



An Chomhairle Náisiúnta Eacnamaíoch agus Shóisialta
National Economic & Social Council

Promoting Economic Recovery and Employment in Ireland Executive Summary

Ireland's implementation of a multi-annual fiscal consolidation and associated policies will not, on their own or as currently designed, be sufficient to promote an acceptable recovery of the economy and employment. For this reason, this report explores whether there are additional policy measures that Ireland could take to encourage domestic demand, enhance the flow of credit to business, increase employment, reduce unemployment and strengthen business development.

The report is written against the backdrop of an international economic recovery that continues to falter, and a deepening crisis in the euro area. The report begins, in Chapter 2, by briefly discussing the international crisis and the risks of co-ordinated austerity. It summarises the Council's earlier work on European economic and monetary union and the challenges that must be addressed at EU level. It notes that, at present, there is a spectrum of views on the crisis facing the euro and the risks to the international economy.

However, the dominant focus of the report is to consider policy possibilities in five areas: domestic demand, credit, employment and activation, tax and enterprise policy.

Chapter 3 describes the weakness of domestic demand and searches for measures that could be effective in increasing it. It concentrates on household balance sheets, savings and repayment behaviour and argues that there are resources that could potentially be used to increase domestic demand. It suggests that, contrary to the view that there is little or no scope to alter domestic demand, there are policy initiatives that could have an impact. These include extending current incentives for energy-efficient home improvements; consultation with pension funds as a potential source of investment; research on saving behaviour particularly among those under thirty five and over fifty; and, examining housing trends in particular a move towards higher levels of renting.

Chapter 4 explores the fear that a shortage of credit is limiting the ability of enterprises, especially small and medium-sized enterprises (SMEs), to undertake business projects. It suggests that there is evidence that the supply of credit is a problem but highlights that this provides little guidance as to possible actions. To assess the scope and nature of further policy action, the report argues that there needs to be a focus on work initiated in the past year, involving Enterprise Ireland, the Banks, the CRO and other actors. It is only such actions that can get to the bottom of the credit and finance constraint. An examination of these would also inform policy on the development of appropriate financial services and the creation of a state investment bank as recommended by the Programme for Government. NESCF views the proposal to establish a state investment bank as a key step to support business.

Chapter 5 provides an overview of labour-market policies and identifies which policies are most important in preventing the current high unemployment rate becoming structural unemployment and in ensuring that future jobseekers have the opportunities they deserve. It argues that intensive engagement with those unemployed and the quality of services and supports provided to them is key to reducing unemployment. The report reviews the major institutional, legislative and programme changes, specifically NEES and SOLAS, which are underway in how employment and further education and training supports are provided; and, in how social-welfare is administered to people of working age. In this context, it highlights the importance of public sector reform and transformation based on a stronger commitment to ongoing measurement, continuous monitoring and review in ensuring the delivery of high quality cost-effective services.

Chapter 6 considers ways in which taxation policy can best promote sustainable development and employment. It reviews the principles that should guide tax policy and tax reform in Ireland. It notes that starting with a narrow tax base, a policy of broadening the tax base while maintaining already low rates, would seem to be supportive of growth and employment. It notes the progress made by government but also the need to further alter the tax mix and broaden the base.

Chapter 7 addresses how enterprise policy and enterprise supports can respond to the changing circumstances and pressures facing enterprises and entrepreneurs. It argues that there is evidence that the enterprise agencies and parts of the wider public system—including local authorities, licensing authorities and others—are engaging in new ways with business. However, companies at times encounter a public sector that is not responsive enough. It suggests a number of actions that could be of assistance in the near term, in particular in relation to access to credit and investment; (as discussed in Chapter 4), greater use of pre-competitive public procurement; examination of business rates, and, using publically held data more creatively. In addition, it notes that the crisis places the spotlight on home-grown business and natural resources and suggests that the strategies of bodies with responsibility for Ireland's natural resources should be given heightened urgency at the present time.

The final chapter summarises the evidence and arguments. It groups possible policy actions into three categories—those which can be acted on immediately, those which require further consultation, and those that depend on greater public sector reform—in order to suggest how further policy analysis and development might proceed. The report concludes by locating this work within a perspective on Ireland's five-part crisis and the characteristics of an effective Irish response.

