Congress Response to Government's *Action Plan for Jobs*

1. Congress welcomes the launch of this document as an indication of the Government's desire to make employment retention and creation a central objective of policy.

2. However, we believe it suffers from a number of deficiencies. The key problem is that the initiatives are heavily weighted towards supply side initiatives when the real problem is lack of growth and a collapse of domestic demand in the economy.

3. Austerity measures, when fully worked through two more budgets, will see the Irish economy shrink to four fifths the size it was before the crisis. That the economy is continuing to shrink is evidenced by figures in the most recent Central Bank commentary. GDP is forecast to grow by only 0.5 per cent in 2012 and GNP, a more realistic indicator for Ireland, will decline by 0.6 per cent.

4. A contraction of this magnitude means jobs will continue to haemorrhage and emigration increase unless something is done on the demand side. We have suggested filling the gap - off balance sheet - by incentivising investment of private sector pension funds in infrastructural projects. Detailed proposals have been put to Government about how some proportion of the €73 billion of pension assets might be leveraged to create jobs in cooperation with the European Investment Bank.

5. In his budget speech the Minister for Finance made reference to the period between 1993 and 2001 as the most sustained period of job creation in our history. This is true. Over 600,000 jobs were created - but 86 per cent were in the domestic economy. Jobs in the export sector were helped by a 10 per cent devaluation of the Irish Punt within the Exchange Rate Mechanism (ERM) and an improving UK economy. These conditions cannot be recreated so we have to take alternative initiatives to stimulate demand. An enabling set of measures affecting the supply side of the economy cannot achieve very much if demand is missing.

6. There is nothing in the proposals to counteract structural unemployment. Over half of the people on the live register are now long term unemployed. There is nothing to be gained by applying an ever stricter welfare regime aimed at forcing people into jobs which don't exist. Similarly, the obsession with achieving a competitive devaluation of wages only presses down on domestic demand even further.

7. Proposals in the document aimed at increasing the supply of credit to SMEs are welcome. But ultimately it needs to be recognised that the banking system has not had a positive role in providing productive investment. The State owned ICC did fill this void before it was privatised. Congress is therefore disappointed that the document does not deal with the issue of a Strategic Investment Bank.

8. Congress does not believe that relying on tax incentives for rich investors is a sustainable path for industrial policy. If the Euro survives it will be in the context of deeper economic and political union. Ireland needs to begin

reimagining industrial policy in the light of that reality.

9. Part of that reimagining must involve weaning Irish investors off their obsession with property and towards productive assets. Government must find some way to get entrepreneurs to build indigenous SMEs into something bigger and not sell them off at the first opportunity. It must seek better outcomes from the linkages between FDI firms and indigenous SMEs. It must also seek new sources of comparative advantage in a world where food and energy security are becoming more important.

10. The broader European economy is crucial. Ireland must work to achieve a European wide growth strategy similar to that being implemented by President Obama in the US.