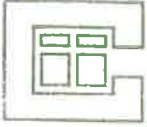


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# PRESS RELEASE

## The Confederation of Irish Industry

Speech by Mr Liam Connellan, Director General, Confederation of Irish Industry to Kilkenny Rotary Club at the Club House Hotel, Patrick Street, Kilkenny, at 1 p.m. on Monday, 15th September 1980.

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### NEED FOR PAY PAUSE

Some people ask why Irish manufacturers are not able to compete with their German counterparts when hourly pay rates in Ireland are so much lower than German levels. The answer is that German productivity is also much higher due to higher investment, more sophisticated technology and more developed industrial organisation. In addition, German firms operate in the centre of the European market, rather than on the periphery and, therefore, obtain advantages in lower transport and service costs. Irish firms can only increase investment in equipment and technology by making sufficient profit to finance the costs of development.

Since early 1979, Irish industry has lost its share of the British import market, and of the home market for consumer products. This has happened, mainly, because Irish pay costs have risen much more rapidly than those of our competitors in Germany, Belgium, the Netherlands, the United States and Japan. Since Irish industry uses more labour per unit of output than those countries, the effects of rapidly increasing pay costs are magnified.

Irish pay costs rose by 17% in 1979 compared with about 7% in Germany, the Netherlands, Belgium, the United States and Japan. They will already be 15% higher in 1980, before any new pay agreement, whereas costs in most competing countries will rise by only 8%. Irish firms are, therefore, losing orders and market share at home and in Britain with consequent losses of output and employment. Order books are at the lowest level since 1975 and are unlikely to increase significantly unless the rate of Irish cost increase is reduced to those of our main competitors. It is clear that a pay pause is essential to halt job losses.

Every 1% by which pay costs increase in excess of our competitors, will cost the economy £40 million, which is sufficient to provide the working capital necessary for 8,000 jobs. The wide gap between pay costs increases in Ireland, compared with our competitors in Germany, the United States and Japan goes a long way to explain why unemployment is now rising by 4,000 per month. This is happening despite a continuing growth in international trade. Foreign markets are continuing to grow but high costs are preventing established Irish industry from maintaining its share of these markets.

The National Council of the Confederation of Irish Industry, at its September meeting, has expressed its serious concern at the impact which the current rate of pay cost increase is having on manufacturing output and employment.

END.