

23 June 2009

Further Measures to Support National Recovery
through Social Partnership

1. Introduction

The profound economic, social and environmental challenges which we face require an integrated national response which is capable of commanding wide public support. The core elements of such a response were contained in the Framework for Stabilisation, Social Solidarity and Economic Renewal agreed last January between the Government and the Social Partners.

In the Position Paper circulated to the social partners last month, the Government confirmed its commitment to the role of social partnership and the terms of Towards 2016, the 10-Year Framework Agreement that remains in place and which provides guidance on the long-term logic to inform short-term measures.

The discussions which the Government has held since then with the Social Partners on the elements of a National Recovery Programme, reflect its strong view that social dialogue remains essential to ensure that all sectors in society engage with each other, develop shared understandings on the economic and social challenges of the day, and discharge their own responsibilities in a way which best serves the interests of their members and of the country as a whole.

Arising from recent discussions, especially with the parties to the Transitional Agreement on Pay and Workplace matters, the Government now proposes some further measures to be taken in furtherance of the

shared analysis and objectives. In particular, it is the view of the Government that support for jobs and for those who are unfortunate to lose their jobs should be at the centre of our collective efforts, as it is at the heart of the Government's overall approach to the conduct of economic and fiscal policy. This should also be reflected in the arrangements agreed in respect of pay in the period ahead.

2. Further Measures

Reflecting the agreed Framework and subsequent consultations with the Social Partners, the Government proposes to implement a number of specific further measures at this stage.

(i) Supporting Jobs

In the context of discussions which have been taking place about measures to support employment, and in addition to the significant measures already introduced, the Government intends to introduce a new initiative to maintain jobs.

The Government has already made significant efforts to help support employment through the €100 million Enterprise Stabilisation Fund, reductions in energy costs and measures to improve the flow of credit to business.

The Government has also introduced a wide range of measures to support those who lose their jobs, including additional education, training and work experience places for the unemployed introduced in the Supplementary Budget at a total cost of €128 million. A total of 128,000 training and work experience activation places will now be funded through

FÁS in 2009, together with the places available for training in employment, including apprenticeships.

In addition, provision in the education sector includes places for 146,000 participants in further education programmes. Changes have also been made to enhance access to the Back to Work Enterprise Allowance Scheme and to encourage further education through earlier eligibility for access to the Back to Education Allowance.

Where workers agree to options such as short-time working then the social welfare system supports this move by providing payment to compensate for the 'off time'. At present, over 50,000 more workers are receiving social welfare payments in respect of short-time working than 12 months ago, at an estimated minimum additional cost of €2 million per week. Proportionately, this is greater than new arrangements introduced in some other Member States to support short-time working.

In addition to these measures, the Government will now introduce a Temporary Employment Subsidy Scheme which aims to:

- help the economy retain its productive capacity and employers retain the labour, knowledge and skills of the workforce thereby supporting a faster return to sustainable growth;
- help employees retain their jobs, and
- ensure that economic and fiscal stability is promoted by avoiding the cost of statutory redundancy payments and the longer-term cost of social welfare

This proposal takes account of the agreed necessity to design interventions which are targeted and effective. In particular the Scheme will be

designed and implemented in a way which minimises the risk of the taxpayer supporting jobs which would not have been lost (deadweight), or supporting jobs in one firm at the expense of other jobs which are simply lost in another firm (displacement). The Scheme will also be delivered in a manner which is consistent with the priority need to return the public finances to a stable basis over the medium term and to allow the labour market make the adjustments which will be necessary to underpin economy recovery. Accordingly, the resources will be found from resources which would otherwise be required for social welfare payments or which are diverted from spending programmes with a lower economic and social priority.

The Scheme will involve a subsidy to firms to retain a person in employment, for a period which would be limited to 15 months or end-2010 whichever is earlier, with a subsidy of a maximum of €200 per week per employee with a tapered reduction towards the end of the period.

Eligibility for the subsidy would be determined on the basis of the firms which meet the following criteria:

- are manufacturing and/or internationally traded services companies
- are currently engaged in exporting
- must not have been in difficulty on 1st July 2008, but a financial assessment establishes is now facing significant difficulties as a result of the global and financial economic crisis
- must be judged to have sound, robust and sustainable business models and business plans that are financially viable in the medium term
- must be assessed as capable of growth in the global upturn
- must have already taken significant restructuring measures to improve their competitive position through full engagement at enterprise level on

measures to sustain jobs by addressing work processes and payroll measures including changes in rostering and premium payments, career breaks, annualised hours measures, temporary layoffs, short time working.

