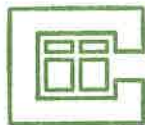


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# PRESS RELEASE

## The Confederation of Irish Industry

Speech to Drogheda Rotary Club by Liam Connellan, Director General, Confederation of Irish Industry, at the Boyne Valley Hotel, on Monday, 13 October 1975.

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Figures published over the week-end show that unemployment continues to rise. During recent weeks a number of manufacturing firms have announced their intention to further curtail staff.

The present recession is the deepest for many decades. Three years of industrial growth and six years growth in manufacturing employment have been wiped out. Industrial production is down 10% on last year, and the exports of manufactured goods, excluding foodstuffs, have fallen in recent months to a level 15% below last year. Even foodstuffs exports are artificially distorted as a result of the high rate of destocking of cattle.

This fall in Irish manufactured exports is greater than the fall in exports suffered by most other countries. A declining share of international trade is a clear indication that our goods have become uncompetitive.

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Price a greater factor than the recession :

Response to a recent survey carried out by the Confederation among its member firms indicates that twice as many firms consider the disimprovement in price competitiveness , rather than the recession, to be the main reason for loss of export orders. There is little doubt that millions of pounds worth of orders have been lost because Irish prices are too high. This suggests that as much as half the 35,000 increase in unemployment was caused, primarily, not by the recession, but by prices which were too high. Since Irish unit costs have been rising more rapidly than those of our major trading partners, such as Britain, Benelux, the United States, Germany, and France, there is a clear relationship between the relative increase in unit costs and higher unemployment.

I am not suggesting that we should not all aspire to higher standards of living. However, if the result of this aspiration is that our products are not being sold because our costs are too high, this forces a major reduction in standard of living for those thrown out of work through lack of orders. And orders are being lost. The following comments from CII member firms, both domestic and foreign owned, bring home the reality of our current situation :

"We are down 40% on projected sales in Britain for 1975 because we cannot compete on price".

"We have just lost a six months contract worth £110,000 due entirely to price".

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"Higher wage costs and lower productivity are causing loss of important export business in the U.K."

"Now taking orders on marginal cost basis. Continuing labour cost increases have placed excessive pressure on export competitiveness".

"Export competitiveness has declined seriously during 1974 and 1975".

"Have lost £1 million order because domestic costs have been rising too fast".

"Still competitive, but losing ground fast".

"We are no longer competitive with our U.K. parent which has used Ireland as a supply base. This work is now ceasing and several hundred jobs are in jeopardy".

"Lost substantial orders, mainly to local suppliers, in vicinity of £100,000 in Britain and £50,000 in Scandinavia on price alone".

These replies have come from firms mainly engaged in exporting to Britain, U.S. and Canada, France, Germany, and the Benelux countries. These countries are still regarded as offering the best prospects for Irish goods, and account for over 80% of our exports.

When are the full implications of these developments going to be recognised? The labour force is about to start growing by 20,000 per annum, but instead of creating this number of new jobs, we have lost, at least, an equivalent number in the last year, and up to half of these were due to loss of price competitiveness. Even before the present recession, only 3,000 net new jobs were being created annually in industry. Already, a leading economist has suggested that the next wave of emigration will be to Continental Europe. Must there be a next wave?

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As the duration of the recession becomes more prolonged, it is more difficult for marginal firms to stay in business. Profits this year are well down, perhaps by a half, while wages for those still at work have gone up by a quarter. A large number of manufacturing firms have had to plead inability to pay the current National Pay Agreement. But, it must not be forgotten that many firms which have paid the agreement rates are losing orders and unable to retain or create jobs, because their prices are too high.

Every 1% point increase in wages and salaries will guarantee that further orders will be lost and that thousands more people will be put out of work. Is it in the interests of our community that this should go on? No one wants a cut in living standards but if we, ourselves, do not agree to share the burden equally, then international competition will ensure that it is shared unequally through increased unemployment.

Already the burden is being unequally shared by the many workers in the manufacturing sector who are not getting the current agreement in contrast to the vast majority in the services sector.

Yet manufacturing industry, making internationally traded goods, is the main dynamic for growth in the modern economy. This is particularly true of the small open Irish economy. Manufacturing employment generates the need for service employment. Cost increase standards should reflect the needs of the manufacturing

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sector. Industry will grow in step with international trade as long as its costs remain in step. The fact that the costs of Irish industry have risen faster has ensured that the current recession has bitten much more deeply than it need have. Unless there is a change, a similar situation will occur when there is an upturn in international trade, as Irish output and employment will grow less rapidly.

Wages and salaries comprise by far the greatest element in price increases at present. They are also within our own control. The most effective short term measure to restore competitiveness is, therefore, to halt the rate of wage and salary increases until our goods become competitive again. This action should be supplemented by a much greater emphasis on solving the difficult problems of raising productivity levels. In this way, it can become possible to justify increases in incomes without increasing the unit costs of production.

END