

Jobs Initiative speech by Minister Michael Noonan

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.

