

# WORKING NOTES

No. 2. January 1988.



## EMPLOYMENT AND INDUSTRY

Has the Irish economy exhausted its capacity to provide jobs? Are we fighting against impossible odds - stacked against us by population growth, technology and sluggish growth in the world economy?

It is important to keep some facts before us. By European standards we are a thinly populated country with a small labour force of just over one million which yet has access to enormous markets among the 310 million people of the EEC. Similarly small European countries (Austria, Denmark, Finland) have much lower unemployment rates than ours. The challenge of job creation is to find the policies which suit our national needs.

The right industrial policies are of key importance because the correct sort of manufacturing industry can give a huge shot-in-the-arm to the rest of the economy, through the amount it buys and the relatively high wages it pays. However, from having one of the fastest growing manufacturing sectors in Europe in the 1970s, manufacturing employment in Ireland has been falling since 1980. Before leaping to the conclusion that we have crossed some post-industrial threshold into a society where scarce work must be shared around, analysis is needed. Just the right kind of analysis is contained in a study of the Irish Engineering Industry by Eoin O'Malley (ESRI paper, no. 134, September, 1987). Engineering is a low-profile industry because most of what it makes is sold to other industries rather than directly to the public. Yet it is not an industry which any country hoping to strengthen its economy should overlook. History shows that nearly every one of today's advanced economies became such through developing skills and technologies of its own in the engineering sphere.

Engineering in Ireland grew rapidly from the late 50's until the early eighties. Much of the growth came through multinational investment here. Companies such as Westinghouse, Apple and Wang set up export oriented plants making hi-tech products such as computer and telecommunications equipment. Things were rather different in the Irish owned, or indigenous sector. This has mainly small firms serving the home market, mostly engaged in the manufacture of metal articles, such things as farm gates, metal doors, window frames, etc. The number of Irish owned engineering firms has increased dramatically, doubling from 800 to 1,600 between 1973 and 1983, which is evidence of a fair deal of entrepreneurship in Irish people, but these firms remain small and very few of them export. And while the number of firms has grown rapidly, employment in the indigenous sector has increased much more slowly only increasing by 9% between 1973 and 1985. Overall engineering in Ireland remains underdeveloped. O'Malley points out that we would not be too far off the mark if we said that engineering "is no more than half as large in Ireland, in proportion to the size of our economy and labour force, as it is in the advanced economies".

For different reasons, O'Malley points out, neither the Irish-owned nor the foreign-owned sectors can be expected to develop of their own accord to provide significantly more employment. Why is this? The Irish firms in engineering just do not have the skills, experience or scale of resources needed to produce advanced products for export. If employment by these firms grew in the 1970's, it was only because the level of activity in the Irish economy was pulling them up. Since 1980, as the bottom slipped out of the home market, so employment in indigenous engineering began to decline. To get away from this dependence on the home market, Irish



engineering firms will have to export (at present, they are not even able to withstand competition from imports). To do this, some of them will have to become very much bigger and gather specialised labour skills, technological know-how and managerial competence into the one company. In the indigenous engineering industry at present there are only four firms which employ over 1,000 people (the engineering subsidiaries of Aer Lingus and C.I.E. along with Glen Dimplex and Unidare in the private sector). In Denmark there are 17 Danish owned companies of this size.

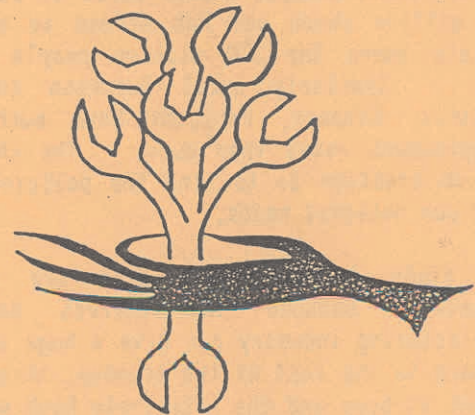
What about the foreign owned sector? Growth in the foreign owned sector in the sixties and seventies came about principally through attracting a constant stream of new investment from abroad. As more and more plants were set up and came to maturity so employment grew. But in the eighties and for the foreseeable future, much stiffer competition from other countries means that new foreign investment will be more difficult to attract here. And much of the employment gains in whatever new firms do come here will be offset by closures as the plants that set up in the '60s and '70s begin to age.

