JOBS INITIATIVE

MAY 2011

FOREWORD

The Programme for Government sets out a commitment to resource a Jobs Initiative within the first 100 days of the start of the Government's term in office. This document provides detail on the measures that are being introduced as part of this Initiative.

These measures are intended to assist in employment generation, provide opportunities for those who have lost their jobs, and thus generate confidence in the economy. This Jobs Initiative is part of a strategy to kick-start economic activity, which is showing signs of returning.

Taking account of our current public finance difficulties, the need to restore sustainability and to meet our international commitments, the package of measures being announced as part of the Jobs Initiative is budgetary neutral over the period to 2014. This is both prudent and sensible given the large deficit which currently exists in our public finances and hence the large volume of borrowing that is anticipated in the coming years.

So that this Jobs Initiative can succeed, the offsetting measure being introduced is one which should not hinder the economic recovery which is taking hold.

This document was laid before Dáil Éireann on 10 May 2011 and is also available for download on the Department of Finance website.

The legislation necessary to give effect to the measures being announced as part of this Jobs Initiative will be published in the coming weeks.

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STATEMENT

OF THE

MINISTER FOR FINANCE

MR. MICHAEL NOONAN T.D.

Introduction
A Cheann Comhairle,

It is just under 9 weeks since the new Government assumed office having obtained a secure and stable mandate from the Irish people. We have agreed a Programme for Government which is motivated by a clear vision of an Ireland that, by the end of our term in office, will be recognised as a modern, fair, socially inclusive and equal society, supported by a productive and prosperous economy.

As we indicated in that Programme, the success of our economic strategy will lay the foundation for the rest of our agenda for change. That economic strategy in turn is based on a number of essential elements:

- fixing our broken banking system,
- restoring order to our public finances,
- regaining and enhancing our international competitiveness,
- supporting the protection and creation of jobs,
- radically reforming our system of public administration, and
- rebuilding Ireland's reputation on the international stage.

We have hit the ground running. Within three weeks of taking up office, we took firm and decisive action to recapitalise and restructure the domestic banking system in order to restore the banks to a position where they are fit for the purpose of supporting economic recovery. Within three more weeks we re-engaged with the EU/IMF/ECB partners to renegotiate the Programme of Support for Ireland.

We have also confirmed our commitment to bringing the public finances on to a sustainable trajectory and to achieving a deficit of less than 3% of GDP by 2015. To this end, we have embarked on a fundamental and comprehensive review of public spending, both current and capital, and we intend to use the results of those reviews as key building blocks in our budgetary plans for 2012 and beyond.

Also, as I have previously outlined, the Government is committed to implementing a range of reforms to the domestic budgetary framework. It is our intention to have put in place by the end of June an independent Fiscal Advisory Council and to publish, by the end of the year, a Fiscal Responsibility Bill which will set out a radically new approach to the management of the public finances. These important reforms will place Ireland's future budgetary framework on a more sustainable and credible footing.

Today, well within our first 100 days in office, we move forward with the Jobs Initiative: a set of measures that represent the first steps of the new Government on the road to improving the economy's international competitiveness and promoting job creation.

We are taking these steps against a background where the economy has seen three successive years of declining economic activity – between 2007 and 2010, the volume of goods and services produced in Ireland fell by about 12%. But this year, we can look forward to positive growth which we fully expect will accelerate as we move into 2012 and beyond. The recently published Stability Programme Update forecasts positive GDP growth this year, a welcome development following the last three years.

For 2012, my Department projects that GDP will grow by 2½%, with average growth of 3% per annum possible over the period 2013 to 2015.

Underpinning this expected rebound in economic activity is a strong outlook for goods and services exports. Indeed, the picture emerging is one of an export-led recovery. This is in line with expectations – a recovery in a small open economy such as Ireland's typically takes this form.

On foot of recent competitiveness gains and improving external demand, the exporting sectors of the economy are in general performing very well once again. Last year, exports increased by 9½% in real terms, the strongest rate of growth for a decade. Looking to the future, export growth is projected at about 6¾% in 2011 and 5¾% in 2012.

Commitment to the 12.5% Corporation Tax Rate

Before outlining the measures contained in this Jobs Initiative, I want to say a few words about our corporation tax rate. Since the 1950s, Ireland has used its corporate tax regime as an integral part of our strategy to encourage growth, attract foreign direct investment and increase employment. We do not have the allure of a large domestic market or substantial public procurement to attract major international firms here, so we must use the other tools at our disposal. This approach is supported by research by bodies such as the OECD which points to the importance of low corporate tax rates to encourage growth in small open economies.

I want to take the opportunity today to emphasise that the Government is committed to continuing this policy approach. As a Government, we understand that certainty is essential for existing and prospective investors. Let me be absolutely clear on this issue: our 12.5% rate of corporation tax is here to stay. It is central to our industrial policy and is an integral part of our international brand. The Government's message is therefore unequivocal and I can assure the House that there will be no deviation from that position, a point that I believe has broad cross-party support.

Research and Development Tax Credit Scheme

The corporation tax regime is a vital element of our industrial policy. However, other measures also have an important part to play. In this regard, Ireland has a very attractive Research and Development tax credit scheme that allows as a general measure 25% of incremental expenditure by a company on qualifying R&D to be set off against its corporation tax liabilities or, where there are no such liabilities, for the credit to be paid to the company.

Since its introduction in 2004, the scheme has influenced the decisions of many multinational firms to locate internationally mobile R&D projects in Ireland. In order to maximise the benefits to companies and further encourage investment and employment in R&D, I intend to amend the R&D tax credit legislation to enhance flexibility for companies in how they account for the credit, giving the option to account for it above or below the line. Ireland's attraction for R&D activities has played, and continues to play, a critical role in encouraging foreign direct investment and creating employment. This Government intends to continue to enhance that attraction.

Share-Based Remuneration – Abolition of Employer PRSI Charge

The Jobs Initiative is about encouraging employment and, in that regard, I have reviewed the decision taken by the last Government to introduce employer PRSI on share based remuneration.

I have concluded that the imposition of this charge on employers needlessly increases the costs of doing business in Ireland and would have the potential to negatively affect current employment levels and future investment decisions. Businesses operate under strict budgetary control in the current economic climate and increasing their costs is unwise. The potential loss to the economy from this measure far outweighs the potential yield to the Exchequer and therefore I have decided to abolish the employer PRSI element with effect from 1 January 2011.

Tourism Sector

There is a perception that export growth is not jobs-rich and this is true in general. Most exporting sectors in the economy tend to be capital- rather than labour-intensive. However, there is one very obvious exception to this general pattern and that is tourism. Much economic activity within the tourism industry is highly intensive in its use of labour: this is particularly true of hotels and restaurants, recreation and entertainment.

