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Contribution PR Inst Ireland

Intro
Productive Sector
15k Net Growth required
Trading - Environment
Structure
Problems now
Aim

EMBARGO
28 JAN 1975
Time

FORGING A NEW IMAGE FOR INDUSTRY

Change in attitude to a) Investment, tax b) Price Control c) Exports d) Home market e) Prospects

Introduction

The image of industry must change because reality has changed. Trading conditions have become different with the freeing of trade. New firms from abroad have altered the structure of industry radically. One third more people depend directly on industry for their jobs than in 1960. It accounts for a higher proportion of the work force each year. More and more, it is true to say that what is good for industry is good for the country! Industry in Ireland is now international in trading and ownership; competitive and up to date.

Productive sector

In common with the EEC as a whole, the productive sector, including agriculture and industry, comprises 55% of the labour force in Ireland. However, whereas agriculture accounts for 10% and industry for 45% in the EEC, the position in Ireland is that agriculture accounts for 24% and industry only 31%. It is, therefore, likely that the combined productive sector will continue to account for about 55% of the labour force but that there will be a continuing movement from farming into industry. Industry remains, and will remain, the main source of new jobs. It has been estimated that 15,000 net new jobs per annum are required over the next decade in order to approach full employment. Given a dynamic and fast growing industrial sector, this target could be achieved - without one, the economy will become a wasteland.

Ind Growth Regd-

For about twenty years industry has increased its output by <u>6% per</u> annum, reaching a peak of <u>11% in</u> 1973. Due mainly to technological change and improved management techniques, productivity increased by <u>about 5% per annum</u>. Employment over the period increased by <u>about 40%.</u>

The depressed conditions of 1974 reduced the industrial growth rate to less than <u>4% and</u> resulted in a decline in employment.

The economy needs a sustained industrial <u>growth rate of 13% per</u> annum in order to reach the target of <u>15,000 net new jobs per annum.</u>

Trading Environment

The <u>trading environment</u> has also changed dramatically. In 1960 the typical tariff against British industrial imports was 40% and 60% against goods from other countries. Five months from now, the tariff against most British goods will be eliminated completely, and twentythree months from now will see the disappearance of tariffs against goods from the EEC. Industry in Ireland has changed from a position of high protection to free trade, and, at the same time, has succeeded in maintaining an average annual growth in output of 6%. It is true that much of this growth has been achieved by inviting firms from abroad to set up subsidiaries in this country. Nevertheless, it is worth noting that, approximately, two thirds of industry in Ireland remains in Irish ownership.

spend 1/2 funds visible

7% v 3%

Structure

Middle East

Scandinavia

France

Britain

France

imports up 50%

Similarly, the structure of industry has changed. The <u>food, drink and tobacco</u> industry now accounts for 25% of employment, compared to 30% in 1960, and 10% in the EEC as a whole. The <u>textiles, clothing and footwear</u> sector accounts for 22% of employment, compared to 28% in 1960, and 15%

......./

Capital goods [£100 m]

in the EEC as a whole. The engineering sector now accounts for 21% of employment, compared to 15% in 1960, and 45% in the EEC as a whole. The chemical sector now accounts for 5% of employment, compared to 3% in 1960, and 8% in the EEC as a whole.

the Problems now

We have, therefore, witnessed a rapid evolution with relatively low disruption - that is until the middle of 1974. Since then, industry in Ireland, as in many other countries, has had to contract its production programmes in order to survive. This has resulted in job losses in manufacturing, running at an annual rate of about 25,000. This drop in employment was caused by the combination of a fall off in demand, and greatly increased working capital needs following higher oil and raw material prices.

Aim ~~Objective~~

Much of this unemployment is cyclical in nature and may be eliminated when international demand recovers. Our industry is modern, and competitive internationally. However, it has not yet got sufficient momentum to meet the employment needs of the economy. This would require an output growth of about 13% per annum. It is clearly desirable to achieve this growth, primarily, from firms now operating in Ireland. It is not good enough that we must still rely on new foreign enterprises for 60% of the new jobs created annually. Isn't it possible that the degree of dynamism necessary can be generated internally?

......./

Last November, the Confederation estimated that industry would be about £63 million short if 6,000 additional jobs were to be created in 1975. The stock appreciation concession announced in the recent budget reduced this deficit by about £10 million. Further steps can and must be taken.

Prod Investment

£500

£250

~~£15,000 / job~~

£20,000 / job ..

We need a new radical attitude towards productive investment. It costs about £6,000 per annum for the short term retention of an existing job, and about £1,500 per annum for pay related unemployment benefit. Does it make sense to tax industry, supplying a fiercely competitive and open home market, at £300 per employee during a period of high unemployment, if it can be shown that the money would, otherwise, be retained for productive purposes within the firm?

Price Control.

Price control has the effect of allocating funds between industry and the consumer. Unemployment occurs when industry has inadequate resources to maintain production. Present Government guidelines do not allow industry to recover its full cost increases through price increases. This reduces the funds available for job retention.

Exports

Exports must be developed. At present, Irish industry sells half of its net output abroad. Even in depressed international trading conditions, a small country can seek out new markets and maintain its rate of expansion. We should not be satisfied with less than a 12% volume increase in exports for 1975. The Confederation will give its full support to the series of Irish missions and exhibitions announced last week by CTT.

50% and only spend half

Middle East –

Scandinavia –

France →

Germany →

However, industry is inhibited from developing export markets for capital goods at present, because of the inadequate export credit scheme. The Confederation made a detailed formal submission to the Government last August for a revamped internationally competitive scheme, **the net** cost of which is minimal. Every day of further delay is an opportunity lost.

Home market

"Think before you Buy"

Buyers Guides

TABLE 6

We must hold our share of the home market. Industry itself has the duty to inform consumers on the products available. Everyone can make a contribution to home market development by insisting, at least, on being given the choice of the equivalent home product. The pre-Christmas campaign was successful but the effort must be sustained. It is worth remembering that a shift of 10 percentage points in buying on the home market can, itself, retain 15,000 jobs. This would imply a share of the home market similar to that obtaining in 1966. This share must be won through active marketing and sensible buying. Role of PR.

Prospects

Finally, I believe that there are brighter prospects ahead. Commodity prices are falling. An international borrowing facility has been agreed by the EEC. Beef prices are rising. The rate of price increase in OECD countries is expected to fall later this year. Our trade deficit has halved in the last quarter of 1974, compared with the second quarter.

Industry in Ireland has come of age. It has now the potential to control its own destiny. Its output is comprehensive. It is international in outlook, trading and ownership. It is modern. Our task now is to devise a system which will not only assist the rapid development of individual firms, but will also create interdependancies, share knowledge, experience and resources, so that the full growth potential can be attained on the home and export markets. The whole can be greater than the sum of its parts. There is no fundamental reason why a 13% growth rate cannot be achieved. I am confident that, given the right environment, industry has both the capacity and the will to achieve this goal in the medium term. In the short term it needs quick help to maintain employment.

Fault dear Brutus lies not in our stars.

Pull up by own bootstraps.

Export + Home Market

Exports 10% vol increase = 10,000.

10% home market shift 70/30 to 80/20 = 15,000.

We can.