It is intended that the scheme would operate under the terms of the European Commission's temporary aid scheme for Ireland permitting the payment of direct grants of up to €500,000 to any company in 2009-2010.

The scheme will be managed by Enterprise Ireland and the County Enterprise Boards.

Implementation of the scheme will be overseen by a National Monitoring Committee with representatives from the Social Partners as well as relevant Departments and Agencies. The terms of the scheme may be adapted in the light of experience of its operation and an allocation of €250m is being made at this time.

The Government intends to continue to engage with the Social Partners to develop further innovative approaches to maintaining employment, creating new employment and early and active engagement with those out of work, including any lessons arising from implementation of this Scheme. In this context, the Government is willing to consider further reforms to make the social welfare system more responsive to the current crisis, especially in supporting the maintenance of jobs in current labour market conditions. The Government is also considering further adaptation to the design and delivery of training\ employment\ further and higher education programmes to reflect the more diverse profile of those now in need of them.

Given that the Government is already spending very significant resources

- through increased Social Welfare payments to those engaged in part-time working, which is the equivalent of supports provided in other countries through somewhat different mechanisms;
- through the measures already introduced which are outlined above,
- through the additional measures proposed in this paper, and
- through further measures to be developed

the Government believes that an allocation of €1 billion to the jobs agenda is achievable subject to the assessment of the effectiveness of the measures in the light of the conclusions of the National Monitoring Committee.

(ii) Pensions Policy

National Pensions' Framework

The Government is finalising a comprehensive framework for future pensions policy which responds to the challenges facing the pensions system in the years ahead, taking account, in particular, of demographic factors. This framework, to be published this year, will take account of issues relating to the future of social welfare, occupational and personal pensions. Issues in relation to public service pensions, including future arrangements for new entrants to the public service will also be addressed.

In advance of this Framework, and given that considerable volatility in the financial markets in the last year has significantly weakened the funding position of pension schemes, the Government has taken a range of

regulatory and statutory steps to support the ongoing management of pension schemes, including:

- The provision of additional flexibility in the preparation, approval and implementation of funding plans under the Funding Standard.
- Changes to the way that funds are disbursed if a defined benefit pension scheme is wound-up where scheme pensioners will continue to get first priority for their pensions but any future pension increases will not be granted until workers who have also contributed to the scheme, and have yet to retire, receive their share of benefits.
- Amendment of the Pensions Act so that in the future current and former employees and pension increases can be included in any restructuring of defined benefit pension schemes. (For those already in receipt of pensions, the existing level of pension will not be affected).
- Enhanced regulatory powers to facilitate the prosecution of employers who do not pass on the pension contributions made by employees to the pension scheme and anyone convicted of this offence will also face much harsher penalties.

Pension Insolvency Payments Scheme

Following dialogue with the Social Partners, the Government has also agreed to establish the Pension Insolvency Payments Scheme (PIPS) to operate on a pilot basis for a three-year period. The Government enacted

legislation in April 2009 to give effect to this initiative which is due to commence shortly.

Under the PIPS, a DB scheme will become eligible to purchase annuities from the State in respect of scheme pensioners in cases of ‘double insolvency’ – that is, where the employer becomes insolvent (this encompasses situations of receivership and liquidation) and the trustees commence the winding up of the defined benefit pension scheme relating to that enterprise in circumstances where the scheme is in deficit and cannot meet its obligations to members and/or pensioners.

Based on the assets of such DB schemes, the objective of PIPS is to enhance value for money and, thereby, to increase the funds available for distribution in cases where DB schemes are being wound up in deficit and pensioners, active or deferred members are expected to experience a shortfall.

Pension Insolvency Minimum Guarantee Scheme

To address the position of those in ‘double insolvency’ situations where there is a significant shortfall in the funding of the DB scheme such as to impair its ability to meet the benefits of existing pensioners or to be unable to meet at least half of the accrued benefits of active and deferred members, the Government has agreed to put in place a Pension Insolvency Minimum-Guarantee Scheme (PIMS) for a three-year period.

