



Response to July Jobs Stimulus 2020



Social Justice Ireland believes the July Jobs Stimulus contains some welcome elements which have the potential to support businesses, particularly small and medium enterprises, to absorb the economic impact of COVID-19.

It remains to be seen if the package is of the scale required to begin the process of real economic recovery for the many businesses impacted, to alleviate the financial hardship of households on reduced incomes and to secure medium-to-long-term societal wellbeing.

It is vital that this investment is aligned to the achievement of long-term economic, social and environmental objectives of the government, and close monitoring is required to ensure key outcomes are achieved.

Helping businesses to retain existing jobs and create new ones

Positives:

- The extension of the Temporary Wage Subsidy Scheme is a positive move; however we are concerned that in its new form – as an Employment Wage Support Scheme – this may be absorbed by operating costs rather than as an income support for employees.
- The extension of the Restart Grant for Enterprises and the increase in the payment level.
- We tentatively welcome both the €2 billion Covid-19 Credit Guarantee Scheme and the €55 million liquidity and enterprise package for micro and small enterprises, and await further detail on their implementation and operation.

Concerns:

- That the Employment Wage Support Scheme, at a reduced rate of €203 per week per employee, will not be sufficient to cover decreases in employment income in affected sectors, particularly in areas sectors such as Construction and Manufacturing which saw the lowest income replacement rates during the restrictions¹.
- The waiver of commercial rates for businesses to end-September 2020. This €600 million amounts to a significant proportion of Local Authority income which must be accounted for elsewhere, or result in a reduction of services at local government level.
- That the 150 per cent increase in the Future Growth Loan Scheme will be hampered by current restrictions by some providers, such as those excluding loans to the Agriculture sector.

¹ https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2020/2020-03-30_employment-in-sectors-exposed-to-the-covid-19-pandemic_en.pdf

Supporting people without jobs, especially young people

Positives:

- The extension of the Pandemic Unemployment Payment (PUP) to April 2021, subject to concerns as outlined below.
- The 10,000 additional places on work placement and experience schemes available for those unemployed for more than six months. These work placements must be appropriate and take account of the skills and experience of the individual. They must not be used as an additional condition for the receipt of the PUP.
- The 12,500 additional places funded by the Training Support Grant for short term skills training and the Apprenticeship Incentivisation Scheme. These schemes should be used as a base to broaden access routes to higher education if it is to integrate into lifelong learning and play the leading role it can play in climate transition, particularly as the nature of work and employment changes. Investment to develop an education and training system that can support adults throughout their lives as they acquire skills and navigate the transitions that will occur as a result of the digital transformation of the economy.
- The Retrofit Skills Training Initiative as a key component of the Government's commitment to a National Retrofitting Plan as per the Programme for Government.
- While we welcome the extension of the Back to Work Enterprise Allowance and Back to Education Allowance to people in receipt of the PUP, these schemes must be revised and streamlined to remove administrative barriers.

Concerns:

- We are deeply concerned at the tapering of the PUP "linked to previous incomes" to bring the payment in line with existing social welfare payments. Rather than creating a three-tier social welfare system, Government should instead use this period to reform the social welfare system and begin the process of indexing social welfare rates to the minimum essential budget standard.
- While we welcome the 35,000 additional places in further and higher education, this will do little to alleviate the funding crisis the sector faces. Furthermore, the move to online learning will exacerbate existing educational inequalities and poses a great risk to progress being made in reducing the attainment gap between students from disadvantaged backgrounds and their better-off peers. A far greater emphasis on this cohort is required.
- While we acknowledge the increased recruitment subsidies under the JobsPlus scheme, however the level of the subsidy itself remains low (€7,500 over two years) if the goal is to incentivise employers to provide sustainable, decent work to young

unemployed people. If we are to address the issue of young people not in employment, education or training (NEET), which affects 11.4 per cent of Ireland's young people aged 15-29² we need far greater investment in education and apprenticeship programmes aimed specifically at young people.

