

PRESS RELEASE

Forfás 1998 Review and 1999 Outlook Statement

- Corporation Tax generates a record IRE2 billion (€2.54 billion) in 1998. In 1997, IRE760 million (€965 million) (45%) came from "10%" companies : the highest ever level.
- EMU Represents Fundamental-Change in Policy and Operating Environment for Business: Specific Actions to Improve Competitiveness A Paramount Issue for Firms.
- New Regional Policy and Urban Population Distribution Strategy Needed.

14 January 1999

HIGHLIGHTS

- The total corporation tax take amounted to over IR£2 billion (€2.54 billion) in 1998. In real money terms the amount of corporation tax paid in 1998 was almost five times the level paid in 1988.
- The proportion of corporation tax paid by companies paying at the 10% rate (manufacturing and international trading companies) amounted to about 45% in 1997 - up from 40% in 1992 and from only 3% in 1988.
- Manufacturing and internationally traded service companies spent over IR£23 billion (€29 billion) in the Irish economy in 1997 – up IR£2.5 billion (€3.2 billion) (11.8%) on 1996 and representing a rate of spending which does much to generate additional jobs throughout all sectors of the economy.
- The total 1998 Government allocation to science and technology amounted to IR£845 million (€1,073 million). This is an increase of 15.5% or IR£113.4 million (€144 million) over the 1997 level.
- Total permanent employment in IDA Ireland- and Enterprise Ireland-backed companies rose by almost 13,000 to 250,000, its highest ever level, in 1998. International and Financial Services accounted for 7,700 (60%) of the growth.
- New jobs created approached 29,000 in 1998 – the highest achieved over the past ten years.

- Job losses amounted to almost 16,000, up 23% on the 13,000 job losses in 1997 and representing the highest level since 1992. The increase in job losses in 1998 reflects the impact of unfavourable international market conditions on overseas and Irish-owned companies and highlights the need for continued focus on actions by firms at operating level, and by Government at policy level, to improve and sustain competitiveness.
- Part-time, temporary and short-term contract employment in manufacturing and international services has also shown further strong increase in 1998 (up 8.7%) and, in doing so, is meeting the needs of both employees and employers for more flexible working arrangements.

Forfás Chief Executive, John Travers, said:

- *New 12.5% Corporation Tax Rate* : “The decision by Government, in agreement with the European Commission, to introduce a 12.5 per cent rate of corporation tax for trading profits will help to ensure the continued flow of investment and jobs in the Irish economy and underpin the progress made in recent years. It will provide a stimulus to enterprise development and enhance the competitiveness of the business environment in Ireland.”
- *EMU – Competitiveness the Fundamental Issue* : “EMU is now a reality. It represents a fundamental change in the

economic and business landscape. The actions of individual firms to improve competitiveness becomes paramount. A *bail-out* of actions that undermine competitiveness through a currency devaluation mechanism is no longer available.”

- ***EMU – The Increased Importance of Social Partnership :***

“The advent of EMU also provides a fundamentally new context for the social partnership process which has made a major contribution to the significant social and economic progress made in recent years. The case for concluding a further agreement in succession to the Partnership 2000 agreement in 1999 is immensely strong. This must be based on a shared and objective analyses of the social and economic issues to be tackled within EMU. Among the important issues to be tackled in that context are the competitiveness of the traded goods and services sector in all its facets and an equitable sharing of the benefits of economic growth. A new partnership agreement in 1999 would have a significant impact on economic and social stability required in the years ahead to optimise the benefits of EMU for Irish business firms.”

- ***Job Creation : Increased Emphasis on Qualitative Factors :***

“Given the unprecedented progress in employment creation of recent years the focus must, increasingly, turn to the *quality* of the jobs being created. High-productivity, high value-added, knowledge-intensive jobs provide the best prospect of employment stability in any sector in an increasingly volatile and competitive global investment environment. This requires the further development of the project evaluation criteria

applied by the industrial development agencies and a further upgrading of the skills level of the labour-force through the education and training sectors”. The implications of e-commerce for the dynamics of enterprise development will need to be a particular focus for policy makers in 1999.”

- ***Infrastructure Gaps : An Increasing Barrier to Development and Job Creation*** : “Infrastructure bottlenecks, delays in major public investment projects and traffic congestion in urban areas are now emerging as potentially serious constraints on growth. Substantial infrastructural investment is needed. Strategic decisions made in this respect will be critical in determining the future growth potential of the economy.”
- ***New Regional Policy and Urban Population Distribution Strategy Needed*** : “The unprecedented and largely unforeseen levels of population and employment increase in recent years has raised the need for a fundamental review of regional policy and population distribution between urban centres within Ireland and including the issue of areas of significant urban deprivation that exist in the main cities and towns.”

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