Its relative labour intensity makes it all the more unfortunate that tourism has greatly underperformed other exporting sectors. Far from expanding, as overall exports did, tourism continued to decline last year with the total number of trips by visitors to Ireland down by 13% on the 2009 level. This brought to 25% the cumulative decline in inbound tourism numbers between 2007 and 2010. Over the same period, earnings from tourism and travel fell by about 30%.

These figures reflect the scale of the challenge facing the tourism industry, but they also illustrate the scale of the opportunity that exists for the industry if it can get things right.

Even by recovering the ground it has lost in recent years, tourism can make a very substantial contribution to our economic recovery and to the creation of employment in all parts of the country.

There is another strong reason why we should make every attempt to capitalise on the potential of tourism. It is that significant investment has already taken place in this sector and, whatever about the merits of some of the schemes that encouraged this investment, we have a stock of accommodation, much of it of a very high quality by international standards, which we must now utilise to full advantage. We also have a stock of entertainment and recreational facilities that has been significantly enhanced by public investment in recent years, not to mention a transport infrastructure the capacity of which has been greatly augmented.

Overall, our tourism products are very strong. In addition to Ireland's natural attractions, we have a wide range of high quality accommodation, including hotels, guest houses, B&Bs, self-catering accommodation and hostels, to suit all tastes and budgets. We offer a wide range of sporting and recreational facilities and events. Culture and heritage, golf, angling, walking, cycling and equestrian pursuits are all easily accessible. In recent years, holidaying in Ireland has become more affordable.

These are some of the many advantages which we must harness in order to improve visitor satisfaction and to increase the number of people from overseas who choose Ireland as their holiday destination.

While the provision of tourist facilities and amenities is important, the marketing of what Ireland has to offer as a holiday location is also crucial. The United Kingdom is our most important overseas market with close to half of overseas visitors coming from there. It is also the market that has seen the greatest contraction since the recession began – between 2007 and 2010, trips to Ireland from Britain fell by 32%.

It is critical that we see a return to growth in visits from the UK in order to achieve overall growth in tourist numbers. As part of a three-pronged strategy to promote tourism by encouraging airlines to improve levels of access for visitors to Ireland, tourism marketing resources will be made available for Tourism Ireland, working with the three State airports, to promote visitor traffic from destinations served by additional routes and services, through cooperative marketing with carriers.

The Tourism Marketing Fund will support a strong focus on our major source markets, including the UK, in order to take advantage of the additional opportunities presented in 2011 by the forthcoming visits of Queen Elizabeth and President Obama. These visits present exciting opportunities to get Ireland back in the minds of potential tourists and are invaluable in terms of marketing and publicity.

Change in VAT Rates that will focus on the Tourism Sector

The Programme for Government provided for the lowering of the reduced VAT rate. Rather than applying a 1.5% reduction to the rate for all goods and services currently on the 13.5% reduced rate, I have decided to introduce a more focussed and larger reduction for certain goods and services, while other items will continue to be subject to the existing 13.5% rate.

Consequently, as part of the measures to support the tourism industry, the VAT reduction will be targeted mainly at those services relating to tourism. In this context, a new temporary second reduced rate of VAT at 9% will be introduced with effect from 1 July 2011 until end-December 2013.

The new 9% rate will apply mainly to restaurant and catering services, hotel and holiday accommodation and various entertainment services such as admissions to cinemas, theatres, museums, fairgrounds, amusement parks and sporting facilities. In addition, hairdressing and printed matter such as brochures, maps, programmes and newspapers will also be charged at the new rate. All other goods and services to which a reduced rate currently applies will remain subject to the 13.5% rate. This measure is estimated to cost €120 million this year and €350 million in a full year.

The purpose of this targeted VAT relief is to boost tourism and stimulate employment in the sector and I am confident that it will give the tourism sector a much needed shot in the arm. However, to ensure that the sector is delivering, the effects of the changes announced today will be assessed and the measures reviewed before the end of 2012 in the context of preparing Budget 2013.

Air Travel Tax
To encourage overseas visitor numbers, I will be providing for the air travel tax rate to be reduced to zero on a date to be fixed by Order. To be clear, the commencement of this measure is subject to an agreement being reached with the airlines to bring in additional passenger numbers. The Minister for Transport, Tourism and Sport is holding discussions in that regard.

Furthermore, as with the targeted VAT reductions, a review of this measure will be conducted before the end of 2012 to evaluate its success in bringing in additional passenger numbers; if it is not being successful, the air travel tax will be reapplied. Consequently, the relevant legislation will remain in place to allow the tax to be recommenced if so decided.

The cost of this measure, based on a possible implementation date of 1 July 2011, is €15 million in 2011, €90 million in 2012 and €105 million thereafter.

The suspension of the air travel tax is one of a number of approaches being taken to revitalise the tourism industry, as part of the Jobs Initiative. Other elements include a new scheme of discounts on airport charges, which has been agreed by the State airports in consultation with the Minister for Transport and the airlines. A tourism marketing campaign will begin which will be particularly focused on Ireland's major source markets such as the UK.

Common visa treatment with the UK
In addition to these measures, the Minister for Justice and Equality will also be announcing a major reform measure in the visa application system for entry to Ireland. This initiative will make it much easier for overseas visitors – including visitors from crucial emerging markets – to come to Ireland without having to incur the trouble and expense of applying for separate visas, once they have already obtained visas for the UK. Essentially, the holders of such visas will not require a separate visa to come to Ireland. I know that as well as presenting business and employment opportunities for the coming season, this measure will provide a great opportunity for tourist service providers to capitalise on the hundreds of thousands of visitors who will be travelling to the London Olympics next year.

Employers' PRSI
The notable underperformance of tourism over the past few years highlights the need to improve the sector's cost competitiveness, an objective that the measures I have announced will help to advance. Of course, a set of costs that are especially important to tourism and other employment-rich areas of the economy are labour costs.

One way to help job creation and improve our labour cost competitiveness is to ease the costs on employers of taking on new employees. Accordingly, and in line with the commitment given in the Programme for Government, I am announcing today the halving of the lower rate of PRSI until end-2013 on jobs that pay up to €356 per week. This measure will take effect from 1 July next.

The existing Employer Job (PRSI) Incentive Scheme will remain in place until the end of this year so that enterprises and businesses that had planned to take on staff under this scheme in that period may continue to do so.

Sectoral Wage Agreements

As set out in the Programme for Government, it is the Government's intention to reform the structures for setting wages at sectoral level. The Minister for Enterprise, Jobs and Innovation has recently received the Report of the Independent Review of Employment Regulation Orders and Registered Employment Agreements, which he will be publishing shortly.

