – with thousands more employed as a result;
- Drive up GDP in the first year by over €2 billion, with boosts to GDP persisting past the first year;
- Reduce the deficit by €1 billion in the first year.

Investment levels in Ireland are about half the Eurozone average, and the Government intends to cut public investment by a further €550 million in Budget 2013. This will inevitably lead to unemployment and reduced growth.

Ireland needs investment and, in the current recession, the private sector won't invest; it must be state-driven. The Government's current stimulus plans rely heavily on investment from European and private sector sources - but much of this will require a long lead-in; it can take the European Investment Bank up to 18 months to approve a project. The current package is also dependent on the sale of state assets, a move which will cost jobs and undermine the government's ability to kick-start our economy.

As a short-term bridge, the State should use €2 billion **of its own resources** in Budget 2013, to fund capital projects that are ready, or nearly ready, to go[1]. Already, ICTU has identified **17 projects costing €2 billion, and employing over 15,000 people** – there are many more.[2]

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[1] The State owns nearly €20 billion in liquid assets; approximately €14.5 billion in cash, €5.5 billion in National Pension Reserve Fund assets

[2] ICTU (2012) *Delivering Growth and Jobs: Funding a Major New Investment Programme for Ireland*

2. Repair Public Finances by Taxing High Income Groups

Balancing the budget by taxing the wealthy makes sense: it's good for growth, protects public services, and maintains the living standards of the most vulnerable
Spending cuts damage growth more than tax increases – and thus do less to reduce our deficit. Taxing high income groups makes sound economic sense – and it makes social sense, allowing us to protect health, education and social protection.

We are calling on Labour to protect public services and those on low incomes by;

- Ending all cuts in overall current spending - health, education, social protection;
- Balancing the budget by taxing high-income groups – and their capital and property;
- Ensuring new taxes are fair: in 2010, the top 10% of earners experienced an income increase. *(SILC data, CSO 2012).*

We must choose a growth-friendly and jobs-friendly route to repairing our public finances – and that means tax increases on those who can afford it.[3] And there's plenty of room for such increases – Ireland has one of the lowest per-capita/per-GDP levels of taxation and social insurance in the EU-15.

But what we've seen over the last few years is taxation hitting low and average income earners: the Universal Social Charge, the Household Charge, the reduction in personal tax credits, the VAT increase.

This is not only unfair, but also damages our economic recovery, driving down consumer demand. In real terms, wages are expected to continue falling over the next two years. Increasing taxation on workers whose real wages are dropping will further damage growth and social equity. Tax increases in Budget 2013 must target high-income groups.

Protecting our public services makes sense
Cuts in social protection compound already increasing poverty and risk-of-poverty rates. Without social welfare measures, 51% of the population would be at risk of poverty *(SILC data, CSO).*

Ireland's future demands quality services: we can't afford to cut them

- In health, according to the INMO, cuts in healthcare even before the last budget were the largest percentage cuts in the shortest space of time of any OECD country. Labour's vital plans for free GP care and universal health insurance require that it not fall any further;
- Ireland spends only 4.7% of GDP on education compared to the OECD average of 6.2%. Its class size average is 24 pupils, compared to an EU average of 20;
- Meanwhile, standards have been declining. Ireland's Pisa reading levels have fallen from 5th place in 2000 to 17th place in 2009. Its ranking in mathematics tumbled from 16th in 2006 to 26th in 2009;
- Ireland has the second highest tertiary level fees in the EU.

To ensure fair tax increases, there are a number of options open to the Government:

wealth tax · property tax (income-related to avoid hitting low/average income earners) · reform of capital taxes · reduction of landlord interest relief · introduce a new top rate of tax · extend USC/PRSI to capital income · adjust PRSI exemption for share options · standardise discretionary tax reliefs · increase USC for high income earners · increase imputed withdrawal from Approved Retirement Funds · reduce tax exemption of lump-sum pension payment to average industrial wage · reform of corporate group relief - end property tax relief

3 The ESRI has shown on a number of occasions that spending cuts do more damage to growth than tax increases – and, as a result, are less effective at reducing the deficit.

All these reforms, taken together, would raise approximately €6 billion. We're not suggesting we need them all. **Priority should be give to a wealth tax, extend PRSI and USC to capital income, reduction of relief for super pension pots, and abolition of all property tax reliefs.**

What makes a Wealth Tax a good idea?
Fairness: A wealth tax is a fair way to make sure those who can afford to pay a marginal rate of taxation on their wealth do, and lessen the need to tax excessively low income workers for whom the value of each additional euro is far higher;

Revenue: Estimates put the possible amount to be raised through a wealth tax somewhere around **€500-€800 million,** while Minister Michael Noonan admits a French-style tax would raise **€400 - €500million;**

Economic Growth: A wealth tax targets 'unproductive' stores of wealth which are doing little to boost economic growth. At the same time, by reducing the need for hefty income tax or VAT, money is freed up for circulation in the economy, bringing employment and growth. And since 'worked' land is liable for little or no wealth tax, a wealth tax encourages land and property owners to use land in a way that boosts the economy;

The social dividend: Increased government revenue from a wealth tax could be used to promote public investment in services like education, basic science research, and transportation infrastructure, which in turn improve economic efficiency and competitiveness.

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3. Expand Public Enterprises, Don't Sell Them Off

Public enterprises promote investment, growth and jobs – we need more, not less
At the 2012 Labour Party conference, members of the labour party voted to reject the sale of semi-state assets by the current government. Protecting semi-state assets would, members agreed, "protect long-term growth and safeguard the national interest."

