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PRESS RELEASE

The Confederation of Irish Industry

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Speech by Mr Liam Connellan, Director General, Confederation of Irish Industry, to Boyle Chamber of Commerce, on 4 February 1977 at 8 p.m.

INTRODUCTION

Industry in Ireland has performed remarkably well during 1976 and, within the constraints of higher wage and tax increases than its competitors, has taken advantage of the opportunities which existed. Thus, industrial output grew by about 10% compared with 1975, which was the trough of the recession, and manufacturing employment increased by about 4,000 over the year. However, despite last year's performance, the output of industry has grown by only 2% and employment has dropped by around 8%, compared with the situation prior to the recession. While the upturn of 1976 was very welcome, it is clearly not sufficient to meet the need of the economy, either in relation to output or employment, or to restore the buoyancy of industrial investment.

The labour force projections, published by the NESC, indicated that 30,000 net new jobs would be needed each year from 1976 to 1986 in order to reduce the unemployment to 4% by 1986, on the assumption of minimum emigration. The Confederation believes that at least half of these i.e. 15,000 net, must be provided in the manufacturing sector.

By EEC standards, our economy is unusual. Whereas proportionately the services sector of the economy is as large as elsewhere in the community, we have an abnormally high dependence on agriculture and an unusually small industrial sector. What can be said of Ireland in relation to the EEC, can be said of the Sligo,Leitrim and Roscommon area in relation to Ireland. Thus, in the area there is exceptionally high dependence on agriculture and, as yet, a relatively small industrial base.(See Table 1)

However, this industrial base has shown remarkable growth in recent years and is, clearly, destined to expand much more rapidly during the coming decade. I would now like to examine some figures related to the population, trends, the structure of employment and analysis of industrial employment in the region.

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POPULATION

The three counties of Roscommon, Sligo and Leitrim comprise about 4% of the national work force, and about 3% of the industrial work force. About one fifth of the people are engaged in industry compared with almost one third of the people in the country as a whole.

The pattern of population in the region was one of decline up to 1971 although the emigration rate was falling substantially. The main population delcine was in the rural areas and, despite emigration, the population of the towns was actually increasing during the late 1960s.

When the Industrial Development Authority drew up its plans in 1972, it was assumed that the population in Roscommon would fall by almost 2%, that in Leitrim it would fall by over 5.0% and that in Sligo there would be a marginal rise. Although there are no hard figures available, entries in the electoral register indicate that there has been no decline in the population over the past five years.

There are, therefore, welcome indications that the drift from the region has slowed down or stopped, but it is possible that a large part of this results from the high levels of unemployment in the rest of the country and in Britain, rather than because of adequate job opportunities in the region.

EMPLOYMENT

In Roscommon alone, for example, in the ten year period up to 1971, about 400 people left the land annually but less than 100 jobs per year were created outside agriculture, with the result that the total population dropped by about 600 per year.

Since that time there has been the recession, bringing about the closure of a number of firms. Despite this adversity, the number of jobs that have been created since 1973 has almost reached the targets set up by the IDA. Many of these jobs have been created through the small industry scheme, which has aided the considerable native entrepreneurial talent of the region.

This talent must be encouraged even further. As the drift from the land continues and as the population stabilises, or even rises, the more acute will become the problems of unemployment. In 1973, unemployment in the Roscommon/Sligo/Leitrim region was 2,813. Three years later, in 1976, the number out of work had risen to 4,066, some 1,250 more than in 1973. The problem can be seen even more clearly when one considers that the IDA's aim of creating 1,800 new jobs in the region between 1973 and the end of 1977 is close to target.

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Employment for many years now has been sustained by the agricultural sector, with the manufacturing sector playing a less prominent role. As you can see from Table 1., some 46% of the total employment in the Roscommon/Sligo/Leitrim area is taken up by the agricultural sector, which is far higher than the 25% in the country as a whole, and which, in turn, engages many more people in agriculture than the rest of the EEC.

As the natural drift from the land continues, and this is necessary to improve farm efficiency, out of every three jobs required, two must come from the industrial sector and almost all of these must be created in the manufacturing sector.

There are now about one hundred manufacturing firms employing more than five people in the three counties. This is the base on which the future prosperity of the region must be built. It is quite clear that the region needs about four hundred more industrial jobs each year than are currently being generated. I am not saying that it is the IDA's responsibility to provide all of these jobs. The IDA can only provide incentives for industry itself. Whereas many of these jobs may be provided by new firms, in a healthy society the majority should come from the growth of established industry.

While this may seem a daunting task, a quick look at the structure of the manufacturing sector (see Table 2.) shows that, although proportionately smaller than in the whole country, the pattern of employment is spread over all sectors and is not that dissimilar from the national pattern. As might be expected, the strength of the agricultural base also gives rise to a strong food sector. The main difference between the region and the rest of the country is the greater reliance on the wood and furniture sector, and on the mining, quarrying and turf sector. The craft industries are strong in the region and should be encouraged to expand and export their wares.

During recent years the area has succeeded in attracting many new industries to produce plastics, drainage pipes, mirrors, electric clocks and weighing scales, textile fibres and machinery, clothing, stainless steel products, hydraulic pumps, joinery and pre-fabricated buildings, locks and tools, as well as the great spin-off from the agricultural sector in all kinds of food processing. Increased output from agriculture, although it may not lead to higher employment, will provide the valuable raw materials for expanding the food processing sector.