So what should we do to provide more jobs in this critically important area of engineering? O'Malley focuses on the indigenous sector. Our industrial policy to date has been passive and general, offering tax concessions and grants as incentives for industrial development in general and then waiting for private firms to come forward with investment proposals. He argues that it should now be active and targetted. Specifically he argues for a special task force, recruited from private and public enterprises and the development agencies, to systematically identify both the products to be developed and the Irish companies to do it. Co-ordinated support must be given by the State to these companies (public or private) in order to help them overcome the difficulties outlined above that, otherwise, will keep them forever from being able to compete with large, already established companies based in economies more advanced than our own. O'Malley believes that this approach could see from 2 to 5 engineering projects being identified each year for the Irish economy over the next number of years, each of them employing between 1,000 and 1,500 when they had grown to maturity.

To get some idea of what he means, an actual development within Aer Lingus can guide us. Similar types of developments within other, selected Irish companies is just what the various State bodies with expertise in the industrial area should be concentrating on bringing about, rather than keeping themselves available for whatever company with whatever

product should happen to come to their door (the passive, general approach of the present).

Aer Lingus now has an engineering section which is large-scale, highly-skilled, export-oriented, and Irish. How has this happened? In its early days, the company paid others to service and overhaul its aircraft. As the airline grew bigger, it made sense to begin to develop the ability to do this itself. When it was happy with its standards in servicing its own fleet, the company then actively sought opportunities to service the planes of other companies. By 1984/85, aircraft maintenance and overhaul work, technical training and engineering services for other airlines were generating £85 million in revenue. The Irish can do it. Elements to note in this success story are the influence that a large purchaser can exercise (where a certain level of purchasing is going on, the opportunity to assist a new supplier into being exists - for example, State purchases of telecommunications equipment spurred the creation of several Irish companies in this field in the 1970s) and the need for a managed move from supplying a protected market to competing internationally.



The Programme for National Recovery, launched in October last, must be seen - and insisted on - as more than a wages agreement. The intention in the document as regards employment creation is good: "the indigenous manufacturing sector must be strengthened so that it achieves the size and vitality which other small economies have achieved. Proportionate to those small economies, we should have 100,000 more persons employed in manufacturing industry. .... (For this to happen) indigenous manufacturing industry must expand and diversify, must exploit better our natural resources, must export more and must recover its share of the home market if we are to increase employment." The sentiments are right. What is important is that they are given teeth, through an expanded and vigorous role for the National Development Corporation, if necessary through joint-ventures involving Irish and foreign companies, and through the more targetted use of the considerable expertise and experience that exist in the several State agencies promoting industrial development.

