

**BUILDING
BETTER
TOGETHER**

**THE ERA OF INVESTMENT
BEING READY FOR 2050**

**An Economic Framework
for Ireland
November 2024**



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INTRODUCTION

Labour wants an economy that works for all, where we build better together with good jobs and economic development in all parts of the country. That means a greater focus on how we build indigenous enterprise into global leaders and long-term thinking about the enormous challenges on the horizon such as climate change, digitalisation, and AI, and how we meet the needs of our rapidly growing and ageing population.

Ireland needs strategic thinking and policies to ensure our economy is flexible and resilient and the focus of national economic policy must be squarely on the future with the shifts we face integrated into our economic thinking. They cannot be addressed on a stand-alone basis with the Departments of Finance and Public Expenditure looking on from the sidelines.

Labour has never lost sight of our mission to reduce inequality in the economy so that everyone can achieve fulfilment in their lives. The best way to do this is by gearing the economy to overcome hurdles, growing indigenous enterprise, and putting even greater focus on good quality jobs. This document sets out core ideas that inform our perspective on the economy, rather than the short-term thinking demonstrated by others.

Part One outlines our vision of how we would use the power of the state to manage the economy differently so that it leaves no one behind. Part Two sets out Labour's distinct fiscal policies and how we would responsibly manage the public finances.

We are at a crossroads. Old certainties have gone, replaced by doubt and insecurity, and the risks from a second Trump administration. The threat of far-right ideology has the potential to destroy the fabric of democracy and our institutions. Those who feel left behind need to be connected again to our shared future. Ireland can build a fairer society and stronger economy based on a foundation of cooperation, equality, and solidarity. Rather than allowing ourselves to be shaped by global economic forces and structural shifts, we have the capacity to build a distinctly different economic model that brings out the best of our human capabilities and that enables everyone to flourish.

Labour believes that we require an era of investment. Short-term thinking will undermine our capacity to address the challenges ahead. Ireland is more than capable of addressing our problems if we prepare for them. This framework outlines our approach if elected to government.

Ged Nash TD



Labour Spokesperson for Finance, Public Expenditure and Reform

PART 1: LABOUR'S ECONOMIC FRAMEWORK

WHAT IS THE ECONOMY FOR?

The purpose of the economy is to provide everyone in society with a minimum decent standard of living and a sustainable opportunity to fulfil their potential and to achieve a high quality of life.

- **THE ROLE OF GOVERNMENT IN THE ECONOMY**

The role of government economic policy is to put in place the enabling conditions for sustainable prosperity and the reduction of inequalities in our society. That means fostering efficiency and sustainability in how resources are managed, and how goods and services are produced and distributed.

Government must regulate the economy to safeguard people from harmful products and practices, and to ensure that high standards are upheld by employers and producers. Government must also ensure that the economy is ecologically sustainable, inclusive, and socially just.

- **THE ECONOMY AND PUBLIC SERVICES**

The state operates in the economy as a producer of goods and services alongside private sector organisations, whether for-profit or not-for-profit.

The size of Government expenditure within the State has a significant impact in its own right on the sustainability and prosperity of the economy and the knock-on impact on society as a whole. Classic Keynesian economic policy suggests that Government should act to counter either private sector excess or undue caution. This is central to centre-left thinking across the world.

It was inexcusable for the last government to use the present budget surplus as an excuse for inertia in tackling the numerous crises affecting Ireland's wellbeing now and into the future. For example, it is clear to any rational thinker that the emergency in housing is having a detrimental impact on Irish society and our economy whether it is the increase in homelessness or the pricing of housing beyond what most people can afford.

Similarly, for example, as this government puts aside money for future costs, their climate inaction could result in fines of €8 billion or more by 2030, which will be money taken out of the economy.

Other examples include that Ireland is the only country in western Europe that does not have universal primary healthcare, and the only country in the OECD that does not index the rate of its state pension against inflation or average earnings.

Instead, what do Fine Gael and Fianna Fáil do? Their policy is to classify the present surplus as a windfall that is likely to be invested abroad to grow a fund for future spending such as on pensions and healthcare for an ageing population. In other words, they say that housing, climate change and

universal primary healthcare must wait even if waiting adds to overall cost. Labour agrees with creating national funds, but we want to see a greater social and environmental return on investment from those funds, generated by investing much of that money in infrastructure that Ireland so badly needs now.

Successive Fine Gael and Fianna Fáil governments have not engaged in long-term thinking post-recovery because they chose not to do so, not because the economy is too weak to allow for a more strategic approach. Labour will ensure that the state provides efficient and cost-effective public services while addressing the strategic problems facing the people of Ireland, as a core part of government policy, not as an add-on or something only to be afforded when Ireland becomes even richer than it is already. These flaws in our public services will only be fixed when government takes action, not waiting for a tomorrow that never comes.

A NEW PARADIGM

One thing is certain, the drivers of economic development in Ireland over the next fifty years will not be the same as the previous fifty. Being one of the worst European performers on greenhouse gas emissions is not the way to secure Ireland's continued economic progress. Policy direction should be subject to continuous critical review. It is time to fundamentally examine and revise how we should organise and plan our economy for the next ten to thirty years. We do so not to dispense with what works within the existing economic model, but to recognise that what works now will not necessarily be the appropriate model for the future. We face new challenges, and they demand new responses.

