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PRESS RELEASE

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Statement by Liam Connellan, Director General

NINE POSITIVE TRENDS INDICATING RECOVERY UNDER WAY

UNDUE PESSIMISM COULD DAMAGE JOB CREATION

FIVE RECOMMENDED ACTIONS TO INCREASE EMPLOYMENT

During recent weeks there has been growing evidence of an improved outlook for output and employment in Ireland. After a very difficult nine-month period which coincided with the Gulf Crisis and recessions in Britain and the United States, the first signs of recovery became evident in early March and the trend has remained positive since then.

There are strong reasons for optimism that the corner has been turned in relation to economic recovery following an extremely difficult nine-month period. Undue pessimism could damage confidence and slow down the rate of recovery. The forecasts for international recovery are favourable and I have every confidence that Irish industry will continue to be among the fastest growing in Europe. Employment prospects have started to improve in recent weeks and as the recovery gathers pace, and with the adoption of measures such as those recommended below unemployment can be reduced substantially.

NINE POSITIVE TRENDS

The following are nine of the positive trends which indicate that a recovery is underway, and that undue pessimism is misplaced :-

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1. It is vitally important to recognise that the sharp rise in unemployment in Ireland in recent months has been due to external factors, and Irish industry has been successful in increasing its share of declining markets. For example, Irish manufacturing output is now over 6% higher than a year ago while British manufacturing output is 4% lower and the output of industry in the European Community is only 2% higher.

2. The European Commission and the OECD have both forecast an international recovery from the latter half of this year and Ireland is well placed to achieve a faster growth rate than most other European countries.

3. The fall in industrial order books which persisted throughout 1990 was arrested in early March. Orders in Irish industry are on a par with the European average and much better than in Britain.

4. An improvement in the volume of exports which must always lead a sustainable recovery has occurred since the beginning of the year.

5. Production expectations in both Ireland and the EC have started to rise.

6. Allowing for seasonal factors, the rate of increase in unemployment over the last two months has slowed to about half the average rate experienced in the previous three months.

7. The benefits of low inflation in Ireland are reflected in the much better economic output and employment performance of the Irish economy compared with that in Britain.

8. Inward investment projects to Ireland are now running close to last year's levels despite the severe impact which the Gulf War had on halting investment decisions in the first quarter.

9. Irish factories are running at a high level of capacity utilisation and this will lead to a recovery of investment in the coming months.

RECOMMEND ACTIONS TO INCREASE EMPLOYMENT

The very high level of unemployment in Ireland is of great concern to industry. The following five actions are recommended to increase employment more rapidly :-

i) As an incentive to recruitment exempt employers from PRSI payments for one year in respect of all nett additional employees recruited from 1st July 1991 to 31st December 1991.

ii) By increasing the participation rate in education and training for qualifications for 16 to 19-year-olds to 100% as quickly as possible. Provision of up to 100,000 places would result in 40,000 job opportunities for people on the unemployment register. The reduced cost of unemployment should ensure that there is neither additional cost to the Exchequer or to industry.

iii) Removal of the anomaly whereby up to 5% of the labour force would lose money by entering employment due to the design of the income tax and social welfare system. This does not imply a reduction in social welfare benefits but improved tax and social welfare treatment for people who enter employment.

iv) Adoption of measures to reduce seasonality in agri-business would guarantee continuity of supply to commercial customers, and increase value added in the Irish economy with a consequential substantial increase in employment.

v) The creation of conditions to enable a trebling of trade between the Republic and Northern Ireland, through the creation of a genuine single market for goods and services, could result in the creation of up to 75,000 additional jobs on the island over the next five years.

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