The Report says that the system requires radical overhaul so as to make it fairer and more responsive to changing economic circumstances and labour market conditions.

The downturn in the economy has had a profound effect on the labour market, with areas such as retail and accommodation and food being amongst those hardest hit. In this environment, it is necessary to ensure that these structures are flexible and adaptable to changing circumstances, and that they reflect the realities of our modern economy.

In particular, there are issues relating to overtime and premium payments for Sunday working, the number of Joint Labour Committees, and the general functioning and supervision of the system.

Following the publication of the report, the Government is determined to proceed with urgency to substantial reform of the system.

Labour Activation

Job creation is central to any economic recovery strategy. That is why labour market policy forms an important part of the Programme for Government. Measures to reduce employment costs and to make wage-setting arrangements work more fairly and more responsively are, in turn, essential tools of labour market policy, but they will not be sufficient to address the severe labour market problems that we currently face. They must be accompanied by measures that ensure a pathway to appropriate employment, education and training opportunities for people who have become unemployed.

We must avoid, at all costs, the risk that people who are now long-term unemployed will find it difficult to secure meaningful employment again in the open labour market. That is why it is essential to maximise the effectiveness of the substantial resources we provide on activation measures and provide for a more integrated approach and targeting of effort.

Increasing levels of engagement with the unemployed at clear milestones is a key element of our approach to creating pathways to employment for such persons. A re-invigorated National Employment Action Plan, within the architecture of the National Employment and Entitlements Service will underpin this increased level of engagement. The Minister for Social Protection will publish details of the further development and roll-out of the new approach to engagement with those on the Live Register. The Government's objective will be to ensure that the State will engage with unemployed people and advise them on training, education or work placement opportunities that are appropriate to each individual's circumstances.

Additional Activation Initiatives

We will provide an additional 6,000 specific skills training courses targeted at those who have left employments in areas where there are now significant structural employment issues – such as the construction sector. We will also provide an additional 3,000 Back to Education Initiative places which will be targeted at adults with less than the Leaving Certificate. Some 1,000 additional Post-Leaving Certificate places will be targeted at school-leavers and adults returning to education. An additional 5,900 places will be provided under the Third Level/Springboard Programme targeted at those who have left employments where there are now significant structural employment issues.

The Government will also establish a new National Internship Scheme providing 5,000 work experience placements in the private, public and voluntary sectors. This will be a time-limited scheme and will provide work experience placements for interns for a 6 to 9 month period. A weekly allowance of €50 per week on top of the existing social welfare entitlement will be payable for the period of the internship.

Taking all of these measures together, the net result is that there will be some 20,900 places available at an additional cost in 2011 of €11 million. This represents a substantial and meaningful commitment to helping people who have lost their jobs. These measures are, of course, on top of the other initiatives such as the supports for over 1,000 redundant apprentices now being put in place to enable them to complete on-the-job training.

Public Capital Projects

Public capital investment can play an important role, both in promoting employment and in addressing worthwhile, visible and pressing infrastructure needs throughout the country. Despite our current circumstances, we will continue to invest in such worthwhile and necessary projects, with the considerable sum of €4.6 billion being allocated for 2011. Capital investment can stimulate economic activity as well as providing direct employment, with an average of 8 to 12 direct jobs being created per €1 million of capital expenditure. Additionally, well-targeted investment in infrastructure can have significantly higher indirect job creation impacts in the medium term.

However, an investment programme must strike an appropriate balance between projects the purpose of which is to create new capacity, for example, new roads or new schools, and works whose purpose is to maintain the capacity of existing infrastructure by carrying out necessary repair and maintenance. The comprehensive review of State capital spending to which I have already made reference will help the Government to get this balance right in relation to 2012 and beyond.

In the meantime, I have decided that there is a case for tilting the balance for 2011 in the direction of what are called 'minor' capital works and away from 'new build' projects. This is largely on the grounds that I think more resources than originally provided should be directed towards ensuring that our existing stock of infrastructure does not become degraded. A welcome consequence of this is that there will be some modest boost to employment since 'minor' capital works tend to be more employment intensive than the larger projects.

Specifically, there will be further investment in schools, local and regional roads and the national energy retrofitting programme. The cost of these measures will be met by reallocations from elsewhere within the capital allocations of the relevant

Departments and from some of the proceeds of a new levy, the details of which I will set out shortly.

Schools

Delivering and maintaining necessary schools is one of the priorities of Government over the next five years. We will continue to invest heavily in our schools. An educated workforce has been central to our previous economic advances and is an absolute prerequisite for our future economic renewal. This will form part of the capital review which is just commencing and which is due to be completed in the autumn.

To this end, a further €30 million will be made available for school works and associated works in 2011. Some €20 million of this will be reallocated by the Minister for Education and Skills from within his own Department's allocation. An additional €10 million of Exchequer funding will be made available to the Department from the proceeds of the new levy. This will be allocated to immediately-ready projects to be delivered by schools and will lead to the commencement of an additional €40 million investment - €30 million of which will be spent this summer. A targeted programme using reallocated funds will enhance existing schools, address building defects and most importantly, provide immediate, labour-intensive employment in localities throughout the country.

The Government has also agreed that the Department of Education and Skills will continue to invest in new schools. As a result, the Department will identify and deliver two further PPP schools bundles in areas where additional infrastructure is required post-2016. Planning and preparatory work will begin immediately.

Details of these measures have been announced by the Minister for Education and Skills.

Roads

An extra €60 million will be reallocated to invest in our regional and local roads to carry out much-needed surface restoration and road reconstruction works. This important, remedial work is overdue and the additional money invested will allow local authorities to bring forward important projects to 2011 that had previously been pushed back to 2012. The local and regional roads network is fundamental to supporting economic activity away from the main urban centres and motorways. The existing road network must be maintained to a sufficient standard to ensure that the value of this important capital asset does not depreciate prematurely over the coming years. Indeed, if such work is not undertaken soon, the quality of the roads is likely to deteriorate markedly.

All in all, the reallocated €60 million will help repair about 800 kilometres of local roads right across the country. In addition to this, a further €15 million will be spent on local sustainable transport projects, in both urban and rural areas, such as cycle lanes, pedestrian routes and park-and-ride facilities. These labour-intensive schemes will have a real local impact both in the provision of direct employment and enhancing the quality of local infrastructure. These two measures will support the creation of additional jobs.

Retrofitting
There will also be an additional €19 million in Exchequer funding to the Department of Communications, Energy and Natural Resources, for the national energy retrofitting programme, to be supplemented by €11 million savings from within that Department's existing allocation. This will double the funding for the Retrofit Home Energy Efficiency and Renewable Energy Programmes in the second half of this year. Energy efficiency works are more labour intensive than other capital programmes and will therefore support additional jobs, as well as delivering long-term savings to households and to the economy in terms of carbon savings.