There are both medium-term and long-term challenges facing the Irish economy that we must factor into our economic thinking. Some represent opportunities, others are threats. How we address these challenges will determine the prosperity of our citizens in years to come.

• EIGHT FUNDAMENTAL SHIFTS IN THE ECONOMY

The Department of Finance has identified four medium-term challenges for Ireland: decarbonisation, demography, digitalisation, and the risks to Ireland if there is deglobalisation in world trade.

Labour's analysis goes further and identifies eight major challenges which will be transformative of Irish society and the economy in the next fifty years:

- **Climate change** and other deleterious effects of our economic activities on the natural world. It is impossible to overstate the significance of this existential threat to all facets of Irish life.
- The fact that our population is **ageing**, and while more people will live longer, healthier lives, there will also be more people reaching advanced older age when they will need support from others.
- **Population growth** of up to a million people in the next 15 years, and potentially another million by 2060, which demands that housing and public services are rapidly brought up to the scale required to meet people's needs.

- **Digitalisation** in the economy and public services, and its impact on people’s social and personal lives.
- The benefits and threats that exploiting **Artificial Intelligence** might bring to the economy and society, and what is needed to regulate its use.
- The return of **security** as an immediate concern in Europe that Ireland cannot shirk from.
- Potential changes in **global trade** arising from geo-political uncertainty that could disproportionately affect Ireland’s open trading economy.
- Preparation for the potential of an **all-island economy** and a future United Ireland whenever that may arise.

Each of these challenges is something fundamental that needs to be critically reviewed and constantly monitored. A public forum should be developed, with experts presenting on these topics on a regular basis so that a rational and informed discussion of their implications can be held.

The National Economic and Social Council (NESC) should be tasked with holding these public forums and reporting on them, engaging with, and informing citizens. A crucial element of this will be to ensure that officials—unelected and elected—provide meaningful contributions to the discussion, so that decisionmakers are informed by and engaged in addressing the scale and seriousness of these challenges. Wider public engagement will be central to this process too.

Ireland’s civil and public servants, and the institutions in which they work, serve the State well and we can be proud of them. Critical to the State meeting new and growing demands in an increasingly complex world is the evolution of a fit-for-purpose, right-sized civil and public service and modernised institutions capable of successfully planning and delivering in a period of rapid change. There is a consensus that Ireland has too few public servants and Labour will initiate a comprehensive review of our civil and public service to ensure that it will continue to deliver in a fast-changing world.

THREE PRINCIPLES OF OUR ECONOMIC POLICY

Labour has a different approach to economic policy than the parties of the right because Labour believes in the power of the state to manage and steer the economy to deliver the public good.

Fine Gael and Fianna Fáil believe in deregulation, which all too often means light, or no regulation. Despite commitments made at the height of the cost of living crisis there has been a refusal to legislate for more transparency on grocery prices.

There are good businesses, of course, and the best industries are those that want regulation in place to weed out those operators whose only idea of innovation is a race to the bottom on wages or standards. A well-regulated economy provides a stable environment for investment and growth. Labour’s economic policy can be summarised through three principles:

- **Fostering economic development.**
- **Providing infrastructure and services.**
- **Ensuring sustainability and security.**

1. FOSTERING ECONOMIC DEVELOPMENT

Ireland's indigenous economy needs support to develop further, especially outside of the main urban areas. It is forty years since the state last undertook a fundamental review of its industrial strategy. The current strategy of attracting foreign direct investment (FDI) has had obvious and major benefits for the economy, not only in terms of job and tax revenue, but also spin off benefits like the development of management skills and investment in Irish universities. While it was and is necessary, it is no longer of itself sufficient for Ireland's long-term economic success. The benefits of FDI tend to be concentrated in certain regions and there remain structural weaknesses in the indigenous economy. There are also long-term risks for Ireland by being too reliant on global multinationals for both good, well-paid jobs and tax revenue. We need to grow our domestic economy to complement the role of multinationals, and to help more high-potential Irish firms to become global players.

Labour in government would initiate a fundamental review of industrial policy on a first principles basis. While there are many positive elements within the relevant state agencies, and in the economy in general, a clearer and shared focus on how we address future challenges needs to be developed.

Labour believes in smart regulation, not heavy regulation, to foster productivity and innovation. Investors need certainty, and they need to know that regulations will be enforced so that those who make investments will not be undercut by others who try to cheat the rules. We have seen the disasters in the banking sector, pollution of Lough Neagh, and construction defects and pyrite when regulations are not enforced or light touch. Good regulation will promote development.

Labour believes in a mixed economy model. Publicly-owned enterprises play an essential role in Ireland's economy—whether in the provision of water, electricity or transport. For example, without an indigenous Irish company our energy infrastructure could have been controlled by private equity groups interested in short-term gains rather than long-term investment, as happened with Pacific Electric in California which failed to invest to meet future need. Would the decision to invest in wind energy in Ireland have been made by a private equity primarily interested in short-term returns of typically three to five years?

