PRESS RELEASE

COMMENTS BY LIAM CONNELLAN, DIRECTOR GENERAL, AT OIREACHTAS COMMITTEE ON EMPLOYMENT, WEDNESDAY, 30 SEPTEMBER 1992, AT 3.00P.M.

PROPOSALS TO REDUCE UNEMPLOYMENT

Introduction

In the absence of net migration, it is estimated that the Irish labour force will increase by 25,000 per annum over the next five years. It is essential to increase our economic output at a rate which will be sufficient to provide employment not only for the increase in the labour force but also to reduce unemployment to a level no higher than the European average rate.

The Confederation makes the following recommendations regarding actions which would contribute to this goal :-

1. Maintain competitive conditions for Irish industry which will enable private sector employment, on the assumption of a recovery in demand in Europe, to increase by 15,000 a year as occurred from 1986 to 1991.

   The impact of the devaluation of sterling in firms which compete intensively with British and Northern Irish products. It is estimated that these account for about 20% of manufacturing employment and it is essential for the protection of employment that immediate remedial measures are taken to offset the distortion of trade which has occurred because of the withdrawal of sterling from the ERM. The Confederation recommends that manufacturing firms which have a high exposure to British and Northern Irish competition and are labour intensive be exempt from the payment of employers' PRSI for a twelve month period from 1st October 1992.

2. Small Business Development. The rate of small business start-ups in Ireland is only half that in other EC countries. The Confederation welcomes the £100 ml. Programme for Small Business Development announced recently arising from recommendations by the Joint Oireachtas Committee. However, apart from the provision of seed capital there is a need to ensure the existence of a favourable taxation environment for those who create jobs for themselves or others. Care must also be taken that the new jobs created are not merely displacing existing jobs.

   In order to provide greater access for small firms to seed capital the limits for personal investment and company investment in the Business Expansion Scheme should be doubled.

3. Increasing Manufacturing Investment. The Irish manufacturing base is only two-thirds the size required to support the current workforce. The Confederation recommends that a target of doubling the number of new industrial projects started annually should be adopted. It is recognised that this target must be achieved in the face of intense international competition from mobile investment projects and will require the allocation of sufficient finance for industrial incentives. The Confederation recommends that the proportion of EC Structural Funds allocated to productive investment should be more than doubled from an average of £26 million in the period from 1989 to 1993 to £220 million per annum in the period 1994 to 1998.

4. Productive infrastructure. A recent EC report has indicated that the level of "infrastructure endowment" in Ireland in areas such as transport, telecommunications and energy is only two-thirds that of the seven most highly developed member states of the Community. There is a need for substantial investment in productive infrastructure to raise the quality of our infrastructure to the best European standards. It is, therefore, recommended:

a) that a programme be initiated to enable financial institutions to invest £500 million annually in marketable shares in state commercial companies each year. The released funds should be applied, in conjunction with private sector funding, to improve the quality of Ireland's industrial infrastructure.

b) Negotiations are due to be completed on the Delors II package at the Edinburgh Summit in December. It is recommended that £250 million annually on the increased funding expected from this package should be allocated for the further development of productive infrastructure.

5. Increase the participation rate of 15 to 19 -year-olds in education and training for certifiable qualifications in Ireland from the current level of 65% to over 90% as in Germany, Denmark and the Netherlands. This would require the phased provision of 70,000 additional education and training places over five years.

6. Single Market on the Island. It is estimated that the creation of a single market on the island of Ireland by overcoming all psychological and physical barriers would result in an increase in trade of £3 billion and the creation 75,000 additional jobs of which about 20,000 would be in the Republic.

Conclusion

The Confederation believes that the cumulative impact of the above recommendations if implemented successfully would, even in the absence of emigration, result in the gradual reduction of the Irish unemployment rate towards the average European rate.

END 30.9.1992