Building confidence and solidarity in Consumers and Communities

Positives:

- The income tax relief for self-employed individuals who were profitable in 2019 but will incur losses in 2020 as a result of Covid-19 is a welcome move. However, this must be subject to strict criteria to avoid creating tax avoidance loopholes.
- We broadly welcome the reduction in the standard rate of VAT, which accounts for a disproportionate amount of the household spending of lower income households. However, we question the value of this initiative as a means to stimulate consumer spending and are concerned that the reduction will be absorbed by the provider as a mechanism to increase trading income.
- The reduction in the interest rate applicable for those experiencing difficulty paying their tax liabilities.
- The increase in allowable expenditure under the Cycle to Work Scheme to promote greater use of bicycles. This must, however, be accompanied by commitments to increase cycling infrastructure, particularly in urban centres.
- The €60 million to return vacant local authority housing to use and investment in water infrastructure and €10 million for town and village renewal, however the package missed the opportunity to provide more sustainable construction through funding for smaller-scale, socially advantageous construction projects with higher work intensity. Investing in projects such as the conversion of over-the-shop units in towns and cities, and retrofitting of Local Authority housing and community spaces, provide a stable employment base at a lower cost to the Exchequer than the larger-scale capital projects. Because they are small scale, there is greater flexibility to scale up or down, and they inject much needed revenue into towns and cities and support regional development.
- The commitment to increase capital expenditure in 2021 to €9.1 billion.

Concerns:

- The threshold of €625 for receipt of the Stay and Spend Initiative, and the rate of €125, will likely provide little incentive for those who would not otherwise have made this expenditure and will instead provide a rebate to those who are least in need of it.

² Eurostat [edat_lfse_20]

- It is unclear exactly how the Restart Fund for the Tourism sector and the Performance Support Scheme will operate, particularly in the context of a health emergency.
- The refund of some or all corporation tax by previously profitable companies without setting strict parameters on demonstrated need for such measures and the timeframes on which the premise of profitability is based.
- The enhanced levels of support under the Help to Buy Scheme. Analysis of this scheme suggests that it disproportionately benefits higher income earners and contributes to an increase in house prices³.
- The repayment of any warehoused tax liabilities must take account of financial hardship, the ability of the tax payer to pay in instalments or a lump sum, and the interest rate applicable to the warehoused portion.

Investment in Communities and Jobs

Positives:

- The €75 million for minor works for primary and secondary schools, subject to further detail on the criteria applicable to this funding and any objectives it may have to tackle specific issues of educational disadvantage.
- The €113 million for active travel, public transport and renewal of transport infrastructure, which must include hard infrastructure for cyclists and pedestrians.
- The €10 million in fishery and on-farm renewable energy investments, €15 million in peatlands rehabilitation and €100 million in Energy Efficiency are all welcome. However this funding could have provided an initial Just Transition Fund. One of the fundamental principles of a Just Transition is to leave no people, communities, economic sectors or regions behind as we transition to a low carbon future. Transition is not just about reducing emissions. It is also about transforming our society and our economy, and investing in effective and integrated social protection systems, education, training and lifelong learning, childcare, out of school care, health care, long term care and other quality services. Social investment must be a top priority of transition because it is this social investment that will support those people, communities, sectors and regions as we transform how our economy and society operates.

Concerns:

- While welcome in and of itself, it is unclear how the €20 million investment in courts, prisons and Garda projects relates to the current pandemic response. It would be preferable to use some of this expenditure to secure greater equality of access to justice through an increase in funding for Civil Legal Aid.

³ <https://www.socialjustice.ie/content/policy-issues/help-buy-merely-subsidised-inflation>

- We regret that the stimulus package contains no additional funding for the Community and Voluntary Sector, particularly in light of the 55 per cent of charities reporting a reduction in fundraising revenue⁴ and the fact that the sector has not recovered from cuts made after the last recession.

Preparing for a Different Type of Economy / Future Jobs

Positives:

- We broadly welcome all initiatives in this section, particularly those in relation to training and skills development to prepare for new and emerging sectors.

Concerns:

- We are concerned that there is not enough to prepare the existing labour-force, particularly those whose jobs are at risk from automation and globalisation in the short- to medium-term.

Additional Comment

- **Lack of investment in childcare.** The July Jobs Stimulus package does not address the challenge families face in terms of childcare. We are disappointed that there is no initial investment contained in the package as a first step towards developing a new funding model for childcare provision separating affordability for families from wages and the professionalisation of the sector, thereby improving quality services for children, affordability for families and access to jobs for parents.
- **Lack of Regional Balance.** There is no mention of rural proofing and no linking of the investment at a regional level to development strategies based on an assessment of regional or local characteristics such as local services, labour supply, and food chains. The regions and rural areas require a more flexible policy system to allow for the adaptation of the investment depending on the characteristics of that region and the scale of the challenge faced.
- **Lack of Green Ambition.** While there is some reference within the stimulus to green initiatives, the social investment needed to begin a Just Transition was, unfortunately, lacking.

⁴ <https://www.charitiesregulator.ie/en/information-for-the-public/our-news/2020/may/covid-19-having-a-serious-impact-on-charity-services>

Other Publications by Social Justice Ireland

(see www.socialjustice.ie):

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