It should also be pointed out that, under the Retrofit Programme, each €10 million of Exchequer funding provides leverage for up to €15 million in private sector spending.

The size of Exchequer funding for this measure in future years will be considered in the capital review, to be conducted by the Department of Public Expenditure and Reform. In accordance with the Programme for Government commitment, we will prepare alternative measures to ensure that more energy efficiency programmes can be funded without further recourse to the Exchequer by end-2013, if not sooner.

SME Procurement
The Government recognises that the small and medium enterprise sector is very important to the economy and that public procurement can be an important source of business for SMEs. The Government will build on existing initiatives to promote greater access to procurement opportunities for SMEs, including through identifying and overcoming barriers to their participation in the procurement process. We will also seek to foster greater SME engagement in developing innovative products and services to meet the needs of public bodies within the framework of EU law, and will explore schemes in other EU countries in that regard.

Irish Diaspora Initiative
The Taoiseach recently signalled the Government's willingness to pilot an incentivisation scheme to encourage a broad diaspora to work for Ireland in finding potential foreign investments that result in sustained employment in Ireland.

This initiative will be piloted by IDA Ireland and is intended to complement IDA's initiative to attract more fast growth emerging companies to Ireland. The focus will be mainly on generating projects from SMEs, who are not reached through IDA's marketing and networking structures and ideally have the potential for rapid international growth.

The pilot will be structured around projects that would not otherwise have found their way to Ireland, to ensure additionality. It is intended that private sector partners, who could be from the "for profit" or voluntary sectors, will be selected following open competitive tendering, based on objective criteria such as:

- ability to deliver appropriate leads,
- international reach,
- ability and quality of proposed mechanism to filter leads for real potential,
- proposed fee and fee structure, and
- proposals to encourage the use of the fee income for philanthropic purposes.

The details of the scheme will be agreed between the Department of Public Expenditure and Reform and the Department of Enterprise, Jobs and Innovation.

Third Level Education

The Minister for Public Expenditure and Reform is announcing tomorrow a relaxation of the numbers ceiling applying to non-Exchequer funded posts in the Higher Education sector, in order to further facilitate the maximum possible employment creation potential of that sector, while also encouraging institutions to seek to diversify their sources of funding away from the Exchequer.

It is envisaged that similar type arrangements will also apply to contract posts involved in research activity in non-commercial State agencies.

Pension Levy

The various tax reduction and additional expenditure measures which I am announcing today will be funded by way of a temporary levy on funded pension schemes and personal pension plans. I propose that the levy will apply at a rate of 0.6% to the capital value of assets under management in pension funds established in the State.

It will apply for a period of 4 years commencing this year and is intended to raise about €470 million in each of those years. The levy will not apply to pension funds established here and providing services and benefits solely to non-resident employers and members. Further details regarding the proposed application of the levy are set out in the Summary of Initiative Measures.

I am conscious of the concerns of the pensions industry about the impact of a levy in circumstances where the pensions sector, in common with other sectors in our economy and society, is finding the current economic and financial environment very challenging. However, the imposition of the levy is for a relatively short period and its purpose is to improve that environment by providing the means to encourage job creation in areas of our economy most likely to deliver that employment quickly.

The levy is being confined to pension funds because I believe that the alternatives for increases in taxation elsewhere at this time would be more damaging to the economy. I will be glad to consult with the pensions industry on the legislative provisions which will give effect to the levy so as to seek to minimise, where possible, any unnecessary difficulties which this measure may give rise to.

The pension levy represents a very significant contribution by the pensions industry and the many individual savers it represents to our commitment to getting the economy moving again. I am aware that the pensions sector is also concerned, given the temporary levy, about the commitment in our agreement with the EU/IMF to reduce the tax relief on pension contributions starting next year. I will examine this issue in the context of the results of the Comprehensive Review of Expenditure currently being undertaken by the Minister for Public Expenditure and Reform, and any resulting scope for fiscally neutral changes to the EU/IMF agreement.

Fixing the Banking System

At the end of March, a range of measures was announced to reorganise, recapitalise and deleverage the domestic financial system in order to restore the banks to health and continue to provide a secure banking system for deposits.

The three main elements to this strategy - recapitalisation, strong liquidity standards and a radical reorganisation and downsizing of the banking sector with the establishment of two pillar full-service banks - are fundamental to economic recovery and job creation.

The restructuring of the banking system will result in banks that are more proportionate to the size of the economy, that can better serve business and households and provide the vital supply of credit needed to support industry and consumers.

The banking system must provide substantial new lending into the economy. The business plans submitted by the pillar banks provide for over €30 billion of total new lending over the next three years across their core business areas. Up to €20 billion of this figure will go to small- and medium-sized businesses which are the lifeblood of economic recovery.

The authorities will be rigorously monitoring the banks' activities to ensure that credit is available for borrowers meeting reasonable credit standard requirements.

Access to Credit

The plans to restructure and recapitalise the banking system represent the principal response to the challenge of ensuring the availability of credit to viable businesses. These plans are designed to secure an adequate flow of credit into the economy to support economic recovery, even as the banking system is downsized.

Notwithstanding this, there remains an issue that predates the recent banking crisis, whereby new companies or expanding companies trying to develop new products or markets struggle to secure finance. This can be due to a lack of familiarity or understanding of the new industry, the new product or the potential of new markets. This market failure in the provision of credit to viable businesses became particularly acute in Ireland during the property bubble, during which time the Irish banks lost the capacity to assess credit risk in companies that were unable to offer property related collateral.

That is why my Department will work with the Department of Enterprise, Jobs and Innovation over the coming weeks to flesh out the lending targets of the two pillar banks agreed as part of the restructuring plans and to develop a package of additional, targeted initiatives designed to address specific market failures in the provision of credit for viable businesses. These measures will, of course, be subject to EU State aid approval where necessary.

Among the issues that will be examined will be the role of the Credit Review Office, the credit assessment procedures and skills of the two pillar banks, the reporting procedures of the banks regarding new lending and what the Government can do to support the continued operation in Ireland of foreign-owned banks.

As part of this package of initiatives, and in accordance with the commitment in the Programme for Government, we will also be initiating a tendering process for the development of a temporary, partial credit guarantee scheme.

The design of the scheme will draw from international experience to support new lending that would not otherwise have been extended by the banks. In this way, the scheme will complement, rather than be a substitute for, existing lending activities by the main financial institutions. It will be designed to encourage banks to lend to new or expanding commercially viable SMEs so that they can grow their company, develop new products or expand into new markets.