In Labour's view, it is also the role of the state to step in when there is market failure. Is there a more recognisable manifestation of this than the provision of housing that people can afford? Labour will invest more and transform the delivery of social and affordable public housing.

At the same time, well-regulated private sector organisations provide the bulk of goods and services in our economy, and the bulk of employment, and Labour is committed to a constructive relationship with business.

The role of the government in enterprise development and job creation is not to 'pick winners' but to create a fertile environment for investment and development. Labour will pursue a strategy of enabling winners by funding basic and applied research and ensuring that high quality infrastructure is provided so that start-ups can succeed, and indigenous enterprises can scale up their activities. We recognise too that innovation will have an important role to play in addressing elements of the

climate change challenge. Ireland currently has a suite of policy interventions and tax supports in place, but evidence suggests they are not fulfilling their full potential—we need to be sure that they are effective, simple to use and support companies at each stage of the scaling journey.

Previous governments have published long lists of national priorities. This makes no sense, as no country can have that many priorities and still claim they are all prioritised. Labour will focus on developing an enabling environment for investment, while leaving prioritisation up to investors.

2. PROVIDING INFRASTRUCTURE AND SERVICES

All the challenges referred to earlier—climate change, ageing, population growth, digitalisation, artificial intelligence, security, global trade, and the future of our island—require investment to be made in Ireland’s capacity to meet those challenges and to benefit from the opportunities of new technologies and social change.

Climate preparedness, upskilling and infrastructure modernisation are among the key challenges facing the Irish economy over the next few decades. Achieving these aims and managing our elevated national debt require a consensus on our priorities going forward. Labour believes that we are entering an era of investment in which economic competitiveness will be driven by productivity and innovation, and not a race to the bottom through tax cuts. That era is over. The political system should resist making unsustainable tax cuts—that may need to be reversed in short order in an increasing uncertain fiscal environment.

Labour will invest in infrastructure and services so that the state and the economy has the capacity to meet the needs of a population of six million people or more by 2040, and up to seven million by 2057. Short-termism is not appropriate for a country with a population that is growing so rapidly. Labour will plan for Ireland’s future, a state that has a growing educated population who are no longer content with the “it will do” policies pursued by the status quo but who demand an administration that will look at the path we are traveling and respond accordingly.

Alongside direct action by public agencies, Labour will use smart procurement, including collective bargaining, social and environmental clauses, to ensure that the whole community benefits from major investments.

It is most often the role of the state to build the infrastructure that enables economic development, including the adoption of new technology. Labour will ensure that national networks are maintained, enhanced, and kept up to date, in electricity, water, broadband, roads, railways, ports and airports. This is essential for economic activity, for the development of more housing and for embedding sustainability into our communities to protect them from the worst impacts of climate change.

The state has the responsibility to deliver a wide range of public services including education, childcare, healthcare, and social care. We will assess each of these in turn to examine are they fit for purpose for Ireland’s future needs. This too will be done by bringing together experts in the different fields in a public forum to evaluate and advise on future strategy for government to pursue.

The state also has a role to preserve Ireland's unique heritage and to support our diverse contemporary communities, which Labour will do through investment in arts, sport, and community development, all of which also benefit the wider economy, including tourism.

3. ENSURING SUSTAINABILITY AND SECURITY

The state has a solemn duty to protect its people and to plan to deal with threats to economic security and sustainability.

Ireland won't have an economy worth talking about by 2050 if we don't take more climate action now. Labour is committed to investing as much as it takes to decarbonise the Irish economy and to slash our greenhouse gas emissions, while also investing in the sustainable industries of the future. Labour will not agree to any EU restrictions on climate investment.

Labour also takes seriously the multiple threats to Ireland's peace and prosperity, including spillover from the wars in Ukraine and the Middle East. Labour will invest in Ireland's capability to defend its infrastructure, including undersea cables and electricity interconnectors. Labour will expand and modernise the Defence Forces and ensure they can enforce protections of Ireland's territorial waters to protect fish stocks and intercept drug smuggling.

Labour's goal is to secure Ireland's energy supply and independence through investment in renewable energy at scale including direct equity stakes in offshore wind projects. Likewise, Labour wants to ensure Ireland's food security and water supplies into the future, both of which will require an active state making strategic investments.

Ireland's economy can only be judged as prosperous if basic needs are met across society. Labour will develop and modernise Ireland's system of social protection, to provide a safety net and to guarantee minimum adequate incomes. As shown during the pandemic, higher social protection payments maintained aggregate demand in the economy. Labour will not lose sight of the important role of social protection and its importance for social cohesion.

THE LABOUR DIFFERENCE

Labour's analysis of the economy and its role is fundamentally different from others. We do not believe in a free-for-all where big business dictates development or opportunities. Labour believes in a well-managed economy that is designed to maximise opportunities for all, and which will serve the needs of society. Labour's focus is squarely on the current and future challenges that Ireland faces, and the role of the state to meet those challenges.

The following themes illustrate what's different about Labour's perspective.

