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THE FUTURE OF JOBS IN IRELAND.

by

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After a long lifetime study of the endemic problem of unemployment and underemployment in Ireland in their statistical aspects I have come firmly to a very simple conclusion which is that the problem must be tackled directly. While economic development, i. e. the production of marketable goods and services, must remain the principal strategy, it will not suffice for absorbing all job seekers: the capital cost would be too great. Recourse must be had to job creation, mainly in the Construction industry with the deliberate purpose of reducing the number seeking work. Of course, there is nothing new in this. The only novelty would be change of emphasis. Nor must we strain for perfection: a substantial and permanent reduction in the number of genuine work seekers will suffice. We have had quite enough of idealism in this country. So the tone of the paper will not be admonitory for once. The philosophy will be that of old in the public service: "the best is the enemy of the good". We have done well enough in the recent past to justify optimism for the future: "All that we want is courage, resolution and the involvement of everyone," to quote the last sentence in the latest work^{*} on unemployment with which I have been associated. The work proper opens as follows:-

"The object of this paper is to make a contribution, however small, towards the solution of one of Ireland's gravest social problems, the endemically high unemployment rate. The paper is almost entirely a loosely organised compendium of previous work, including our own. The present authors will be well content if the paper proves useful in forming plans for putting people to work, or even in contributing towards making Irish people realise the gravity of the problem they have in hand, for such realisation must lead to an insistence on action on an increased scale. We are, emphatically, of the opinion that the traditional

* A Study of Schemes for the Relief of Unemployment in Ireland" by R. C. Geary and M. Dempsey with an Appendix by E. Costa. ESRI Broadsheet No. 14, 1977.

thinking on the subject is not enough. We do not suggest new approaches. However, we do suggest emphases so different as to constitute a fundamental change of approach.

In order to effect a substantial reduction in the number of unemployed, our main proposals, which admittedly have not the force of absolute proof even after our fairly elaborate examination, and hence require fuller investigation, are as follows:-

- Considerably larger funds should be expended than heretofore, i. e. the problem must be accorded a higher priority in public expenditure.

- Perhaps our principal thesis is that the problem of unemployment must also be tackled by special employment schemes, the main object of which is not economic but to put people to work. The fullest regard must be had to economic and social efficiency in the selection of works to be tackled, from the vast number of possible socially useful works.

- Industrial development on an enhanced scale must remain the principal method, as the most economical, for putting the unemployed, including young people with no previous job, autonomously to work.

- Regard should be had to the potentialities of employment induced from all forms of direct labour, in the service-type industries (building, etc.) and services proper.

- The tacit acceptance of continued decline in numbers working in agriculture should be abandoned and efforts made to increase employment therein by increased investment, to realise something like double the present physical volume of net output, stated by experts to be possible.

- The Irish unemployment problem is due mainly to too large a labour pool of unskilled men. Increased attention must be devoted to making education a training for life and to turning out increased numbers of trained people.

- Even in the next ten years, when those to come into the labour market are already born, and hence number of job seekers fairly accurately forecastable, with economic recovery abroad it may be necessary to have recourse to some emigration to ensure full employment at home.

Such emigration will be officially recognised, to the extent that, before leaving, emigrants will be properly trained and, after leaving, their interests abroad promoted.

- As a development of the present National Manpower Service there will be created a National Manpower Authority with ample autonomous powers and funds, under the general direction of the Minister for Labour, responsible for creating full employment in Ireland in the shortest possible term of

years. The ambit of this Authority would extend to all possible avenues of employment at home and abroad including some not mentioned above, e. g., subsidised employment and employment in workers' co-operatives.

- o NMA should give the closest attention to detailed planning, including optimal selection of works, well in advance, training of supervisors at all levels, inspection at irregular intervals, records etc., of all Special Works Programmes (SWP)."

This monograph, published two months ago, was completed more than a year since and was circulated widely, particularly to public departments. Our thinking, prompted by further study, has deepened, though not in the direction of any substantial change in what is involved in the foregoing quotation. Indeed, what follows may be regarded as a commentary on it, in the general direction of precision and extension.

