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# PRESS RELEASE

## The Confederation of Irish Industry

Paper by Liam Connellan, Director General, Confederation of Irish Industry, at Seminar on Sheltered Employment organised by the Union of Voluntary Organisations for the Handicapped, at 3.35 p.m. on Friday, 22 May 1981 at the Montrose Hotel, Dublin.

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### SHELTERED EMPLOYMENT : A PERSPECTIVE FROM INDUSTRY

First of all I wish to express my appreciation for your invitation to speak at this important conference in the Year of the Disabled.

The disabled are an integral part of our community and have the same rights as other members of the community. Their ability is as important as their disability. The rights of disabled people include that of having an opportunity to work where possible and to have a fair chance to compete for jobs. Where this is not possible, because of the degree of disability, it is clear that special facilities must be provided which offer employment for those who are able to contribute to productive output, even at a reduced level to that of the rest of the community.

### Economic Necessity to Reduce the Dependency Ratio

It is desirable that everyone who can work and contribute to the economic development of society should be given the opportunity to do so. Work fulfils the basic needs of most people to provide goods and services for others, to earn money, and to combine their efforts with others so that the whole is greater than the sum of the parts.

The standard of living of the community is directly related to the proportion of the population engaged in paid employment. In Ireland this proportion is low. We have one of the highest labour dependency rates in the European Community at 1.8 compared with the European average of 1.43 and a dependency ratio of only 1.16 in the United Kingdom. This means that every member of the paid labour force in Ireland must support on average 1.8 people, compared with 1.16 in the United Kingdom.

This dependency ratio has important implications for the level of income per capita in the economy. This tends to be lower in those countries with high dependency ratios. The main reason for Ireland's high dependency rate is the age structure of the population. We have a much higher proportion of the population in the younger age groups who must be supported. The dependency ratio changes very slowly over time and will remain high in Ireland for at least the next twenty years. It is, therefore, important economically that everyone who can make a contribution to increasing the national output should be encouraged to do so and should be given the opportunity to do so.

It is desirable that as many disabled persons as possible should be absorbed into normal industrial and service employment in both the private and public sectors. Organisations should not be unduly reluctant to employ disabled people who have the capacity to work effectively. The publication of a booklet "Employing the Disabled - Handbook for Employers" by the UVOH recently, under sponsorship from the Employer/Labour Conference, with the support of the Federated Union of Employers and the Irish Congress of Trade Unions, was a most welcome development. Every employer, whether employing disabled persons or not, should read this booklet. It is useful because it informs employers of the grants that are available when alterations to factories are required in order to accommodate disabled persons and also provides information on financial assistance for training. It draws

attention to the fact that many employers may not be aware that an employee is disabled and may not know of desirable adjustments to working conditions. This applies particularly to the less obvious forms of disablement, especially those concerning illnesses such as neurosis, psychosis and personality disorders.

Many thousands of mildly disabled people have found jobs in industry and the services, and, with relatively little hardship for themselves and relatively little disruption or cost to the employer, are capable of working in open employment. It has been estimated that about 6% of people between the ages of 21 and 64 i.e. those in the working age group, are either mentally or physically disabled. It is clear that the labour force in paid employment should, in some way, reflect this. I know that many firms in the commercial sector have shown willingness to employ disabled people. I hope that many more will do so and that they will make a special effort in this, the Year of the Disabled. Disabled people must be given an equal chance for employment where skills or intelligence are appropriately matched for the job opportunity on offer. It is important that prospective employers of the disabled should be aware of the considerable amount of support service provided by voluntary organisations and the National Rehabilitation Board in helping to overcome the many problems which may arise.

It is worth drawing attention to the fact that research findings indicate that disabled employed persons, who have been appointed after a careful selection procedure, compare very favourably with ablebodied people in relation to illness, absenteeism and productive output.

### The Case for Sheltered Employment

The comments which I have made so far relate to the less severely disabled and those who have successfully undergone a course of rehabilitation which has brought them to more than 70% of ablebodied productive efficiency for relevant work, and who can compete successfully in open employment. The work performance of such people underlines the importance of rehabilitation. Studies carried out by Dr Kieran Kennedy and others have shown that, on purely economic grounds, the cost of rehabilitation is more than repaid by the productive output generated as a result.

It must be recognised that there are many cases where rehabilitation to such a level of efficiency is not possible. In these cases the question of providing some form of sheltered employment in which such people can work must be examined on economic and social grounds. The social case for providing employment opportunities is self evident. The right to work, which ablebodied people cherish and which provides people with independence and personal challenge, is equally, if not more highly, regarded by the disabled.

