

Speech by Mr Liam Connellan, Director General, Confederation of Irish Industry, to Tralee Chamber of Commerce, at Mount Brandon Hotel, on Thursday, 13 December 1979, at 8 p.m.

The Irish economy has an unusual structure by European standards. It has a high proportion of its population in agriculture; a low proportion in industry; and has close to the average European proportion of its total work force engaged in the services sector, such as the civil service, retailing, banking and commerce.

The structure of the Irish economy has changed dramatically during recent decades. The proportion of the workforce engaged in agriculture has declined steadily. This process is continuing. Since Ireland already has a high proportion of its population engaged in services, this means that, in order to obtain a healthy balance between the productive sector of the economy and the services sector, one in every two additional jobs must be created in the productive sector. In this sector, goods are produced which can be traded internationally and, therefore, contribute to the balance of payments.

For over twenty years, the output of industry has expanded by about 6% per annum, that is at a rate $1\frac{1}{2}$ times faster than the whole economy. It has, therefore, provided a higher share of national output. The annual value of industrial output is now twice as high as that of agricultural output.

Over the last four years the average rate of growth of industrial output has accelerated to 9% per annum. The continued high rate of new jobs arising out of new industry projects, financed by the IDA in recent years, indicates that this 9% rate of growth in industrial output can be maintained.

A high rate of industrial growth means higher industrial employment. In the year to March 1979 there were eight thousand more people employed in industry than a year earlier. There are also indications that the average annual unemployment rate is falling. At present, approximately 7½% of the workforce is unemployed, compared with an average of 6% throughout the whole European Community. However, the pattern of continuous emigration, which had existed for over a century, stopped towards the end of the 1960s and has been reversed during the 1970s. Net immigration, together with the natural growth in population, means that the population is currently growing at about 1½% per annum - by far the highest in the European Community. Had this immigration of ½% per annum not occurred since 1971, the unemployment rate would probably be close to the Community average.

There are wide variations in the unemployment rate between different counties. For example, the unemployment rate in some counties of Leinster is below 6%. On the other hand, the registered unemployment as a proportion of the workforce in some west coast counties, is close to 20%. This wide variation can be reduced by encouraging people to move from areas of high unemployment to areas of low unemployment where there are job opportunities, and by attracting more industries to areas of high unemployment.

INDUSTRY IN KERRY

Kerry is one of the least industrialised counties in Ireland. In 1973, only four Connacht counties had a lower dependence on industry. At that time, there were about 5,000 people employed in industry in Kerry. However, by 1978 there were over 6,000 employed in manufacturing. This represented about 14% of the labour force compared with a national average of 20% in manufacturing industry.

The continued operation of major firms such as Liebherr, Pretty Polly, and Kingdom Tubes; the rapid expansion of Burlington and North Kerry Milk Products Limited and the recent announcement of a major new

American industry Shopvac, which expects to employ 500 people manufacturing wet/dry vacuum cleaners in Tralee, provides evidence that industrial expansion in the county will continue. These developments, together with the long term possibility of a smelter at Ballylongford and the existence of a major ESB power station at Tarbert, indicate the growing strength of the industrial base. In addition, over a hundred small manufacturing firms are spread throughout the small towns and villages of the county. Furthermore, the recently published IDA plans project an additional 1,500 new manufacturing jobs in the next three years.

These developments will bring industrial employment in County Kerry closer to the national average and will make a major contribution to reducing the unemployment rate and creating jobs for young people coming into the labour force.

It is vitally important that everyone in the community appreciates the changing structure of the economy of the county, and that one in every two new job opportunities will be in industry. Jobs in industry now offer considerable scope for development for people with leadership attributes and technical skills and qualifications. There is a shortage of skilled craftsmen, such as fitters and toolmakers; of mechanical, electrical and electronic engineering technicians and graduates. Tralee is extremely fortunate in having a Regional Technical College, which provides courses in some of these disciplines leading to qualifications such as the National Certificate in Mechanical Engineering.

ENVIRONMENT FOR INDUSTRY

I would now like to say a few words about environment for industry in 1980. In particular, I want to comment on :

1. The need to reduce the rate of inflation
2. The need to reduce Public Sector borrowing
3. The need to ensure that a high industrial growth rate is achieved.

In 1979, the average rate of inflation has been about 13% compared with 8% in the other EMS Member States. If the Irish pound is to maintain its exchange rate against the other EMS currencies, it is absolutely essential that our inflation rate is reduced to the average level in other Member States. Otherwise our products will lose their competitive edge and it will not be possible to maintain the value of our currency.

The average level of inflation expected in other EMS Member States in 1980 is about 9%. I recognise that a major increase in oil prices could push up this figure. However, the important point is that the Irish rate of inflation should keep in line with the average.

If our rate of inflation is reduced to 9% in 1980, our currency will hold its value, interest rates would be expected to fall, and Irish goods would hold their competitiveness. However, this can be achieved only if the rate of increase in domestic costs, including wages, also stays in line with those in the other countries.

In next month's budget the Government will be faced with the problem of reducing the deficit on day-to-day spending. The Confederation has recommended that this deficit should be halved in 1980. Government may be tempted to achieve this by increasing taxation, particularly indirect taxes. I strongly believe that this approach would do much more harm than good. If additional indirect taxes increase the Consumer Price Index, they are likely to influence pay demands later.

I believe that the correct approach for Government is to hold the level of day-to-day spending, adjusted for inflation, at 1979 levels. In 1980, Ireland will not have the burden of the EEC presidency with the additional work which this required; increased efforts to reduce the time lag in filling private sector vacancies would reduce the total number of people unemployed and, therefore, the amount of money needed to finance unemployment assistance. In addition,

there must be increased emphasis on productivity and efficiency. For over twenty years the output per person in industry had to increase by about 5% per annum for firms to survive. A similar performance must be achieved in the Public Sector.

It is essential that the same attitudes permeate the private and public sector in improving efficiency. The current CIE strike illustrates how far apart these attitudes can be. The strike is taking place in a company which incurred losses this year in excess of £50 million or over £3,000 per CIE employee. The current industrial action was taken, unofficially, against the recommendation of the group of unions involved, without a ballot of all the members concerned and in contravention of the National Understanding. The CIE deficit represents about one tenth of the Government's current budget deficit. I believe the time has come to raise the question of introducing competition from private bus companies which could operate without subsidy and should ensure a more reliable service for bus users. Industry has to cope with competitive pressures from most developed economies of the world. I see no reason why a State bus company should not have to compete on equal terms with private bus companies.

Industry has the potential to maintain a strong growth pattern during 1980. International trading conditions are likely to be much more difficult than in 1979. It is essential that the rate of inflation of costs and prices is reduced. In this way the exchange rate of the Irish pound can be maintained and interest rates reduced. These aims will not be achieved by increasing taxation but require that the growth of day-to-day Government expenditure should be stopped.

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