Economic policies to best achieve our full employment goal
Breakout Session 4

“Economic policies to best achieve our full employment goal”

Chair: Minister Mary Mitchell O’Connor T.D.

Rapporteur: Brigid McManus

Potential Issues/Questions for Discussion

1. What do you consider the greatest challenges to reaching full employment?

2. Which policy areas should be prioritised in terms of resources?

3. How best can we stimulate innovation-led growth?

4. Are there any other policy strands which should be incorporated in our overall enterprise and employment strategy?

5. How can we ensure that the focus on competitiveness is maintained?
Background

Ensuring economic growth is reflected in job creation remains at the heart of Ireland’s economic and social policy. The financial crisis took a significant toll on the labour market; employment levels plummeted by some 15 per cent from peak-to-trough and unemployment increased to a peak of over 15 per cent. However, since then, we have seen substantial improvements in labour market conditions. Employment levels have now rebounded back to 2009 levels and unemployment has declined markedly to below 8 per cent. We are now on course to achieve employment of 2.1 million by 2018 – 2 years earlier than our original target\(^1\). The latest projections indicate we remain well on track to achieving this goal.

Central to Ireland’s labour market recovery has been a targeted national strategy tailored to address both demand and supply side deficiencies. This has been driven by three central elements. These include measures aimed at restoring competitiveness, the Action Plan for Jobs and Pathways to Work.

Ireland’s economy wide competitiveness has seen significant improvement since 2008, reversing the deterioration in previous years. This was through a range of contributing factors including improved cost competitiveness in a range of areas brought on by the recession, favourable exchange rate and international energy price movements, increases in productivity and nominal wage reductions.

This has been complemented by the *Action Plan for Jobs* - a further key element of the national enterprise and employment strategy. The Plan is a multiannual initiative launched in 2012, which seeks to support job creation by enterprises and boost labour demand.

It sets out measurable actions tailored to the conditions of individual sectors – an approach which has been central in helping to diversify the employment base and guard against sectoral imbalances.

A key innovation of the Plan is the introduction of a co-ordination mechanism - something which had been lacking in previous policy initiatives. This has ensured high-level political buy-in, oversight and whole-of-government engagement.

As the performance of the economy has improved, the Plan has placed increasing emphasis on boosting employment in domestic sectors (tourism, construction, retail). Priority has also been given to sectors with strong employment growth potential such as the Agri-food and Information Communications and Technology (ICT) sectors. It has also focused policy on sectors with emerging opportunity (Green economy, creative industries, aviation, and health

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\(^1\) As outlined in the Action Plan for Jobs.
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Now in its 5th year, the Action Plan of Jobs initiative has received extremely positive reviews, including by the OECD. Furthermore, the initiative has adopted a regional focus, with 8 separate regional Plans rolled out with the aim of ensuring that all regions fulfil their employment potential.

Complementary to the Action Plan for Jobs, the Pathways to Work initiative was first launched in 2012 with the aim of catalysing labour market activation and facilitating the transition of the unemployed into the workforce. While the Action Plan for Jobs is focussed on stimulating enterprise and employment growth, Pathways to Work focuses on making sure that as many of these new jobs created and other vacancies that arise in the economy, are filled by people from the Live Register. This initiative has involved an overhaul of the activation system through a number of different mechanisms including:

- Better engagement with short-term unemployed individuals through the new INTREO office network and with long-term unemployed individuals through JobPath which is a new payments by result model provided by external suppliers.
- Incentivising employers to provide jobs to the unemployed through initiatives like JobBridge and JobsPlus.
- Ongoing reform of the Further Education and Training sector to ensure enhanced evaluation of programmes, with a greater focus on performance and positive outcomes.

However, a broader set of policies aimed at creating the right macroeconomic conditions necessary to support convergence to full employment is also crucial. Safeguarding Ireland’s competitiveness is of particular importance in this regard. The latest IMD Global Competitiveness rankings place Ireland in 7th place. This is Ireland’s best ranking since 2000 and represents a significant improvement on 2011 when Ireland was placed 24th.

Maintaining and building upon these improvements in performance is crucial in ensuring the long-term sustainability of employment growth.

One of the elements necessary in achieving this is ensuring adequate provision of infrastructure. The Government has already committed to a €42 billion investment package, to be mobilised over 2016 – 2021. Spending will be prioritised on the most vital infrastructure areas. As outlined in the Summer Economic Statement, an additional €5.1 billion will be invested over 2017-2021, significantly exceeding the €4 billion commitment outlined in the Programme for Partnership Government. This will further strengthen the environment for job creation through both direct and indirect channels.

A key element to achieving full employment is putting entrepreneurship and Small and Medium Enterprises, (SMEs) at the centre of policymaking. SMEs are the true backbone of Europe’s economy, accounting for more than two thirds of private sector employment. Their
performance is vital for job creation. Measures have been implemented to support SMEs including supporting scaling and internationalisation through Enterprise Ireland, the launch of the Local Enterprise Offices and supportive taxation measures as set out in the 10 Point SME plan, as well as a range of supports aimed improving their access to finance necessary to support their development and expansion. Similarly, efforts aimed at incentivising entrepreneurship, in particular female entrepreneurship, continue to be implemented as part of the National Entrepreneurship Strategy. Winning new mobile investment is also important to ensuring we remain at the forefront in new technologies and markets and high value-adding activities.

Complementary policies aimed at boosting productivity are also vital. Measures aimed at boosting skills, innovation, and research and development are particularly relevant in this regard. Early investment in scientific research will better position firms in globalized markets and drive economies forward, which in turn is key in securing the sustainability of employment growth. Measures to improve expertise in wider markets, particularly among smaller enterprises is also important.

The Government’s medium-term objectives regarding employment growth are set out in the Programme for Partnership Government. Specifically, the Government will target the creation of 200,000 additional jobs by 2020, including 135,000 outside of Dublin. Increased policy focus on the regional distribution of employment growth is particularly apt given indication of variances in regional performance. The Programme also sets out an employment strategy tailored to people with disabilities as part of an integrated framework for social inclusion. Greater focus is also attributed to labour market activation measures, particularly with regard to establishing a dedicated Pathways to Work for Jobless Households. The Action Plan for Jobs will also continue to play a crucial role in efforts aimed at achieving full employment.

While significant labour market improvements have been achieved, scope remains to develop further initiatives to ensure balanced and equitable employment growth. Skills shortages have been identified, predominantly in the Financial services, ICT and Health sectors. Ensuring adequate provision of skills is essential in maintaining Ireland’s competitiveness. This will require a step-up in the linkages between enterprises and education and training providers. While measures have been taken to address skills shortages, including through Springboard+ and proposed new apprenticeships and career traineeships, monitoring will be essential to enable adaptation of policies as needed. Moreover, employment growth varies significantly by educational attainment, and according to the latest data, is driven predominantly by those with tertiary education. In this context, policies aimed at up-skilling and training of those in work are particularly relevant to sustain employment and support an inclusive workforce.
The strategy to date has been successful. Some 160,000 jobs been created since the trough in mid-2012. This represents the replacement of half of the jobs lost during the crisis. The key challenge is to maintain and develop the successful approach to date. The government remains committed to implementing policies aimed at achieving our goal of reaching full employment by 2018.