COMET and ILO

A major influence on our findings was the showing of the elaborate econometric model COMET prepared by a group of Belgian scholars for the EEC. This forecasting model was based on the statistics of the period 1954-1971, on the whole favourable for Ireland. The model shows that our unemployment rate is likely to increase from 7 to 16½ per cent between 1973 and 1980, a prognosis which we describe as "dismal" and is our main reason for stating that "a revolutionary approach will be necessary to effect a reduction in the unemployment rate."

As we state in the paper, we were very interested to learn that Department of Finance was developing its own version of COMET. Indeed, the Department was good enough to furnish us with some qualifications on the EEC model's finding. No doubt we shall be informed in due course the extent to which the Department's model modifies, if at all, EEC's forecast, which makes our prospect by far the worst amongst EEC countries. Not only are

we the poorest of EEC countries but, unless something drastic is done about it, our relative poverty is to be accentuated in future. Surely this prospect is not acceptable by our people.

Could we not make the COMET prognosis, especially if verified by the Department of Finance model, the basis of a claim for very special help from our EEC partners? Tactically not now perhaps when unemployment is universal but as a future shot in our locker.

One of the most gratifying aspects of our research was the measure of cooperation we received from the International Labour Office (ILO). This included a full and valuable documentation from ILO's vast experience in the field of special employment schemes, briefly summarised in our paper and of course available to the NMA. (We also were fortunate in having access to substantial Irish inter-departmental reports.) Truth to say, these schemes have not been generally successful in any country: in Ireland in the past they were most successful in rural works. In our view, failure in the past was mainly due to grossly insufficient funding. There were also administrative errors. The literature is as useful in indicating what to avoid in future as what to do.

ILO cooperation culminated in the Mission to Ireland of E. Costa. In his short stay he produced a remarkable memorandum, incorporating a Special Works Programme (SWP) which we are confident is a practical one, in particular in avoiding the pitfalls referred to. Indeed, we were able to state that we regard Costa's contribution "as about the most important part of this work."

We have lately had a comment on our whole monograph from Costa in which he states his full agreement with what we propose. This may not mean official ILO endorsement but it must go a long way towards it.

Towards a Subculture of Unemployed?

In the paper we answer the question "Are the unemployed a class apart?" by "In the main, yes." In the labour force we have large numbers not exposed at all to the risk of unemployment. These include state servants and the self-employed (mainly farmers and members of their families). In 1936 (unfortunately the last Census of Population for which we have the figures) three-quarters of the non-agricultural labour force experienced no unemployment in the twelve months before Census date. Normally (i.e. before the present depression) unemployment was incomparably most severe in three unskilled occupations; these are very large and there have been times when, if they were omitted, the unemployment rate would have been as low as 4 per cent in non-agriculture, regarded as full employment by some experts in Irish conditions. *

Geary has shown that in relation to our national income we are at the top of the EEC league in the matter of social security payments. † Duration of continuous unemployment is long and increasing markedly. In 1973, i.e. before the depression, about half the number of both males and females were in continuous registration on the Live Register (LR) for more than six months. B.M. Walsh has shown that the probability for a male to remain for a year or more on the LR nearly doubled in the six year period ca. 1967-1973, obviously mainly due to the rise in unemployment payments, much greater proportionately than the rise in incomes. Walsh also calculated that in 1974 an unemployed father of four would have a net income of 88 per cent of average net industrial earnings as long as he qualified for Unemployment Benefit (UB) (which qualification period has recently been more than doubled) and 48 per cent

* "Certain Aspects of Non-Agricultural Unemployment in Ireland" by R. C. Geary and J. G. Hughes. ESRI Paper No. 52, 1970.

† "Are Ireland's Social Security Payments Too Small" by R. C. Geary. The Economic and Social Review, Vol. 4, No. 3, 1973.

when he was on Unemployment Assistance (UA). These percentages contrast with the 32 per cent estimated by Geary and Hughes for total payments in 1967 of non-agricultural UB and UA in relation to earnings which the workers concerned would have received had they been employed. Of course these improvements are just in themselves. They are in the general direction of the ideal proposed by Geary and Hughes of a civil service type contract for everyone. The injustice of long term unemployment from the viewpoint of the unemployed person does not lie only in lower pay, however, but also in the humiliation of rejection by society. From the viewpoint of society as a whole there is the appalling waste of paying people for doing nothing.