The Government's commitment will be for an initial period of one year. Specific performance criteria will be set down that allow for review and revision of the scheme at the end of that initial period before committing to a roll-over of the scheme for subsequent years. There will be a modest and known level of exposure to the taxpayer when the scheme is launched but I will be expecting to see a significant positive knock-on benefit to the economy in terms of job creation, welfare savings and returns to the Exchequer by way of tax revenue generated.

The Minister for Enterprise, Jobs and Innovation and I will develop this proposal further with our officials. It is our intention to announce the details of the scheme in June with a view to having a targeted scheme in place by the autumn.

Microfinance

In line with the commitment in the Programme for Government, a Microfinance Start-Up Fund to provide loans to small businesses is being developed. A workable scheme and optimum delivery mechanisms are now being considered and this work will be brought to fruition for the December Budget.

Conclusion

A Cheann Comhairle, there is no escaping the fact that we do not have the resources available at present to fund large scale policy initiatives to help to generate economic activity. Because of the weak state of the public finances, the costs associated with the measures we are implementing as part of this Jobs Initiative must be paid for through the introduction of off-setting measures. In practice, this means that the Initiative must be budget-neutral over the period to 2014.

That in turn means that the direct stimulatory effect of today's package of initiatives will be modest and there will be no extravagant claims made in that regard from this side of the House.

But what the measures announced today principally represent are the first steps by this Government towards improving the competitiveness of important sectors of the economy and enhancing the functioning of our labour market the better to facilitate the return to work of those who are currently unemployed. These first steps will be followed by further movement towards this Government's vision of rebuilding a prosperous and productive economy by the end of our term in office.

I also believe that today's Jobs Initiative will help to rebuild confidence amongst households and firms at home and amongst potential investors abroad. In the first instance, because it is an *initiative*: it points to a Government that is alive to the fact that, despite the tight constraints within which economic policy must now be pursued, it is still possible to make policy changes for the better, and is prepared to initiate those changes.

In the second instance, I believe today's Jobs Initiative will help to rebuild confidence because it points to a Government that has a vision of what it wants to achieve, a strategy for getting there, and the energy and decisiveness needed to adopt the measures that are required.

I think the House will agree that in the early days of its tenure, this Government has not been found wanting. We identified priorities for action in our Programme for Government and we are well on the way to delivering on each of these while barely two months in office.

I commend the Jobs Initiative to the House.

SUMMARY OF JOBS INITIATIVE

POLICY MEASURES

Revenue Measures

Measure	Yield/Cost 2011 €m	Yield/Cost Full Year €m
Excises The Air Travel Tax rate will be reduced to zero on or after such a day as the Minister for Finance may appoint by Commencement Order. This measure is subject to an agreement being reached with the airlines to bring in additional passenger numbers. Costs are based on a 1 July 2011 implementation date.	-15	-90 in 2012 and -105 thereafter
VAT Introduction of a temporary second reduced rate of VAT of 9%. To support the tourism industry, a new temporary second reduced rate of VAT of 9% will be introduced with effect from 1 July 2011 until end-December 2013. The new 9% rate will mainly apply to restaurant and catering services, hotel and holiday accommodation and various entertainment services such as admissions to cinemas, theatres, museums, fairgrounds, amusement parks and the use of sporting facilities. In addition, the new rate will also apply to hairdressing and printed matter such as brochures, maps, programmes and newspapers. Full details of the activities to which the new lower reduced rate will apply will be contained in the Finance Bill. All other goods and services to which a reduced rate currently applies will remain subject to the 13.5% rate.	-120	-350 in 2012, -350 in 2013, -60 in 2014 and nil thereafter
PRSI Halving of the lower rate of PRSI until end-2013 on jobs that pay up to €356 per week.	-85	-190 in 2012, -183 in 2013, and -15 in 2014
Abolition of employer PRSI on share based remuneration.	-9.5[1]	-17.7

[1] This figure would have been reduced (by approximately 75%) as a result of the Minister for Finance's statement of 18 March 2011 to the effect that the charge would not apply in certain circumstances.

Measure	Yield/Cost 2011 €m	Yield/Cost Full Year €m
<u>Corporation Tax</u> The R&D tax credit legislation will be amended to enhance its accounting treatment flexibility.	-	-
<u>Pension Funds Levy</u> A levy of 0.6% on the market value of assets under management in pension funds and pension plans approved under Irish tax legislation is being introduced to fund the Jobs Initiative. The market value will be determined as at 1 January 2011. This will be a temporary measure for a 4 year period.	+470	+470

Current Expenditure Measures

Measure	Yield/Cost 2011 €m	Yield/Cost Full Year €m
Labour Activation An additional 20,900 places will be made available for training, education and upskilling under the measures outlined below. **National Internship Scheme** This is a time limited scheme operating for two years only with 5,000 places. Internship placements will operate for a 6 to 9 month period with the payment of €50 per week additional to social welfare entitlements. It will operate in the private, public and voluntary sectors. **3rd Level/Springboard** This provides 5,900 places for 3rd Level places/Spring board at level 6 and over of the National Framework of Qualifications. It will be targeted at those exiting sectors with structural unemployment. **Back to Education Initiative** This provides 3,000 places in back to education part time modules mainly at levels 1-4 and some at 5-6 on the National Framework of Qualifications. These places will be targeted at adults with less than upper second level education. **Specific skills training (long-term)** This provides 1,000 places in specific skills long-term training at levels 4-6 on the National Framework of Qualifications to be delivered by FAS. These places will be targeted at adults exiting sectors with structural unemployment. **Specific skills training (short-term)** This provides 5,000 places in specific skills short-term training at levels 4-6 on the National Framework of Qualifications to be delivered by FAS. These places will be targeted at adults exiting sectors with structural unemployment. **Post Leaving Certificate (PLC)** This provides 1,000 places in PLC courses which are generally one year, full-time courses at National Framework of Qualifications Levels 5 and 6. PLC courses are aimed at school leavers and adults returning to education who wish to enhance their employability and re-enter the labour market.	29	45

Measure	**Yield/Cost 2011 €m**	**Yield/Cost Full Year €m**
Education Relaxation of the Employment Control Framework for the Higher Education Sector by the **removal of the numbers ceiling on non-Exchequer funded specialist posts funded on a full cost recovery basis**, including the deferred pension cost. (Similar type arrangements are also to apply to contract posts involved in research activity in non-commercial state agencies).	-	-
Tourism **Short-term Visa Waiver Programme** This measure will apply to short stay visitors of 14 nationalities who ordinarily require a Visa to enter the State and will apply over a period from July 2011 to October 2012. Under the proposal, potential visitors who are in possession of a valid visa to enter the UK will have that Visa recognised by Ireland as sufficient to allow lawful entry to the State for short stay tourism and business purposes.	-	-
Total additional current expenditure to specified areas will amount to €29 million in 2011 or €45 million in a full year. These will be funded by reallocations of €18 million from within existing current resources and €11 million from the introduction of the levy on pension funds in 2011. In a full year, €15 million of the additional expenditure will be met from within existing resources and €30 million from the levy on pension funds.		