Similarly, a large number of small industries has started up or expanded, based on local flair and raw materials. These include all kinds of joinery and wood-craft, precision engineering, stone facing, machinery repairs and wrought iron work.

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Small firms can continue to expand and to seek opportunities in the industrial structure of the region. Large textile, meat processing, creamery, joinery, chemical and engineering plants offer opportunities for the supply of components, for maintenance work and for job printing, all of which can be ideally suited to small firm production. The seventy or eighty small manufacturing firms in the region should make it their business to market their services aggressively to the larger firms on their doorstep, as well as to the general public. The increasing of the tax threshold for small firms from £5,000 to £10,000, together with the possibility of a 25% rate, if output and employment are expanded, should be a significant stimulus for the expansion of small industries.

CLIMATE FOR ENTERPRISE

For some time, we, in industry, have been vociferous in pointing out that for a variety of reasons, such as high taxation, little reward for effort and a high rate of cost increase, the climate for enterprise in Ireland was unfavourable. We urged the Government to recognise this and to take appropriate action to improve the climate and to give full recognition to the role which the private sector could play in the development of the economy.

We recognise that Government has gone a long way to rectifying the situation. The introduction of a personal tax concession as part of a pay/tax package, conditional on the acceptance of the draft National Pay Agreement, was a step in the right direction. The recognition of the need for personal reward and incentive; the special taxation relief introduced for small firms; the extension of stock appreciation as a permanent tax relief for manufacturing firms, with some exceptions; the abolition of stamp duty on office block development; and the proposal to reduce company taxation on manufacturing firms supplying the home market to 25% for a period of three years, subject to specified outout and employment criteria,were all welcome developments which, when implemented, should considerably improve the climate for industrial expansion in the country.

The shape of the Public Capital Programme is such that it should certainly give a boost to the building and construction industry. The £36.6 million extra allocated, provided that the new national pay agreement is ratified, increases the programme by 22% in cash terms, which implies a volume increase in the order of 6%. This additional expenditure gives another £4 million to the Industrial Development Authority, £3 million of which will be for capital grants and £1 million for advance factories. The total allocation to the IDA is broght up to £60 million, and we must see that every penny of the £60 million allocation is taken up. If, like last year, this is not the case, then the impact of the budget on economic growth will be so much less and the number of jobs that could have been created will be wasted. The same can be said of the extra £2 million allocated to the Industrial Credit Company, to be used by companies who may find it difficult to raise the money through the commercial banks.

It is important that these additional allocations to industry are taken up because, while the additional money which is to be spent on educational buildings and on hospital construction is socially desirable, and will, undoubtedly, increase employment in the building and construction industry, it will have little or no impact on increasing the productive capacity in the economy.

The money to be spent on improving the infrastructure is to be welcomed. Although the increases in the telephone and postal charges are high and will combine to make onerous demands on industry, nevertheless, they will be worth it, if they lead to a better or more self sufficient service. The telephone system throughout the country is badly in need of improvement and a good system is vital to the expansion of both existing and potential industries.

The reduction in company taxation for manufacturing firms to 25% will be subject to achieving certain output and employment levels. The Confederation will be having discussions with the Department shortly to work out the mechanics of this scheme. It is unfortunate that the present flat rate system for the payment of the Social Welfare stamp was retained, since this discriminates against the labour intensive industries. Conversion of the scheme to a percentage basis would have removed this anomaly. On the other hand, the new Employment Premium Scheme, giving £20 per week for each additional person employed who would have been on the unemployed register, together with the £10 per week for each school leavers taken on, will be of assistance to many firms. We hope that a sufficiently flexible package can be built from the Employment Premium Programme, the Capital Grants and tax reliefs to stimulate growth and expansion from all firms.

I believe that the Government recognised the hardship from which industry has suffered in the recent years and has, at last, adopted policies which will keep down the rate of inflation. Furthermore, it has recognised that business must retain profits by reducing the tax rates. The Government is saying to us "we have given you the environment, now let's see if you can produce the goods."

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And we must produce the goods. We must take up the opportunities to increase investment and employment and profits. Within this region you have the people, you have the industrial structure, you have good rail links and plenty of water. During the coming year we must make every effort to use the incentives provided in this budget and to show that industry can take up the challenge. The more successful we are, the more likely it is that future Governments, of whatever party, will strive to maintain an environment which is good for the development of the private sector.

END

TABLE 1. STRUCTURE OF EMPLOYMENT

	EEC	Ireland	Sligo/Leitrim/Roscommon
Agriculture, Forestry & Fishing	9%	25%	46%
Industry	43%	31%	21%
Services	48%	44%	33%

TABLE 2. SECTORAL EMPLOYMENT

	% of Transportable Goods Industries Employment		
	EEC	Ireland	Sligo/Leitrim/Roscommon
Food, Drink & Tobacco	9	27	26
Textiles	8	9	5
Clothing & Footwear	7	9	7
Wood & Furniture	4	4	14
Paper & Printing	6	8	3
Chemicals	7	5	4
Structural Clay & Cement	5	6	6
Metals & Engineering	45	20	15
Other Manufacturing	6	8	8
Total Manufacturing Industry	97	96	88
Mining, Quarrying & Turf	3	4	12

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