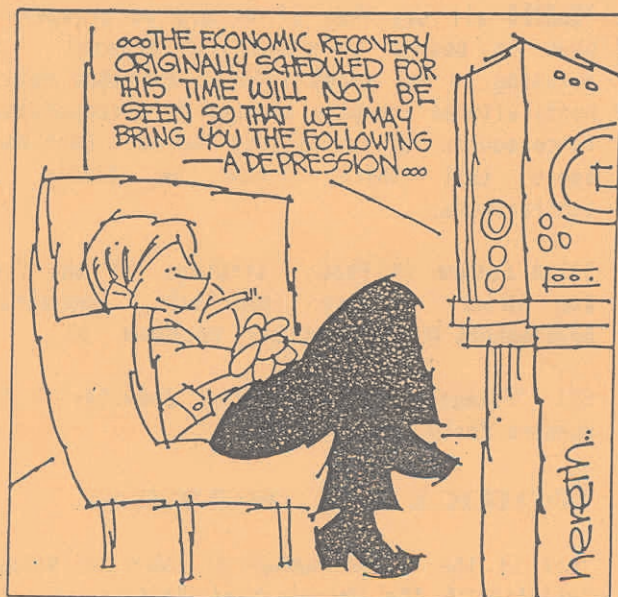


## FORECASTING THE FUTURE

Recent forecasts which suggest the debt will be stabilised by the end of the decade have been greeted by the Government as evidence of the 'success' of their economic and financial policies. What the forecasters have been saying about unemployment has not received the same attention. The following information is gleaned from the October 1987 'Quarterly Economic Commentary' of the ESRI.

### *What's going to happen to unemployment?*

If you want cheerful reading, skip this paragraph. The total number of jobs in the Irish economy is expected to continue *falling*. It dropped by some 12,000 in 1987 and is expected to drop by a further 14,000 this year. Whether the number on the live register rises by corresponding amounts depends on how many people emigrate rather than stick around on the dole! The forecasters are more confident in predicting how much total employment will fall than they are in predicting how much unemployment will rise. They place their money and make their bet; expect unemployment to rise by 8,000 in 1988 to an annual average of 252,000 or 19.5% of the labour force, and the increase not being bigger thanks to net emigration of around 30,000.



### *Why will there be less jobs in 1988?*

It is *not* primarily what's going on in the world economy that's to blame. We will continue to manage increasing our exports - they'll increase by over 6% in volume next year - and tourism too is expected to keep improving. It is the Government cuts which are depressing the level of economic activity; less public employees though better paid ones; less investment in housing, hospitals, schools and roads; less buying by public bodies of what other sectors of the economy are making.

*Just what will the stock market crash of mid-October do in the long run?*

People who own stocks will feel less well off and spend less. The more such shareholders there are in a country (the USA has lots of them), the more there will be a down-turn in consumer spending. Companies that want to fund investment programmes by selling new shares will postpone the investment because it is such a bad time to sell shares. These two factors on their own are unlikely to do great damage to employment in Ireland where the number of shareholders and the number of companies using the stock market to raise investment capital aren't enormous. What could affect us badly in Ireland would be if people and companies in the USA over reacted and put the world economy into a depression. Then our exports would no longer do so well and jobs in exporting companies would be at risk. The hope is that the U.S. administration and the West Germans will act in harmony, the one easing back on public expenditure, the other increasing it, so the overall level of activity in the world economy is maintained. We need to keep our fingers crossed.

## UNEMPLOYMENT COMPARISONS

With almost one in five of the Irish labour force on the live register and emigration running at close to thirty thousand a year the goal of providing a job for everyone who wants one seems very far away in this country. Full employment as a central policy objective is fast slipping down the political agenda. There are even those who argue that full employment is a thing of the past and our central concern should be learning to live with unemployment. This implies that mass unemployment is becoming the norm rather than the exception in advanced economies. A quick comparison with some other small European countries suggests this is far from the truth.

- \* Austria has an unemployment rate of around 6%
- \* In May of last year registered unemployment in Denmark stood at 7,6%
- \* Finland has an unemployment rate of around 5,5%.
- \* Norway • has a workforce about the same size as our own. In June '87 there were 28,800 people on the Norwegian live register, that's an unemployment rate of 1,8 % !