Capital Expenditure Measures

Measure	Yield/Cost 2011 €m
Department of Communications Energy and Natural Resources **Retrofit Programme** Additional Exchequer funding of €19 million to be supplemented by €11 million in savings from the D/CENR allocation to meet the Programme for Government commitment to increase funding for home energy efficiency and renewable energy programmes, giving additional expenditure overall on the measure of €30 million in 2011.	**30**
Department of Education and Skills **Schools Capital** An additional €30 million to be made available for school works and associated works in 2011 with €20 million to be reallocated from within the existing 2011 Education budget allocation and an additional €10 million to be provided from the proceeds of the new levy on the capital value of pension funds. Two further Schools PPP bundles to be launched, to deliver new schools from 2016.	**30**
Department of Transport, Tourism and Sport	**75**
Additional Investment in Regional and Local Roads This investment will help address the backlog of surface restoration and road reconstruction works on our regional and local road network, allowing projects previously planned for 2012 to be carried out this year. It will help repair about 800 kilometres of road.	60
Additional Investment in Smarter Travel Projects This additional investment will go towards local, labour intensive projects such as construction of cycle paths, pedestrian routes, traffic management systems and low-cost safety measures.	15
Total additional capital expenditure to specified areas will amount to €135 million in 2011. These will be funded by reallocations of €106 million from within existing resources and €29 million from the introduction of the levy on pension funds.	

SUMMARY

ECONOMIC & FISCAL

OUTLOOK

Introduction
The economic and fiscal outlook underpinning this Jobs Initiative is briefly set out in this section. Further details can be found in the Irish Stability Programme Update published last month. In accordance with the requirements under the EU Semester, presentation of the latter was brought forward from December 2011 to April. It was laid before Dáil Éireann on 29 April 2011, and subsequently submitted to the European Commission. The full *Ireland – Stability Programme Update, April 2011* document can be downloaded on the Department of Finance website at the following link:

http://www.finance.gov.ie/documents/publications/reports/2011/spuirelandapr2011.pdf

The Stability Programme Update sets out in detail the Government's medium-term economic and budgetary strategy and provides a comprehensive update of the economic and fiscal outlook for 2011 and 2012, along with medium-term macroeconomic and budgetary projections, which are set out in the table at the end of this section.

In preparing the 2011 Update account was taken of Budget 2011, the Programme for Government, the Joint EU/IMF Programme of Financial Support for Ireland, as well as the broad thrust of this Jobs Initiative. Indeed, the measures being introduced in this Initiative will, taken together, assist in underpinning the macroeconomic outlook and, in this regard, will positively assist our growth prospects.

The broad economic and fiscal outlook remains as set out in the Stability Programme Update. It is summarised in this section and updated slightly to take account of end-April Exchequer Returns data which were published on 4 May.

The overriding aim of the Government's medium-term economic and budgetary strategy is to return the economy to sustainable employment growth. This Jobs Initiative will play an important role in that regard.

This Jobs Initiative is not a panacea for our current economic and budgetary difficulties. Rather, it is about generating confidence, lifting public morale in the economy and encouraging consumer spending. The measures being implemented as part of this Initiative can also play an important role in providing opportunities for those who have lost their jobs and in generating employment. Together, all of these can benefit the economy and the public finances.

It is important that Government fosters a supportive environment where the underlying strengths of the Irish economy, of which there are many, can be showcased. Sight must not be lost of the fact that Ireland's fundamental strengths remain – a young, well educated workforce, a pro-enterprise environment, and an open and flexible economy. So that these strengths can contribute to renewed economic prosperity, sustainable employment growth is vital. This Jobs Initiative is a part of the Government's strategy to deliver that employment.

The macroeconomic impact of this Initiative will continue to be assessed in the context of the emerging picture and will feed into the next medium-term macroeconomic and fiscal assessment that will be published by the Department of Finance – the Pre-Budget Outlook – later this year.

Economic Outlook

Macroeconomic projections 2011-15

Beginning with short-term prospects, the Irish economy is expected to return to growth this year. This follows three consecutive years in which output fell. GDP is forecast to grow by ¾% in 2011, with growth of 2½% foreseen for 2012. The corresponding GNP figures are ¼% and 2%.

Underpinning this pick-up in economic activity is a strong outlook for goods and services exports. On the back of reasonably solid demand in our main trading partners and further competitiveness gains, export growth is projected at about 6¾% this year and 5¾% next year.

Confidence effects stemming from the recently announced banking sector measures, along with a re-focusing of policy towards projects with higher employment content – a key element of the Jobs Initiative – should also support economic activity in the period ahead.

Nonetheless, domestic demand is set to remain lacklustre for some time to come. On the investment front, a double-digit fall is expected again this year - housing start data are consistent with a further decline in the new house building component; while corporate deleveraging and uncertainty are weighing on equipment and machinery investment. A slight uptick in overall investment spending is projected for 2012, however, as the impetus from the rebound in exports becomes more broad-based and housing investment no longer acts as a drag.

The near-term outlook for private consumption spending is similarly muted. Households face numerous headwinds at the current juncture, not least of which is the continued need to repair balance sheets. Reflecting this, the savings rate is set to remain relatively high. At the same time, disposable incomes are likely to decline in real terms. As such, personal spending is forecast to fall by around 1¾% this year. On foot of some improvement in labour-market conditions and a modest pick-up in wages, private consumption is projected to be broadly flat in 2012.

In line with the fiscal consolidation measures set out in Budget 2011 and in the Joint EU/IMF Programme of Financial Support, public consumption is also projected to decline this year, as well as next; by 3% and 2¼% respectively.

In contrast, import growth of 4¾% is foreseen for 2011, while growth of some 4% is projected for next year. This takes account of developments in final demand, with the trend towards higher import volumes observed last year also given some weight, as this may well represent a structural shift. Notwithstanding stronger imports, more robust export growth should contribute to an improved current account position. The current account of the balance of payments did, in fact, turn positive during 2010. It is expected to show a surplus for this year as a whole, with further improvements projected for next year and beyond. This is an important development and points to the longer term sustainability of the economy as a whole.