- **SOCIAL PROTECTION AND DEMAND**

More than one and a half million people rely on a weekly payment from the Department of Social Protection, mostly the state pension or payments for illness, disability or caring. Everyone who relies on the state for assistance is entitled to live in dignity and to participate fully in society.

As most people learned during the pandemic, the social protection system is a safety net that exists for all of us, as we never know when our only income will come from our system of social insurance.

Not only does social protection provide incomes for those who cannot work due to disability or illness, or who are seeking work, it also provides an ‘automatic stabiliser’ in the economy that keeps money flowing into local shops and services. Labour recognises the role of social protection in protecting demand in the economy.

Incredibly, the government’s answer to the cost-of-living crisis since 2020 has been to allow social protection incomes to fall below the rate of inflation, a cut in real terms to the state pension and other payments. All of this increases poverty and social exclusion, while also reducing demand just as businesses too are facing higher costs. A series of one-off exceptional measures have served not to strengthen the underlying basis of social provision, but to undermine it.

Since then, and despite a booming economy and budget surpluses, the government has chosen to allow this cut to the spending power of the state pension and other payments to continue while at the same time arguing that they are putting funds away for future pension payments. The logic of this policy shows a disregard for those that need the state’s support today.

Relatedly, Ireland’s level of income inequality is the highest in the OECD before the impact of taxes and social welfare that drastically reduce this market inequality. This confirms how unbalanced our economic model has become and must be addressed and Labour policies will seek to correct this imbalance.

Labour will ensure that the social protection system continues to provide a bedrock of income to every household who needs it, and Labour will manage social protection as an essential part of demand, especially in less developed parts of the country and in disadvantaged communities. We will do this by indexing welfare rates to average earnings and inflation.

- **FOCUSED SUPPORT FOR ENTERPRISE**

It is in the public interest for the state to support enterprise development, especially in less developed parts of the country where there are fewer opportunities for good employment. The state’s industrial policies have long played a vital role in directly creating jobs, in creating the conditions for self-employment and for supporting private enterprises to create jobs.

However, it is not the role of government to subsidise sectors of the economy forever. Public funding for business must be met by reforms and credible plans for self-sufficiency in those sectors of the economy that continue to benefit from extensive tax reliefs or direct subsidies. Ongoing support for profitable firms and performing sectors should be justified with strong evidence. Labour will examine the full economic, social, and environmental return on the spending of public money to support

enterprise development. At a minimum there should be conditions on sustainability and trade union recognition.

As of 2024, the State provided nearly €5 billion of enterprise supports and we have seen the success of that with strong employment and economic development. The procurement of goods and services from the private sector by the state is an even higher amount and Labour wants to use this procurement budget of over €20 billion a year to improve collective bargaining coverage in the economy.

Labour will keep under review direct Exchequer support for profitable sectors of the economy but also continue to make the investments necessary for future growth. Where objective economic analysis shows that supports are no longer warranted, then it should be withdrawn in an orderly way. In a modern advanced market economy profitable business should not need to be propped up by public money and when it is deployed, there must be strong, conditionality on job quality, decent pay and other social objectives.

We should also prepare for future recessions and shocks, and we would introduce a permanent short term wage subsidy scheme (as deployed in the pandemic) to allow businesses who encounter troubles but have an underlying solid business case to retain skilled staff through subsidies for furlough schemes and retraining or upskilling modelled on the German Kurzarbeit programme.

Labour will ensure that procurement contracts and supervision is tightened to prevent any recurrence of the National Children's Hospital spending debacle, and to ensure value for money alongside social and environmental returns from all state procurement.

• **LAND REFORM AND HOUSING**

Despite Ireland's long history of land reform movements, the modern state has failed to achieve true reform of land ownership and exploitation. The lesson from Vienna and other European cities is that public authorities must take ownership of land, set out what is to be developed and only then bring in private construction firms to build what is required.

There has been a lack of political drive from the government to challenge the culture of land speculation, vacancy and urban dereliction, and no reform of the compulsory purchase order process in the Planning and Development Bill 2023. The recent attempt to pause the residential zoned land tax again was but the latest example. Even when land prices fall rather than resulting in economic activity, it just results in longer-term land hoarding. Fundamental change is needed to how land is owned and used to support the development of the housing and infrastructure that Ireland needs.

The Land Development Agency has the power to assemble publicly owned sites while the Housing Agency is responsible for the operation of the Land Acquisition Fund that acquires land for the development of social housing by local authorities and AHBs. As part of reforms to the CPO process, the LDA should be given these powers to acquire private development lands. Public authorities could then purchase land at existing use value plus 25% as Labour proposed in our 2021 legislation to implement the Kenny report. Compulsory Sales Orders should also be developed to force land and derelict properties to be put on the market so that development can proceed. The implementation of

land value sharing will also address profit taking from privately held land when it is rezoned for development.

Labour will transform the LDA into a State Construction Company (SCC) with the power to CPO private development land, and work with the Housing Agency in supporting Local Authorities and Approved Housing Bodies (AHBs) through project feasibility and development of housing, which is in their remit under legislation. We will ensure that the necessary funds are available to implement the building and land acquisition programme by deploying over €6bn from the Apple windfall for this purpose, and other future windfall gains.