But to return to the opening question of this section, there is clearly a marked trend towards the formation of an unemployed subculture of some one-fifth of the total working population of the State, consisting of those who are most of their time unemployed. The irony is that generous treatment of the unemployed accentuates this trend. We must take drastic action to reverse it. In the eloquent words of an early unemployment act "those able and willing to work but unable to find suitable employment" must be put to work and social generosity confined to those unable to work or very temporarily out of a job.

A case could be made for the thesis that an optimal economic plan for the nation, i. e. one to maximise real GNP per head would imply, in Irish conditions, a permanent and fairly substantial level of unemployment and, given Irish mores, such unemployed could even be assumed to be amply provided for. This would imply a fairly well-defined division of the potentially working population - into working bees and drones, inevitably second class citizens. Personally I find this prospect unacceptable. Everyone who can

work should work, even if the result is economically suboptimal. Stated otherwise: a marked diminution in the level of unemployment must involve sacrifice amongst all members of the community, especially amongst its abler members. It is a matter of the community's philosophy of life. A two-tier society implies inequality, of a kind incompatible with freedom, our highest value. Freedom inevitably implies a measure of incompetence in the conduct of our affairs.

Emigration

Reference to emigration is inevitable in any discussion of unemployment and employment in Ireland. No subject is so little understood by our people and its leaders, despite the considerable research literature on the subject. Public discussion still implies coffin ships and Famine conditions. On a slightly more sophisticated level, I reject the customary distinction between voluntary and involuntary emigration. We go to whatever job our talents, opportunity or luck ordain for us. Choice has little to do with it. A street cleaner would prefer to be, say, a doctor. Is he then an involuntary street cleaner? Trade unionists should be the last to resent emigration since it is because of emigration that the wage rates for skilled craftsmen have been higher in Dublin than in London since before the Famine.

In the study we prefer to call emigration "mobility of labour", which is its true character. We are firmly of the opinion that, except in the case of imperative personal (including family) circumstances, it is better to have work abroad than to be idle at home. In a drastically changing world, Irish emigration in future will be very different from what it was in the past. In future it must be of suitably trained people, adequately looked after, fully recognised and not the nation's shame.

As stated earlier we do not think that full employment can ever be attained without some recourse to emigration. A small anxiety is that the age of leisure has come up on people everywhere, so that there may be a lesser demand for Irish labour in future than in the past.

At first it seems curious that, with the economic upsurge that began about 1960, the unemployment rate also tended to increase, even before the present depression. The diminution of net emigration was a major reason; there were others, including capital-intensification, as we shall see. Probably for the first time in history, most of our young jobseekers thought that work could be found in Ireland even if it had to be waited for. But in so thinking they augmented the labour pools.

From time immemorial a propensity to emigrate was an Irish characteristic. Years ago when I was privileged to address this gathering I recall saying that at the time two out of five Irish children reaching the age of 14 emigrated, and this on a net basis. As recently as the 1960's the rate increased to three out of five and it might not be an exaggeration to say that nine out of ten considered emigration as a possibility. Emigration is so much part of the Irish system that it may be unnatural to rule it out as part of a grand strategy for the nation. A first necessity in devising this strategy, which I said must be revolutionary, is to shed political, economic, and generally social, phoney guilt complexes. Whatever justification these may have had in the past, they have none in the changed world of the future.

Economic Adaptation

So much for a commentary on our published work. Maura Dempsey and I are well advanced on a continuation in which we confine attention to purely economic aspects, but still with emphasis on employment prospects.

So far we have examined our foreign trade and investment policy, based largely on a study of recent statistics. I shall be sparing in my citation of figures, which don't take too kindly to the spoken word. Please take on trust my general remarks as being soundly based.

Foreign Trade

We examine Ireland's recent visible foreign trade under two main heads (i) countries and (ii) commodities. Fairly clear indications for future policy emerge from this examination. Our principal statistical instrument is the ratio of value of imports to value of exports. Our paper on foreign trade is already an elaborate statistical document. It has, however, only indirect implications for our main topic employment, so we shall be content with summarising it in the following paragraphs. We pick out only one item which seems specially satisfactory. In 1976 our exports to EEC (except UK) were at the respectable level of £500 million. Contrary to what had been anticipated, Ireland has done more "flooding" of EEC (ex UK) markets than vice versa, exports thereto increasing from 12 to 24 per cent of total exports between 1970 and 1976 (we entered in 1973) mainly by transfer from UK. The geographical pattern of imports changed little.