Turning to medium-term prospects, the Irish economy is forecast to grow on average by 3% per annum in GDP terms over the period 2013-15 (2½% on a GNP basis). While exports are expected to continue supporting activity, fiscal consolidation and ongoing deleveraging will still weigh on domestic demand. That said, some firming of private consumption and equipment and machinery investment is foreseen as the recovery broadens out and spills over to the labour market. Housing investment is also projected to gradually increase; reaching 20,000 units per year by 2015 (though this is below past estimates of sustainable medium-term housing output). Domestic activity should receive a further boost from the measures set out in the Jobs Initiative, as well as from the various structural reforms that form part of the Programme for Government and the Joint EU/IMF Programme. Overall, domestic demand is projected to make a positive, though fairly modest, contribution to growth from 2013 onwards. Stock building, on the other hand, is not anticipated to add to, or subtract from, growth over the medium term.

Whereas the medium-term outlook is for a return to robust and more balanced growth, the short-term prospects set out above are more muted than those outlined at the time of Budget 2011. Compared with the Budget day forecasts, GDP growth has been revised down by around 1 percentage point for this year and ¾ of a percentage point for next year. The composition of growth has also altered, with the contribution of domestic demand revised down and the contribution of net exports revised up. These changes follow from a weaker than assumed starting position this year, along with the materialisation of some of the upside and downside risks previously identified. Moreover, inflation has picked up recently on the back of rising oil and commodity prices, while interest rates have embarked on a clear upward path earlier than had been assumed.

Given that export-driven growth is typically less employment-intensive, these compositional shifts, as well as the level changes, have implications for the labour-market outlook; and underlie the current policy focus on measures that will enhance job creation.

Labour-market prospects

Reflecting the usual lag between recoveries in hiring and those in economic activity, along with the composition and rather modest pace of growth expected, employment is projected to fall by another 1½% this year. From a sectoral standpoint, weak consumer spending and restructuring in the financial sector are expected to dampen services employment. While the measures announced in the Jobs Initiative will provide support to building activity, further losses are anticipated in the construction sector.

Looking further ahead, employment is expected to rise moderately in 2012, with the pace of hiring strengthening thereafter as economic activity picks up and broadens out. The Jobs Initiative is expected to provide support in this respect (developments in this regard will be closely monitored as the year progresses). Over the period 2012-2015, net employment creation in the order of 100,000 is foreseen, following a decline of around 300,000 between 2008 and 2011.

The labour force is projected to decline in 2011, albeit at a slower pace than in recent years. This follows from a further small fall in the participation rate, as well as demographic effects – net outward migration is forecast to outweigh the natural increase in the working age population. As the decline in the labour force is expected to be somewhat less than the fall in employment, unemployment is forecast to increase once again this year. In addition, recent data show that the unemployment rate was considerably higher in the final months of 2010 and at the start of this year than had previously been estimated. The CSO now estimate that the standardised unemployment rate was 14.7% in the early months of the year, more than a percentage point higher than the previous estimate of 13.5%. The unemployment rate is forecast at around 14½% for 2011 as a whole, up from 13½% in 2010. Budget 2011 envisaged the unemployment rate peaking at a lower level than this.

The numbers out of work should, however, start to fall next year and gradually come down over the medium term. Nonetheless, the unemployment rate is set to remain high over the forecast horizon.

Price developments

On the nominal side, consumer prices are forecast to rebound this year on foot of base effects, the modest indirect tax measures being implemented as part of Budget 2011, and a sharp rise in commodity prices, as well as some price increases for administered services. In the last few months, oil and other commodity prices have been particularly bullish, reflecting increasing global demand and more recently supply side factors, namely the political instability in North Africa and the Middle East. However, muted domestic demand and considerable spare capacity in the economy are expected to keep underlying inflation in check for some time to come.

Annual HICP (Harmonised Index of Consumer Prices) inflation is forecast at around 1% in 2011-12, with a steady rise foreseen after that. As consumer prices elsewhere are projected to increase at a faster pace, these developments will support a continued improvement in Ireland’s competitiveness position.

The widest measure of price developments in the economy is the GDP deflator – this takes into account price changes for all components of demand. This is projected to increase by about ½% this year and next, and to gradually firm over the medium term.

Risks to the forecasts

As a result of the unprecedented turmoil that the Irish economy is still going through, the degree of uncertainty and margins of error surrounding macroeconomic projections are particularly high at this time. Indeed, a number of risks to this growth outlook were identified in the Stability Programme Update.

As outlined at the time, there are the normal risks to growth forecasts in an open economy. Such risks include growth in Ireland’s main trading partners which could be stronger or weaker than assumed, and the possibility of adverse commodity price, exchange rate and interest rate movements.

Furthermore, there are risks that have already been identified as being specific to the current circumstances in which the economy finds itself. The speed of balance sheet repair on the part of households and the corporate sector, the unprecedented scale of fiscal adjustment and its effect on confidence and economic activity, and the availability of credit are by far the most important in this category of risk. The balance of risks in respect of these issues would appear to be largely to the downside.

As against this, risks to the outlook for net exports are to the upside for two reasons. First, the structural reform measures set out in the Programme for Government and the Joint EU/IMF Programme could boost competitiveness, and thus exports, by more than expected. Second, in so far as the previously outlined assumption of a structural shift in import volumes does not materialise, GDP growth could be higher than projected.

Budgetary Outlook

End-April 2011 Exchequer Returns

The end-April Exchequer Returns were published on 4 May. They show that €9.6 billion in tax revenue was collected in the first four months of the year, an increase of €606 million or 6.7% on the corresponding period in 2010. Encouragingly, the amount collected was €108 million or 1.1% ahead of expectations. By contrast, tax revenues at end-March were €136 million or 1.8% below target.

A contributory factor to the strong performance of tax revenues in the month of April was an earlier than expected payment of Deposit Interest Retention Tax (DIRT) receipts. This arose because of a payment date change and boosted April's receipts by an un-profiled €117 million.

However, even after adjusting for the impact of these earlier than profiled receipts, tax revenues in the month of April outperformed their target and on a cumulative basis were almost exactly in line with expectations in overall terms at end-April.

This is a welcome development particularly given the large increase in tax revenues forecast in the Budget, arising primarily from structural changes to the income tax system, including the introduction of the new Universal Social Charge (USC).

In terms of the performance of the individual tax-heads so far in 2011, three of the "big four"[2] taxes performed better than expected in the first four months of the year.

On a cumulative basis at end-April, income tax receipts were €60 million or 1.5% above profile. The 20% year-on-year increase in income tax receipts can largely be explained by the impact of the measures introduced in Budget 2011, most notably the USC. However, as outlined above, income tax in April benefitted from an un-profiled €117 million payment of DIRT. Stripping out the effect of this un-profiled payment, income tax receipts were still some €67 million above target in April, leaving cumulative receipts €57 million or 1.4% below profile.