Local Authorities would then plan their local development and with the SCC acquire the appropriate land before granting planning permission. This should end the incentive of land hoarding and speculation that is realised through zoning or the granting of planning permission.

• **GROWING INDIGENOUS ENTERPRISES**

Labour welcomes foreign investment in Ireland, which has brought many benefits. We were instrumental in developing the model that led to Ireland's initial economic success in the 1990s. But it is a strategic error to assume that this will always be available to drive economic growth and to fund tax revenue as the recent US election increases the risk of deglobalisation and a tariff war.

Labour will work with indigenous industries to remove barriers that are preventing them from scaling up to a larger role in the domestic economy and as exporters, such as access to entrepreneurial funds. Finance for businesses scaling up remains a fundamental problem in our economy. At the same time, Labour will remove incentives that encourage entrepreneurs to sell successful firms, such as through reform of the tax system and offshore rules.

A major barrier to the scaling up of indigenous companies—and the development of more high value jobs in those companies—is the lack of a mature private capital market in Ireland. The state has already stepped in to address this market failure, and Enterprise Ireland's venture capital role and the Ireland Strategic Investment Fund (ISIF) play an important role in supporting indigenous enterprise, as do Micro Finance Ireland (MFI) and the Strategic Banking Corporation of Ireland (SBCI).

However, the favourable conditions for the funding of indigenous enterprises that pertained in the early 1990s are no longer there. The Irish Stock Exchange has not been providing sufficient access to capital, and while there is an active state-supported venture capital market, its reach is not sufficient, particularly in the later stages of company growth. There is an unhealthy concentration in the banking sector, with just three high street banks left, where there was a dozen in the 1990s.

The rationale for closing Ireland's National Development Corporation in 1991, as well as the sales of the Agricultural Credit Corporation and Industrial Credit Corporation in 2001 no longer apply. Labour will review the work and remit of both the ISIF and SBCI and move to establish a Strategic Investment and Development Bank with an active remit to co-fund investments, both to provide much needed investment while also providing structure to encourage greater private sector investment in indigenous companies. There are also opportunities in offshore wind and the green hydrogen sector that the State should finance through direct equity stakes.

- **EDUCATION AND SKILLS**

Our well-educated workforce has played a central role in our economic success and is pivotal in securing foreign direct investment but the greatest limit on resolving many of the challenges we now face is a lack of qualified staff. Ireland still underinvests at every level of education and Labour is committed to increasing resources to improve outcomes, and tackle disadvantage.

We have long called for proceeds from the National Training Fund levy to be used to fund further and higher education, and the policy change announced in Budget 2025 mirrors our proposals, though more funding will be needed to restore the competitiveness of our universities and the research sector. The State must continue to invest in skills and lifelong learning to retain our talent advantage and Labour is committed to sustainable future funding. We will also establish a substantial fund from future windfall tax receipts to support research and development to grow our knowledge base and foster innovation.

Population growth has put immense pressure on the State which has struggled to secure the qualified staff necessary to provide public services and deliver investment projects and priorities. A comprehensive whole of government approach is now needed on strategic workforce planning to ensure sufficient skilled workers are trained in areas like health and social care, construction and planning, digitalisation, and the climate transition. Labour will establish a new unit in the Department of Taoiseach to drive the policy changes needed to deliver future talent for the public and private sectors.

Workers should also be given the personal freedom to upskill and retrain independent of their employers, and Labour will introduce a freedom to learn scheme, funded from the NTF to provide free part time degree and master's courses, and skills vouchers.

- **GROWING WEALTH ACROSS THE ECONOMY**

Support for indigenous enterprise requires major investment, and it requires the concentration of capital in those companies so that they can take risks and, ultimately, so that successful companies can create more good quality jobs and expand their export potential.

Where public funds support the growth of enterprise, Labour will ensure society is getting a return on investment in the form of financial returns, but also wider economic, social, and environmental returns, including good jobs, tax revenue and greater sustainability. Labour will also support tax measures to drive private investment where we are satisfied that genuine risk that can support high value-added jobs is present.

Ireland has a high level of wealth inequality, so Labour will encourage the spreading of wealth across society. We will promote community wealth building as a key component of our economic policy shifting the emphasis from redistribution to predistribution and devolve more powers to local government to put decisions into the hands of local communities.

There will be more options for workers to gain shareholdings in the companies where they work, as well as more opportunities for people to get higher returns on their savings when they contribute to the state's funds that support indigenous enterprise.

Specifically, we will support the development of more co-operatives particularly in the care sector, the appointment of worker directors, and the expansion of employee ownership trusts, most famously popularised by the retailer John Lewis, and introduce incentives like those available in the UK when a controlling interest is sold to staff.

AREAS FOR ECONOMIC GROWTH

Each of the eight challenges listed earlier is also an opportunity for economic growth and development: climate change, ageing, population growth, digitalisation, artificial intelligence, security, global trade, and the all-island economy.

Some of these challenges are currently holding back Ireland's economic potential, including the constraints on housing, childcare and home care due to population growth and our ageing population. However, if done right, solutions to these challenges can be engines for growth in the economy.