On economic grounds a case can be made for providing employment for people who, on average, would operate at 45% to 50% of ablebodied efficiency. A disabled person who has no means of employment is in receipt of social welfare payments which must be provided by the Exchequer out of tax revenue. Such a person living at home could be visited by social or medical workers at frequent intervals, requiring further Exchequer expense. Through having no employment, a disabled person may also prevent a relative from taking up employment because they are needed in the home to care for the disabled person. These factors have substantial negative effects on the economy. The Exchequer receives no

income tax, which would have been associated with a disabled person at work. The level of consumption of the household is probably reduced and with it the amount of revenue collected in value added tax and other indirect taxes; the output which would have been associated with an employed person would have attracted VAT, and the lower level of consumption reduces demand and employment in other sectors of the economy. The net effect is lower output, lower income, lower consumption, lower taxation revenue but higher Exchequer expenditure. The converse of all of these factors apply if the disabled person can be gainfully employed - even if that employment must be subsidised.

Most of the work that would be carried out by the disabled in sheltered work environment would tend to be of a labour intensive or knowledge intensive nature and, probably, not highly capital intensive. The cost to the State in providing grants for capital investment would be relatively low. It is unlikely that the investment cost per job associated with building special workshops would be higher than those required in the average industrial firm. The level of investment per job in sheltered workshops would probably not be exceptional.

If a decision were taken to encourage the planned development of a large number of sheltered workshops - and I do not know of any suitable alternative to the provision of special employment facilities for those who cannot take their place in open employment - then the question must be raised as to how current operating losses should be subvented and what criteria should be used to judge the commercial viability of each venture.

I believe that if sheltered workshops are to work in both an economic sense and in the more important sense of providing disabled people with genuinely useful employment opportunities, then the workshops themselves must be run on a commercial basis with professional cost control and management. They must compete

in terms of marketing, price, quality, delivery and dependability. No consumer will buy the output of sheltered workshops out of any sense of charity - which in any case would defeat the purpose of the workshops. The consumer will buy quality products which are competitively priced.

#### Experience in Other Countries

The approach taken in other countries where sheltered workshops have established successfully has been to stimulate competitive production and pride in the quality of the goods produced.

For example, in the United Kingdom Remploy started in 1944 as an experimental factory in Glamorgan in response to a Government call for the establishment of large scale sheltered employment. After only one year in operation it employed 300 people and today the conglomerate group employs over 8,000 people in 89 factories throughout the United Kingdom. The group expanded its range of activities to cover 150 different products and now has large export and home sales. Its competitiveness can be judged by the fact that it supplies branded products to some of the largest and most competitive retail chains in Britain.

It has had to grow and adapt to changing markets and to the changing needs of its employees. From being an employer of mainly physically disabled people after the war, it now employs many people suffering from nervous and psychiatric disorders and mental illnesses. In the early 1970s the industrial activities of six separate groups were combined and streamlined into three main trading groups which coordinate the work of fourteen special operational divisions. These changes serve to demonstrate the flexible approach needed to organisational and management structures, and they can best be achieved by operating to commercial criteria.

Only a year ago in Sweden, sheltered industrial activities for the disabled have undergone sweeping organisational changes in order to rationalise their management and marketing efforts so that the group can "operate and compete on equal conditions with Swedish industries, both nationally and internationally". This reorganisation has brought the terms and conditions of employment of the disabled to a closer relationship with those in industry generally, and has again succeeded in providing meaningful employment for the disabled.

If the aim of sheltered workshops is to provide satisfactory employment for the disabled, this must imply that the terms of employment bear a close relationship to the market rate. In Remploy for example wages vary from about 70% of the market rate to about 100% depending on the type of work and the degree to which disablement inhibits competitive production. If wages are not reasonably close to the market rate, disabled people would have little incentive to work and may be tempted to rely on social welfare benefits, or alternatively, the workshop employment would become less a real job and more a place to pass the time. This has clearly not been the approach in the commercial type sheltered workshops which have been set up in Britain and Sweden.

#### The Need for Subvention

The management of any sheltered workshop must not themselves be sheltered from the realities of commercial life. Each workshop should be eligible for participation in a grant system, specifically related to the average level of disability of its employees; initial training allowances; capital equipment purchases; and assistance to overcome other factors such as locational disadvantages. The combination of these factors should be reflected in an annual grant-in-aid after which the workshop should be required to, at least, break even.

This will ensure that workshops are careful in their selection of staff and will only employ people who can produce the goods or perform the tasks required. For example, I understand that Remploy in Britain will recruit staff on a normal probationary period and they are offered permanent employment only after demonstrating a satisfactory work performance during this period. In this way, sheltered workshops can flourish and provide true productive employment which can use the full abilities of their staff.