We are calling on Labour to protect and expand public enterprises. Key expansions for economic recovery include;

- The establishment of a state-led enterprise with full responsibility for exploration of our oil and gas reserves;
- State-led roll-out of broadband;

<u>Natural Gas and Oil Reserves</u>
Our offshore reserves have a potential value of €750 billion.[4] But owing to its current approach to management of resources, the state receives less income for its natural resources than almost any other country in the world: the second-lowest according to some surveys,[5] with real take lower again[6]. And *after* production, the State may well have to pay corporations full market prices for its own resources[7].

The establishment of a state-led enterprise, similar to the now-defunct Irish National Petroleum Corporation (INPC),[8] would kick-start revenues to the State from our natural resources. Marginal reserves simply won't be investigated by private multinationals, while targetted exploration of Ireland's vast territorial waters would create a substantial number of highly-skilled jobs.

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4 *Optimising Ireland's Oil and Gas Resources*, p. 9; SIPTU, 4 July 2011
5 Ibid., p. 11
6 http://irishoilandgas.wordpress.com/2011/07/03/ireland%e2%80%99s-tax-%e2%80%98take%e2%80%99-from-gas-fields-could-be-as-low-as-7-per-cen
7 *Optimising Ireland's Oil and Gas Resources*, p.12
8 For further information on the INPC www.dcenr.gov.ie/Energy/Oil+Security+Division/National+Petroleum+Corporation+(INPC).htm

Rolling out of broadband

Expanded broadband provision is an urgently needed. Ireland currently has with one of the worst levels of broadband penetration and speed in the EU: in parts of the North-West, less than 10% of homes have access to broadband.[9]

The Programme for Government contains a commitment to deliver broadband to 90% of homes/businesses. Currently, this depends on the voluntary co-operation a private company - Eircom. As long as it remains in private hands, though, this appears unlikely. The Chairman of the Communications Regulator has stated that, currently, Eircom is resisting technological innovation for its own benefit.[10]

Labour must establish a public enterprise company to roll out Next Generation Broadband over fibre optic. A nationwide broadband network is a necessity for economic growth, with the benefits of universal connection far outweighing the current haphazard approach.

Finally, state engagement in **retrofitting and the creation of green jobs** – in particular through the development of ocean and biomass energy – would not only be of great long-term economic benefit, but would also have the potential to yield thousands of skilled jobs.

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4. Increase Labour Rights in the Workplace

Enhanced workers' rights make sense: labour rights are good for people and good for business.

We are calling on Labour to introduce the legislative right to collective bargaining and the right of part-time workers to full-time work in their workplace as per EU law.

Legislate for the right to collective bargaining

Ireland remains almost unique amongst European countries in not having legislation to guarantee the right to collective bargaining. The Tánaiste has made clear that, in line with the Programme for Government, legislation for collective bargaining will result from a review being carried out by the Department of Jobs, Enterprise and Employment.[11]

But the Labour Party has a battle on its hands. The Minister with responsibility has given no indication that he is in favour. In June 2012 he stated that he did not believe recent ILO recommendations in relation to trade union rights in Ireland required legislation for mandatory trade union recognition.[12] This is contrary to trade union and indeed Labour Party understanding of the same ILO recommendations.

This is a red line issue for Labour. Our party must bring in legislation for the right to collective bargaining, protecting trade unionists, and safeguarding against attempts to dissuade workers from joining a union.

Legislate for employees' right to full-time work when it is available in their firm[13]

There is increasing concern amongst low-paid workers that where additional hours become available within a company, preference of employers is to give these to new part-time workers, creating an increasingly 'flexible' workforce. The trend towards ever-more-insecure part-time work in retail and service sectors highlights the urgency that the government legislate for the right to full-time work.[14]

A 1997 EU Directive on part-time workers' rights requires companies to increase the hours of part-

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9 *Time to Take Éircom into Public Ownership*, Éamon Gilmore, 21 April 2009
10 *The Strategic Role of State Assets - Reframing the Privatisation Debate*, p. 26; TASC, February 2011
11 Éamon Gilmore at 2011 SIPTU conferencehttp://www.labour.ie/press/listing/131789606815673704.html
12 Responding to Parliamentary Question, June 7 2012: accessed at http://www.kildarestreet.com/wrans/?id=2012-06-07.567.0
13 Further information available in Mandate (2012) *Decent Work? The Impact of the Recession on low-paid workers* www.mandate.ie
14 Between 2001 and 2011, numbers in full-time employment fell from 7 in 10 to 6 in 10 CSO Statbank Ireland: QNQ18

time workers when more hours are available.[15] The government must legislate to protect this right.

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5. Repudiate Odious Debt

Allowing private banking debt to remain on the state's books makes no sense
Labour's opposition to the bank guarantee went, rightly, a long way to convincing the Irish electorate that it was serious about debt. The public vote for Labour was an endorsement of its opposition to the state bearing private debt.

The situation has not changed. The Irish Government is scheduled to make €47.9 billion of promissory note related payments between March 2011 and March 2031 – €16.8 billion on interest alone. That's **30 % of Ireland's current GDP.** Meanwhile March's promissory note deal merely postponed payment for one year. It remains to be seen what the recent EU summit deal means for Ireland.

Labour must suspend all promissory note payments, and negotiate a new deal based on a complete write-down of bank debt.

15 EU Council Directive 97/81/EC of 15 December 1997 concerning the Framework Agreement on part-time working concluded by UNICE, CEEP and the ETUC