Healthy and active ageing, and the provision of care, are growth sectors. The digitalisation of home care has been transformative in other jurisdictions, such as the Netherlands, and countries like Australia and New Zealand have developed successful models to encourage the development of retirement villages, largely financed by the private sector.

Investment is essential for the sustainability of Ireland's health and social care services. Labour will support the initiatives of the HSE regarding Chronic Disease Management and the continuing growth in the wellness and care sectors. Labour will develop a new national Community Care System that encompasses childcare, disability and care of older people. Childcare and early years education is an investment in Ireland's future, and Labour will roll out a public childcare model. We will also ensure a greater role for co-operatives and social enterprises in delivering local services.

Technological changes continue to occur at unprecedented speed. Labour will ensure that the enabling conditions are put in place to support innovation, development and opportunities in decarbonisation, digitalisation, artificial intelligence and medical technology.

Decarbonisation now is far less expensive than paying for remedial action later. Labour will support the development of a larger decarbonisation and clean technology sector in Ireland. For example, Labour will support more green apprenticeships and will develop a stronger National Retrofitting Plan with street by street retrofitting using a €2.5bn fund, located in the SEAI, financed from the Apple windfall and future proceeds from the Infrastructure, Climate and Nature Fund.

Ireland has a lot of catching up to do on the opportunities arising from digitalisation, such as digital health records which would eliminate the need for duplication of tests and facilitate electronic care in the home which could also support active aging. Such investments will take years to implement but the rewards for efficiency and better caring are self-evident.

There are still insufficient linkages between indigenous companies and global tech companies headquartered here. Labour will work with Enterprise Ireland to cultivate indigenous companies to grow and scale up, removing incentives to sell promising companies and supporting long-term development of an indigenous sector. We will also seek to foster young Irish companies that provide solutions to our addressed strategic challenges.

Ireland already has a significant medical devices industry, and Labour will support its further development, especially its export potential. Labour will also support companies working on biotechnology and medical technology with the objective for Ireland to be an internationally recognised centre of excellence in these disciplines which will also require us to increase the number of clinical trials that take place here.

- **BETTER JOBS**

Too many jobs in Ireland are low paid, and too many full-time workers cannot access housing or childcare, which puts families under excessive strain. Social cohesion depends on good jobs in all communities, with decent pay and prospects.

Labour's vision is of a high skill, high pay economy, and we will invest in education, training and supports to ensure that better jobs are created across the country. In particular we will support indigenous industries to scale up in size and to provide higher skilled, higher paid jobs.

Simultaneously, we will enforce existing labour laws and look again at areas that have been exploited by rogue employers while still being within the law. We will strengthen provisions to ensure that all workers are paid a genuine living wage, not least by strengthening collective bargaining and workers' rights in law and in implementation, including the right to unionise.

We will assess the prevalence of mandatory retirement clauses so people who wish to can work longer, while protecting the rights of those who wish to retire. We will strengthen the rights of those who are, or who wish to, do more of their work remotely. These measures will help us address labour market challenges. Working closely with trade unions we will ensure that workers' rights are upheld and the right of all workers to be represented are enshrined in law. We will end the situation where some employers refuse to engage with their employees' trade union.

In order to do so, Labour re-commits to a maximalist approach to Ireland's transposition of the EU Directive on Adequate Minimum Wages and Collective Bargaining, building on our strong track record on workers' rights and low pay.

PART 2: SUSTAINABLE PUBLIC FINANCES

Labour is a serious party of Government. We have shown that we take decisions that are in the long-term public interest, and not pursue reckless economic policies for short-term political gain. We are not the propagators of Ireland's boom-to-bust economic cycles. Labour is serious about securing and managing the public finances and ensuring a stable and predictable context to support sustainable investment and job growth across Ireland.

Labour has a proud track record of carefully managing the public's money and, on many occasions, have had to clean up the economic mess left by the failed policies of a previous government. Under Fianna Fáil in the 2000s private household debt tripled from €60 billion to €180 billion. Those policies drove people to borrow more than they could afford, and many lost their homes, savings or investments when the bubble economy burst in 2008. Many are still paying back mortgages on overinflated houses purchased at that time. It took five painful years to get the public finances back in order and to get Ireland out of the stranglehold imposed by the Troika.

Presently, successive Fine Gael leaders are calling for tax cuts. There are many difficulties facing Ireland at present and we have listed these out throughout this paper. No serious body has cited our tax system as demanding cuts of this nature, and Labour has called out the risks of undermining an already too narrow tax base.

Indeed, the pressing issues listed above demand a unified call for action. It is important to deal with our problems while we can, rather than magnify them by inaction while diverting our limited resources to areas of less need. Calls for significant tax cuts that may have to be undone in the short-to medium-term should be taken for what they are, short-term populism pandering to a specific cohort for votes.

Unlike at other points in the state's history, the resources are now available to help create a genuinely fairer and more social democratic Ireland. With the right choices, the possibilities are endless.