VAT receipts at end-April were 1% lower in year-on-year terms and €107 million (3.1%) behind profile. This was due to a poor performance in the non-VAT due month of February when receipts from VAT were €105 million below target.

Corporation tax receipts at end-April were €70 million better than projected. The initial months of the year are not significant months for corporation tax and it will be the May/June period before there is an initial indication of the likely performance for the year as a whole. Excise duties in the first four months of 2011 were €46 million or 3.4% above target and in annual terms were up 6.1% year-on-year.

While tax revenue performance in April was encouraging, particularly in relation to income tax, it also serves to highlight the significant variability that can exist between

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[2] The "big four" tax-heads are income tax, VAT, corporation tax and excise duties. Together, revenues from these tax-heads are expected to account for 95% of total tax revenues in 2011.

months. There are challenging targets to meet in the months ahead, beginning in May, when large payments of VAT and corporation tax are expected.

The tax revenue measures announced as part of this Jobs Initiative are estimated to generate, on a static basis, somewhere in the region of a net €335 million in additional tax revenues in 2011. This equates to approximately 1% of total forecast tax revenues in 2011. Of course, the additional economic activity that implementation of these measures can bring about should generate additional tax revenue buoyancy. However, given the balance of risks and the tax revenue performance to date this year, the Budget day target of €34.9 billion remains a valid forecast at this time.

Net voted expenditure at end-April, at €14.8 billion, was €480 million or 3.3% up year-on-year but €277 million (1.8%) below target. Year-on-year comparisons are distorted by the reclassification of health levy receipts to form part of the USC, which has the effect of increasing net voted spending. This makes year-on-year comparisons difficult but, adjusting for this, it is estimated that net voted expenditure was effectively flat year-on-year at end-April.

Net voted current expenditure, at €13.9 billion in the first four months of the year, was €202 million or 1.4% below profile. Net voted capital expenditure at end-April, at €934 million, was €75 million or 7.4% below profile. The shortfalls against profile are predominantly timing related and it is currently expected that targets will be met as the year progresses.

The current estimate of the Exchequer deficit for 2011 is €18.2 billion, excluding the requirement for the borrowing which will be undertaken to part-finance the bank recapitalisations announced on 31 March. The slight deterioration in the Exchequer deficit compared to the Budget 2011 forecast is mainly due to higher than expected cash interest payments.

As set out in the Stability Programme Update, the 2011 General Government deficit is currently estimated at 10% of GDP.

Comprehensive Review of Expenditure

To ensure that future budgetary consolidation is underpinned by the most effective use of the now reduced level of resources available, the Government is undertaking comprehensive and ambitious reviews of current and capital expenditure.

Difficult choices must be made so that spending is targeted at priority areas while protecting enterprise and promoting competitiveness, consistent with the aims of the Jobs Initiative. This Initiative is part of the process of reprioritising our resources to where they can best serve the needs of our society. This will, of course, be an ongoing process.

Budget 2012

The Government is committed to achieving a General Government deficit of less than 3% of GDP by 2015 and to the aggregate fiscal adjustment set out in the Joint EU/IMF Programme of Financial Support for Ireland for the period 2011-12 as the State continues the process of aligning more closely its revenues and expenditure.

The overall fiscal adjustment for 2012 underpinning the Joint Programme is €3.6 billion and this will be implemented through a combination of further reductions to public expenditure and additional revenue raising measures. The General Government deficit, as set out in the Stability Programme Update, is currently forecast at 8.6% of GDP in 2012.

The precise nature of the consolidation measures to be implemented will be decided upon in advance of Budget 2012 in light of more up-to-date economic and fiscal data, the Comprehensive Review of Expenditure which is to be completed in the autumn and taking account of other policy orientations.

As already noted, the Department of Finance's next medium-term macroeconomic and fiscal assessment will be presented in the Pre-Budget Outlook, scheduled to be published in the autumn.

Medium-Term Budgetary Outlook

Notwithstanding the commitment to reduce the deficit in the public finances to below 3% of GDP by end-2015, it is proposed, in preparation for Budget 2013, to review progress on deficit reduction. This is prudent given the high degree of uncertainty regarding both the short and medium-term growth prospects for the Irish economy. Proceeding in this manner will also allow the results of the Comprehensive Review of Expenditure, which is being conducted in advance of Budget 2012, to be further considered for later years also.

Returning sustainability to the public finances is not just a matter of reducing expenditure and increasing or implementing new taxes, important though these are. Getting those who are out of work back to employment will, of course, be of great benefit to the public finances as it will reduce expenditure on unemployment payments and help boost the income tax yield, thereby benefitting both sides of the account. Giving consumers the confidence and encouragement to spend will also play an important role in this regard and these are the main aims of this Jobs Initiative.

Summary of Economic and Fiscal Outlook

% change (unless otherwise indicated)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Real GNP	-2.1	0.3	2.0	2.5	2.5	2.6
Real GDP	-1.0	0.8	2.5	3.0	3.0	3.0
Nominal GDP	-3.6	1.4	3.1	4.0	4.3	4.6
Nominal GDP (rounded to the nearest €25m)	153,950	156,075	160,900	167,400	174,650	182,725
Components of real GDP						
Private consumption	-1.2	-1.8	0.0	1.0	1.3	1.4
Government consumption	-2.2	-3.0	-2.3	-2.2	-2.2	-2.0
Investment	-27.8	-11.5	1.0	4.4	5.1	5.5
Changes in inventories (% of GDP)	-0.5	0.0	0.2	0.2	0.2	0.2
Exports	9.4	6.8	5.7	5.0	4.5	4.1
Imports	6.6	4.7	4.1	3.7	3.3	3.1
External position						
Current account (% of GDP)	-0.7	1.2	2.1	3.0	3.7	4.1
Labour market						
Employment	-4.2	-1.6	0.5	1.2	1.8	2.0
Unemployment rate (QNHS basis, % of labour force)	13.6	14.4	13.7	12.7	11.5	10.0
Price developments						
GDP deflator	-2.6	0.6	0.5	1.0	1.3	1.5
Harmonised index of consumer prices (HICP)	-1.6	1.0	0.9	1.5	1.7	1.8
Fiscal developments						
General government balance (% of GDP)	-32.4	-10.0	-8.6	-7.2	-4.7	-2.8
General government debt (% of GDP)	96	111	116	118	116	111

Source: 2010 - CSO and Department of Finance calculations; 2011 to 2015 - Department of Finance calculations; first published in the Stability Programme Update of April 2011. Note that rounding can affect totals.