It must, however, be recognised that there are many factors which add to the cost of production which do not have to be borne by the rest of industry. The slower pace of activity itself is a major factor in increasing unit costs. There may be higher overheads or supervision and higher costs because of the use of specialised or specially adapted equipment. The *raison d'etre* of sheltered workshops is to bring employment to the disabled with the result that factories must be established in the locality of the workforce rather than in the most suitable place for either marketing their products or sourcing raw materials. These factors must be considered when designing an appropriate grant system.

It is desirable that a comprehensive system of grants should be available which would offset the main disadvantages in operating costs incurred by an individual sheltered workshop. These disadvantages should be assessed on an objective basis and result in a global annual grant-in-aid which would be made available to the management of the sheltered workshop. On receipt of the grant the management should be given a directive to, at least, break even. I believe this formula would engender a spirit of enterprise and leave adequate flexibility for the management of the enterprise to use its resources to the best effect for the survival and expansion of the individual business.

### National Coordination

It seems to me that national coordination is necessary at two levels : in the provision of grant finance and in coordinating the work of individual sheltered workshops.

It is clearly desirable that grant finance for sheltered workshops should be provided by a single agency which would have the capacity to provide grant assistance for training, employment, capital purchase, and to offset other relevant disadvantages. This work could possibly be carried out by a division of an existing organisation such as the IDA or the National Rehabilitation Board with a specialist advisory committee, drawn from relevant voluntary organisations.

It is probably desirable to examine the possibility that all commercially run sheltered workshops should come together under one national umbrella organisation which could provide specialist advice to people setting up new workshops: improving the efficiency of existing workshops and providing group functions in activities such as purchasing, finance, marketing, workshop lay-out, advice and equipment and other relevant factors. This approach has been adopted successfully in Britain for almost forty years, where, as I pointed out earlier, the Remploy conglomerate group employs over 8,000 people in 89 factories, manufacturing 150 different products. It has also been adopted more recently in Sweden where the foundation of Swedish communal industries operates 370 workshops employing 27,000 people.

A commercial umbrella organisation of this nature would complement the extremely valuable rehabilitation work of organisations such as the National Rehabilitation Board, the Rehabilitation Institute and the large number of specialised organisations.

It seems logical that if national coordination makes sense in large economies like Britain and Sweden, it must be of even greater value in a small economy like that of Ireland.

This would mean that organisations currently running sheltered workshops or community workshops would be given the opportunity to affiliate to a national organisation in order to obtain the benefit of specialist services and advice and to improve their competitive efficiency.

The development of a sound commercial organisation of this nature will not be easy. I believe this is worthy trying. Sheltered workshops have shown that they can manufacture products of excellent quality, comparable to the best available. In the past, this has tended to apply to the manufacture of specialist handicraft products or, for example, the restoration of furniture. The microprocessor revolution may also offer opportunities in the manufacture of specialised low volume products where the primary requirement is knowledge and skill, rather than physical effort. Where the quality is right, margins can be high and risk low.

It would not be appropriate for me to attempt to lay down criteria as to what rates of pay should be or whether bonuses could or should be paid. These are areas which need to be worked out by individual managers and employees as they are in any factory. The workshops must be places of employment where output standards are set and expected to be achieved. The targets must clearly relate to the capacity of the individual.

For example, I understand that, in Britain, only people who can work at a level of one third the capacity of an ablebodied person who can work 20 minutes in every hour, are employed. They must undergo a three month probationary period to make sure that they can perform the job without stress or discomfort. However, the precise criteria would have to be established in the light of practical experience in Ireland.

Sheltered Workshops and Industry

Sheltered workshops have also an important function in providing an essential rehabilitation bridge between being an unemployed disabled person and one who might take up employment in open industry.

As a representative of manufacturing industry, I would welcome the possibility that more manufacturing output and employment could be achieved in sheltered workshops by those who could not otherwise be employed. The strengthening of the manufacturing base and an increase in the output of goods and services can only be good. It is worth noting that Ireland currently imports £5,500 million of products, and that there is very great scope for import substitution. I believe that if the grants given to sheltered workshops are no more than what is required to compensate for the disability of the workforce, the rest of industry can have no complaints. There are already differentiated grants in open industry, depending on the region of the country in which the firm is operating. If grant levels are set according to objective criteria, the only threat to existing firms would be the normal competitive stimulus which would help to improve the efficiency of all concerned.

The first priority of sheltered workshops is to provide the disabled with a secure source of paid employment. In itself this would be of tremendous social benefit to the community in providing many thousands of disabled people with the right to work for a living. For the disabled person this represents a wider opportunity and, for the community as a whole, is a way of tapping a wealth-creating potential which must be of benefit to all. I hope that today's conference will result in a more organised and coordinated effort by society to meet this challenge.

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