The Fine Gael/Fianna Fáil duopoly in finance and public expenditure have not handled inflation with as much rigour as was needed. If the extra inflation they created was even just 0.1 percentage point, this adds over €100 million per year to the cost of funding public services and imposes an effective tax of €10 for every €1,000 of people's savings in the form of lost spending power that will never be recovered by many people. The Irish Fiscal Advisory Council (IFAC) has said that 1.9 percentage points of inflation was caused by the government's over-spending, which has made public spending nearly €1 billion more expensive than it would have been, for no increase in services. The Chair of IFAC has said this will cost every household over €1,000.

SUSTAINABLE GROWTH

Labour is fully committed to an ecologically sustainable model of economic development, including net zero greenhouse gas emissions and protection of biodiversity, not least in terms of the quality of

water, soil and the air we breathe. This is essential for food security, energy security and to ensure the next generation has the same or better opportunities than those who came before them.

But those who argue for zero growth or de-growth are making a simple mistake in their calculations. Of course, we need our economies to be fully sustainable in ecological terms. Labour commits to the rapid phasing out of fossil fuels. But the measurement of economic growth can and does include ecologically positive actions. Every time wind or solar energy is purchased, that grows national income. Every time good quality, sustainable Irish food or wellness services are purchased, that adds to national income as well as enhancing sustainability and the rights of people to live healthy, prosperous lives too. Effective ecological transition will generate economic growth.

Aiming to shrink the economy won't help anyone. Just as we must cut out economic activity that is locked into fossil fuels or resource depletion, we must lock in new investment in renewable energy, land restoration, the marine economy and new technologies. Economic growth can be sustainable growth if we are doing the right things.

Ireland's economic growth is also driven by population growth, and the population of Ireland is projected to keep growing for decades to come, with the latest estimate being a population of over six million by 2040. A growing population, and growing productivity and innovation, all expand the economy and increase tax revenue. But a growing population also increases demand for public services, including schools, housing and healthcare. We have set out above our responses to these challenges.

NATIONAL FUNDS

Labour will continue to build up the new Future Ireland Fund and the Infrastructure, Climate and Nature Fund (ICNF), but we will ensure that both funds can invest in Ireland and are generating broader economic, social and environmental returns, taking into account inflationary risks within the sectors where it invests.

It is a major strategic error on the part of FF/FG to focus the Future Ireland Fund almost exclusively on investing abroad to maximise a financial return rather than ensuring that at least some of that fund is invested in Ireland to foster indigenous enterprise and to build infrastructure that is essential for Ireland's future. Labour will build on the amendments we sought to make to the operation of these funds and will legislate to ensure a fair portion of the fund can explicitly support sustainable economic growth here, through a Strategic Investment and Development Bank.

As shown by the Climate Change Advisory Council, Ireland has already reached 50% of our emissions ceiling out to 2030. The scale of the ICNF, set at a maximum of €14 billion, is grossly insufficient compared to the scale of investment needed to decarbonise Ireland's economy and to increase climate resilience, such as flood defences. Labour will increase the scale of this fund.

As outlined in more detail in Labour's policy position on national wealth funds, we argue that these funds must be used to invest in the transition phase in Ireland's economic development to a higher-value, low-carbon economy. The transition must be time limited and involves state investment to

upgrade the national grid, support solar and offshore wind power generation, and a continued focus on advanced construction methods and climate change adaptation measures.

Labour's principles for state investment are:

- Take a medium- to long-term view of return on investment.
- Build on existing expertise rather than displace it.
- Adopt the stitch-in-time principle—investment can be justified if failure to invest imposes additional future taxpayer costs.
- Fund social and environmental outcomes that are economically viable.
- Fund balanced regional development.
- Fund realistic transition phases towards a sustainable, indigenous, and just economy.

It should be obvious how a national wealth fund could achieve significant social and environmental outcomes, alongside financial return, by investing in the demographic, energy and digital transitions that must be achieved between now and 2050. A national wealth fund can also be used to address market failure, such as in housing, by increasing the amount of public housing.

The demographic transition will require the development of new hospitals and other health and care facilities, but even more it will require a national transformation in relation to health knowledge and healthy behaviours, which can only be achieved if the investment is in place to overcome structural and systemic factors that lead to poor health outcomes. The national wealth fund is an opportunity to improve the quality of life for everyone. A properly targeted fund can generate returns, help drive down waste in the health sector, and make other important ambitions—such as universal healthcare—more affordable.

The energy transition can only happen if there is sustained investment and subsidy from the state to encourage the development of wind, solar, energy storage and the other infrastructure for a low-carbon energy system, alongside structural changes to our transport system such as providing the necessary investment in railways to achieve the ambitions laid out in the All-Ireland Rail Review.

Labour will invest in the development of digital skills in the population—among consumers as well as workers—to ensure that digitalisation does not deepen inequality. Labour will invest in access to broadband and the affordability of digital devices. And Labour will introduce appropriate regulation to ensure that the risks of artificial intelligence are mitigated while its benefits can be realised, not only in the economy but also in the delivery of smart and effective public services.

Labour will create a national R&D fund, invested through higher education institutions, in support of indigenous enterprise development. Labour will address a form of market failure by reestablishing a state investment and development bank to support SMEs, especially in less developed parts of the country. Combined with the other national funds, these institutions will co-fund investment to bring in more private capital, while also providing greater security of funding for companies that are attempting to scale up as well as for new start-ups.