The PIMS will operate as follows:

- DB schemes with significant funding shortfalls which are being wound-up in cases of ‘double insolvency’ will first have the opportunity to avail of PIPS.
- Where a significant shortfall remains (as above), the State, under the PIMS, will provide scheme members with a top-up to a maximum level as follows:
 - Existing scheme pensioners would be eligible for a top-up to 100% of their pension promise or €12,000 per annum, whichever is the lesser.
 - Active and deferred scheme members would be eligible for a top-up to 50% of their accrued entitlements or the equivalent of €6,000 per annum, whichever is the lesser.
- Anti-avoidance measures will apply to ensure that schemes do not reduce their assets below the set thresholds in order to avail of the scheme.

The Government has committed to supporting this initiative with funding of €100m per annum for a period of three years.

(iii) Employment Rights and Compliance

The Government is committed to the continued development of the legislative framework in the employment rights area as set out in *Towards 2016* and the *Towards 2016 – Review and Transitional Agreement*.

In this regard, the Government is committed to publication in July 2009 of the following pieces of legislation:

- Employment Law Compliance Bill (Committee Stage Amendments)
- Industrial Relations (Amendment) Bill
- Employment Agencies Regulation Bill

The Government is committed to continued consultation with the Social Partners and other stakeholders in the finalisation of this legislation. Specifically, such consultation will be needed to finalise the mechanism by which Government would give effect in the Regulation of Employment Agencies Bill to the prohibition on the use of agency workers in industrial disputes.

Finally, the Government reaffirms its commitment to achieving early progress in relation to the other employment rights commitments agreed under the *Towards 2016 – Review and Transitional Agreement* including the review process on employee representation and discussions on a national level framework for temporary agency workers.

(iv) Mortgage Repayments

The Government shares the priority accorded by the Social Partners to address the anxiety of those who lose their jobs that they may be at risk of losing their homes, even where they are making best efforts to meet their mortgage repayments and to honour commitments made in the context of any rescheduling of payments.

The Government has the objective of ensuring that the rate of home repossessions should remain at its present very low levels and will seek to achieve this through the terms of the Statutory Code of Conduct, specific

commitments under the recapitalisation scheme, the direct financial supports under the Supplementary Welfare Allowance scheme and the support of the Money Advice and Budgetary Service.

To ensure that this approach continues to operate effectively, the Government will establish a mechanism whereby the Social Partners are involved closely in monitoring the situation and advising on any further policy responses which may be warranted in the light of trends.

3. Continued Engagement with the Social Partners

The Government will continue to engage with the Social Partners on measures to support national recovery in the context of the Framework agreed in January.

(a) Transforming the Public Service

A particular priority for the Government is the continuation and finalisation of discussions about the public service. Given the severe pressure on the public finances, the effectiveness and efficiency of the public service is a matter of strategic national importance. The Government is committed to a collaborative approach to the transformation of the public service so that it can command the support and confidence of the public because of the ease of access, timeliness and quality of the services they receive, at a time of changing needs and priorities. This would be based on commitment to flexibility and responsiveness in the context of agreement to reflect best practice in terms of organisation, structure and performance across each sector of the public service, and where change is facilitated on an agreed and timely basis in the context of an agreed approach to the industrial relations issues which arise.

(b) Supporting Enterprise and Recovering Competitiveness

The Government will continue to pursue a strategy for a return to sustainable economic growth based on the Framework for Sustainable Economic Renewal: Building Ireland's Smart Economy including:

- supporting the manufacturing sector
- supporting the Agriculture, Fisheries and Food sectors building on their substantial potential contribution to export-led economic recovery
- developing the ideas economy with intensified R&D activity and greater commercialisation of the output of that research
- encouraging entrepreneurship and business start-ups
- pursuing opportunities to expand the services sector, in particular international services
- realising the long-term potential of the tourism sector
- improving trade, investment and tourism links with new and fast-developing markets

- pursuing opportunities in the Green Enterprise sector, including in the area of renewable energy and energy efficiency.

Continued Consultation with Social Partners

While Towards 2016 recognises that the Government has ultimate responsibility for decision making, within the framework of democratic accountability, the Government will continue to consult with the Social Partners on policy proposals and the design of implementation arrangements to support a national recovery programme utilising the institutions and relationships developed through social partnership over the last two decades. The Government will also consider how best to operate the mechanisms in place under Towards 2016 given the scale and nature of the challenges in the period ahead and the evolution of the social partnership process itself.