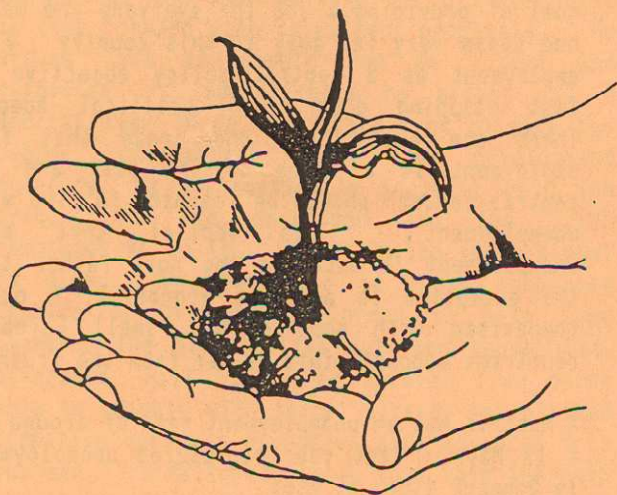
Of course we are not suggesting that we can simply copy the policies adopted in any of the above countries. The experience of other countries does, however, suggest that something approaching full employment is not an impossible goal and is a challenge that should not be dismissed lightly. ●



## MARY, MARY, QUITE CONTRARY!

Mary (alias Mother Ireland) has been getting over a little shock. Recently, her business consultant, Ida, has been telling her that while her garden is still growing the good old stuff, it hasn't been improved or extended in the last twenty years (1). Even Mary's own family want a quality and a variety in their veg that the old garden isn't producing, and so they are shelling out some £64 million a year to buy the neighbours' veg and fruit. Mary barely noticed it at the time, but since 1973 those crafty neighbours, the Dutch and the Belgians, have taken over a large slice of Mary's market. Mary is staggered by the contrariness of it all.

Mind you, Mary is beginning to realize that there's more to it than crafty neighbours. From what she hears (2), certain governments around the end of the 1960s were rather contrary themselves when it came to looking after the garden and were less than responsible in looking after what used to be the apple of her eye: Erin Foods. Today, Erin Foods is but a shadow of its former self, with a dramatic decline in the acreage given to peas, cabbage, parsnips and carrots, and virtual disappearance of that given to French beans and celery. Given that the Irish consumer has, like Oliver Twist, been wanting more and better since the '60s, this is astounding. Small wonder that foreign horticulturalists and food processors have it all their own way in Mary's garden.



Ida (or IDA, as she's usually known) has put her finger on part of the problem: Irish horticulture needs skilled marketing, a developed grading system (particularly for potatoes), and improved storage and packing facilities. Over the next five years, IDA feels that an extra 1,200 jobs in mushroom growing/picking with 300 in mushroom processing might well be on the cards; and taking food processing as a whole, IDA has her fingers crossed for an extra 5,000 jobs by 1992.

Mary is warmed to the very cockles of her heart by some optimism, what with all this doom and gloom about. Nevertheless, she feels that a lot more could and should be done. For example, a little land reform to make some of the underused smaller farms available on long-term lease available for vegetable growing would be very handy indeed. Mary thinks that IDA places a little too much faith in private industry. Given that foreign competition is highly sophisticated and a tough opponent, the case for a state company for horticulture is strong. It would, of course, be run on strictly business lines, and it would have the resources to finance a serious breakthrough on the market which a private company might not. Besides, private companies aren't in business for the good of the public; if it seems too difficult or risky, then they simply won't invest, and IDA will be left with her pious, but forlorn, hopes. This is an area where the state must take a hand, at least until Irish horticulture gets back on its feet.

IDA's masters will say, of course, that the government cannot afford it; but this is to fail to make the distinction between capital and current expenditure. Capital expenditure is with a view to long-term return. Borrowing abroad to pay the salaries of the civil service is indeed not on, but to refuse to borrow for expanded industry is to be illogical and irresponsible. IDA and friends of hers like TELESIS all say that if we are to prosper we have to become an export-led economy. So refusing to put money into an expanded native horticultural industry to make it a competitive force sounds very suspicious indeed. Even Mary feels that there should be limits to contrariness.

(1) "A Future in Food - strategy for the food and drink industry 1988-1992", Industrial Development Authority (IDA), December '87.

(2) "Farming and the Food Industry", The Workers Party, 1985.

