WORKING NOTES

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BUDGET '88

NO PROGRESS ON JOB CREATION

The recent Budget should have been a major step forward in implementing the "Progamme for National Recovery". Only two budgets remain between now and the expiry of the Programme at the end of 1990.

The 1988 Budget has taken many commitments in the Programme seriously, but not job creation. For example, it took steps to stem the growth in the national debt, to honour a pay deal with the public sector, to reform company taxation, to give concessions to the PAYE sector, to protect the living standards of social welfare dependents, and so on. It did not advance one inch, however, the intention in the Programme to create 20,000 jobs a year on average in manufacturing industry alone.

The Government might plead that it is doing this indirectly by helping bring about lower interest rates. It is certainly true that interest rates have begun to come down since the Government began borrowing less. However, to rely on the investment-response from Irish business to lower interest rates being remotely near the scale required to bring about 20,000 new manufacturing jobs a year amounts to passing the buck. Cheaper capital does not compensate for a depressed market (which is what Irish companies supplying the home market now face, largely due to Government cuts) nor for poor product quality and design (which is what many export markets think of Irish products). Also, cheaper capital can lead to labour-substituting investment as much as to labour-needing investment. The Government, therefore, cannot claim to be honouring its jobs commitment in the National Programme when it points to lower interest rates.

Since 1973 (when we've had access to EEC markets and the EEC has had access to ours), there have been only four years when 20,000 jobs or more were created by manufacturing industry. That was in the late 1970s ('77 to '80 inclusive). In each of those years, however, large numbers of manufacturing jobs were also LOST so that the NET gain only once exceeded 10,000. We should note that most of the jobs created in those years were by foreign companies and most of the jobs lost were by Irish ones. Irish companies lost jobs because they lost a large share of their home market to competing imports and because they failed to develop new export markets. Recapturing much of the home market and developing new export markets remains the principal challenge.

This challenge means bringing technological and marketing skills in Irish-owned companies to world standards. It means using the resources of the State to provide risk capital for projects that the private sector alone will not develop either because the length of time that will elapse before profitability is too long, or because the spin-off economic and social effects of the project do not enter directly into the project-developer's balance sheet. It means deliberately fostering strong, 'stand-alone' Irish companies whose market strength would enable them to fund on-going research and development of new products.

The Budget, and - more importantly - the Estimates which the Budget was effectively sanctioning, do not address this challenge. For example ; the National Development Corporation has been given a derisory £700,000 to carry out its work ; the State agencies which have been urged to practice a more "hands on" or interventionist approach to Irish companies are in disarray as they undergo shot-gun marriages and the haemorhage of some of their best staff through redundancy packages.

Nothing in our recent history should lead us to expect the Irish private sector on its own to create jobs on the scale required. The Budget meanwhile is actively adding to the scale of the challenge that is being left at its door. It has done this most obviously by letting go a further 9,000 public servants, for which it is paying out £80 millions in redundancy payments. More importantly, the Estimates which the Budget has sanctioned are seriously deflationary, that is, they are reducing the overall level of activity in the economy. For, in its attempts to get its own books in order, the Government will be putting £468 million less into the economy this year than last. And, sadly for job-creation enthusiasts, capital investment by the Government (down 13 per cent) is once again regarded as an easier area to cut than current spending (down 4.5 per cent). Unemployed people have little to welcome as this Budget is implemented. After July, there will be a few extra pounds for those who have been out of work the longest. The continuation of the Job Search programme, in the context of Estimates which show a marginal cut-back on training and schemes, means that that programme is, probably, becoming the principal channel through which the State will provide whatever training or temporary work opportunities there are. But as for there being jobs to search for, the Budget has made that less likely than ever.