EU AND NATIONAL FISCAL RULES

The EU fiscal rules have been adjusted, thanks in large part to Labour's European partners in the Socialists and Democrats group. But they need further reform to permit greater levels of investment in housing and climate action, as the cost of *inaction* is far higher than the cost of making those essential investments today.

The Irish government also introduced a fiscal rule, that they can increase public spending by 5% every year, regardless of whether revenue has increased and regardless of inflation. This is not a sensible rule.

The rule was hastily modified when inflation rose from 2020, which shows how weakly conceived it was in the first place. It was then defined as a growth of 2-3% of public spending above inflation, and even this was ignored in practice.

There is no wonder that the Irish Fiscal Advisory Council (IFAC) has expressed frustration, as its warnings and concerns have been repeatedly ignored by the government, whose management of the public finances has not been exemplary or even prudent. By their willingness to ignore expert advice—without explanation—they have shown they will compromise the long-term public interest in favour of short-term political gain from unfunded tax cuts or largesse. They have ignored their own warnings about the temporary nature of receipts from Corporation Tax and other taxation paid by just a few multinational corporations. And they have completely mishandled the funding of health, which was underfunded in Budget 2024 in a pretence of keeping within the 5% spending limit, even though that just led to a deficit that was repaired in this fiscal year, and in Budget 2025.

What Labour would implement are fiscal rules based on the long-term challenges facing us. Primary among these, in addition to the demographic challenge referred to earlier, are the challenges of housing, digitalisation and the greatest challenge of all, climate change, including both mitigation and adaptation efforts.

Labour won't be bound by senseless fiscal rules that block prudent investment where it is needed to address issues of strategic national importance and urgent public need, such as climate action and housing.

Labour has a different set of fiscal rules:

1. No unfunded increases in day-to-day public spending. Where demographic pressures or inflation lead to higher spending demands, Labour will identify revenue to pay for this, not rely on borrowing.
2. Labour will redirect revenue to fund expansion of healthcare, social care, lifelong learning, childcare and early years education. But spending increases will only be granted based on each department setting out a detailed business case showing how the spending will deliver new or better services for the public.
3. Capital spending on climate action will be made now, with as much investment as it takes to meet Ireland's binding international targets and to safeguard future generations.

4. Labour will invest in public and affordable housing through a state construction company as set out above.
5. Labour will borrow for climate investment and housing if required, as it is more efficient to do so than to fund major capital investment from current revenue.
6. Labour will index public spending that supports business, to make it counter cyclical. The level of support will rise when there is high unemployment and should fall when there is low unemployment—like at present.

TAXATION

Labour does not subscribe to an unlimited tax-and-spend ideology. Our people have paid the price for populism before. Instead, public spending should be both sustainable and productive, geared to support the fair, long-term development of the economy, while taxation and social insurance must be fairly distributed based on ability to pay, with clear links shown between tax paid and what the public receives for this money.

Labour will not raise the standard rate of VAT, the standard or higher rates of income tax, the rates of USC, or the rate of corporation tax.

However, Labour will maintain the current government's policy of slowly increasing social insurance to offset the future cost of the state pension. Based on the experience of other European countries, it will be necessary to increase social insurance to provide for the needs of our ageing population. It's the right thing to do, as the number of people aged 80 or older is set to triple in 25 years, and we will need to build up our capacity to pay an adequate state pension and to meet growing demand for health and home care services.

Labour will index personal taxation to a basket measure of inflation and wage growth and will also at a minimum index social protection payments to the same measure to maintain demand in the economy and to ensure full participation in society. However, Labour will not engage in short-term tax cuts for populist appeal, even though other parties will do so, including those who claim that the public finances are safe with them. Tax cuts introduced today may need to be undone soon after, and meanwhile Ireland needs urgent funding on climate action and housing now to address historic underinvestment, and to expand the provision of public services.

If we are serious about the growth of risk in our economy, and serious about meeting the scale of the eight long-term challenges that Labour has identified, then we need a mature approach to taxation and public investment.

Labour will review the interaction of capital taxes with investment in indigenous enterprise specifically, building on the start point laid out in the report of the Commission on Taxation and Welfare.

CONCLUSION

The purpose of this document is to set out the challenges facing our country as we seek to ensure a sustainable and prosperous future for our island. The challenges we face are considerable. Only by preparing for our future will we be ready to face it.

This is an economic framework document. It is not a pre-budget proposal. It seeks to set out an economic perspective that Labour will advocate in the General election and in post-election discussions on government formation with other parties.

It advocates for a mixed model economy, driven by education and innovation, that prepares Ireland for the challenges ahead. We believe those challenges are critical and far reaching and require a considered and substantial response. We will not build the prosperous Ireland of 2050 by focusing on one budget at a time but rather by adopted a multi-annual strategic approach.

Politicians and political parties are often accused of short-term thinking and responses. This document is a deliberate attempt to break that trend. We believe that our future sustainability and prosperity is dependent upon a coherent and integrated approach to our economy, and we are interested to discuss our economic future with all stakeholders on that basis.