## WORKING NOTES

This is the second number of "Working Notes", bulletin of the Unemployment Project of the Centre for Faith and Justice. Through it we hope to share information and analysis of the unemployment situation and related issues with other groups who are working to make jobs a real priority in Irish life today. Each number will contain an extended treatment of one issue and a number of shorter information pieces. We welcome feedback and dialogue on material covered in the bulletin. We are interested in taking united and effective action, with other groups, on these issues. Use these "Working Notes" in any way you like but please acknowledge the source if you are reproducing them.



## AFTER ADVENT: HOPE AND COMMITMENT.

The Advent liturgical cycle came to a climax in the first reading on Christmas Day: 'The people that walked in darkness has seen a great light; on those who live in a land of deep shadow a light has shone.' There is more than a little darkness clouding Ireland today. This darkness is the result of violence, prejudice and hatred. It is also the result of economic depression and the ills that have followed in its wake. Loneliness and grief may be the lot of those whose unemployed children have been forced to emigrate; disappointment and despair often haunt the hearts of the jobless who feel their country has no use for their energies and skills. Almost one-fifth of the Irish labour force is out of work.

The urgency of the situation has called forth the energies and stirred the imaginations of many people, Christian and non-Christian. Quite a number of small ventures have been started in different places and with various means throughout the country, but as yet they are making only a slight impact on the situation. The struggle goes on.

The Advent theme raised the question: what does the Christian bring to the struggle that is uniquely hers or his? Today, when those on the dole-queue expect little from the Churches and a number of the most committed have long renounced formal adherence to



Christian beliefs, this question needs to be addressed anew.

Clearly, the words of the gospel provide no economic blueprint: Christians should, by the same token, have realized by now that generalized appeals for justice and the elimination of poverty do not make up an economic policy. But at least the motivation is there: the gospel proclaims new values of solidarity, of sharing and equality and the concord which depends on it, of strict limits on the right to property, of the value and inalienable dignity of every person. Church leaders worry overmuch about the Church's "loss" of the working-class and those on the bottom of Irish society: they should worry more about the largescale implicit rejection of those values by the rich and powerful in our country, which amounts to a practical atheism. There are also other groups who hold similar values, even though their motivation may arise from sources other than the gospel. It would be incorrect and arrogant to claim that the Christian, is necessarily more loving, concerned or committed than the non-Christian. As George Bernanos wrote, 'Grace is everywhere': it is not confined to the moments of formal sacramental action. What is required of the Christian is that she or he should, alongside those who do not share their faith, work humbly for a better world.

Is there, then, nothing special that the Christian brings to the lifting of the darkness? Perhaps the Christian could bring hope. In these times with little prospect of immediate economic recovery and no mid-term likelihood of the exiles returning to find work here, the future looks just as clouded as the present. In dark times, people need hope. The hope that hard work, imagination, planning and activism will change the future is one we share with others, and in that sense our hope is as realistic - and as frail - as theirs. We need another hope, born not of what we think and hope our efforts will produce, but of religious faith. Christian faith, according to the Letter to the Hebrews, is 'the substance (ousia) of things hoped for, the assurance of things yet unseen'.



In other words, Christian faith (which is far richer than mere assent to a set of propositions) gives one the power to believe seemingly impossible things: that a poor carpenter who healed the sick and denounced injustice and paid with his life for both should have risen to new eternal life, and that Mother Ireland will someday devour its farrow no more in sectarian war and will have enough work for her children and even, as the lyrical Advent readings have it, summon her exiles home. All such beliefs have a certain utopian, impossible quality about them, since any hardheaded analysis of our situation would say that there is very little reason for thinking that we shall succeed tomorrow or next year in eliminating inequality and unemployment. If such beliefs are valid, or to be made valid, it will be against the odds; and Christian hope, the theme of Advent, is a needed support in the journey through the darkness.



## COMMENT

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