We start with recognition that the visible import balance in recent years (nearly £500 m in 1976) is intolerably large. We are living far beyond our means. We are dishonestly imposing a vast foreign debt on the shoulders of our descendants, a debt which cannot be mitigated like the internal debt by that other dishonesty, inflation. We must tackle the problem of increasing exports and decreasing imports, i. e. increase production of goods on a far more intensive scale than hitherto adopted, even since the economic upsurge that started in 1960.

There is not the faintest possibility of increased production for export and import substitution on the scale required without industrial efficiency, in which the main elements are price and salesmanship. We can sell anything anywhere "if the price is right", in relation to quality of course.

We have made considerable use of the ratio of the value of imports to exports to discover the countries and commodity groups of interest for expansion (positive as regards exports, negative for imports). We also make use of international comparison, usually with our EEC partners and other countries at an advanced stage of economic development. We find that the ratios for commodity groups, and in toto for such countries, are far better balanced than for Ireland. As such a phenomenon can be logically justified we suggest that it be adopted as a guide-line for Irish foreign trade policy.

We have no intention of adopting the usual censorious attitude towards Ireland's actions and attitudes in our recommendations. Especially since ca. 1960 (and even later, since 1970) we have found many excellent features, especially in exports, for instance in the improvement of the ratio during the last few years. This is most encouraging as showing that we already have the people and the institutions to give effect to a forward policy.

Foreign trade must be brought into better balance with our trading partners, i. e. a nearer to equality in value of exports and imports. Improvement in this direction has certainly happened since 1970, i. e. a lowering in the ratio of imports to exports with some countries. The device should be used of shifting of our purchases (imports) of given commodities from poor to good customer countries for Irish goods. Such action should be unashamedly threatened by government. Promotion of Irish exports should

be the principal duty of Irish diplomats abroad, cking out the efforts of competent and assiduous salesmanship.

As regards commodity lines for expansion, we claim only to have made a prima facie case. It is for experts to make a choice. Our methodology for discovering lines we should be "in" has been merely exemplified. We are, however, fairly confident that the following suggestions will be found to have some merit.

There should be great expansion in the meat trade as compared with live animal exports. This need not mean a shift from live to dead exports: on the contrary there might be expansion in the live trade as well. The point is that in a great increase in the output of live animals by agriculture a higher proportion of animals should be slaughtered at home.

Attention might be directed towards increasing exports in already well developed food lines like dairy products (but towards cheese and away from butter and milk), and animal feed. Amongst the less developed products there are sea fish (but with stress on the entrepôt trade on a world or at least European scale) and vegetables, fresh and processed.

The country must have a larger share in motor vehicles, machinery and other heavy industry. This will not mean such industries in their entirety, but rather pieces thereof. Could we not make a stronger "set" on great industrial countries outside EEC towards our being their Fifth (industrial) Column inside EEC? Our principal asset therefor is a comparatively large available supply of trainable labour.

There are two aspects to the gigantic petroleum problem, conservation and home processing, both of which must be developed to the full. We are glad to note that our ESRI colleague, E.W. Henry, is actively engaged

with other bodies, Irish and international, in studying the problem of conservation of energy. Having regard to the magnitude of imports, we consider that the savings to be effected by conservation alone would have an appreciable effect on the import balance.

As to processing, comparison with our EEC partners alone has shown how essential it is to develop refining and petrochemical industries.

We have mentioned only a few of the possibilities of expansion for export and import replacement, though possibly the largest. There are literally hundreds of commodity lines and thousands of varieties which could be brought to light by the methods we have adopted, which involve a search for products in large and increasing world demand, and in large production by developed economies.

Increase in exports and in import substitution involve increased home production. Diminution of imports of certain lines may result in reduced home consumption (as we hope, in the case of conservation of energy) but in the large majority of cases will mean shift from import to home production.

Great attention has been devoted to increasing exports in this country, as in all others. The result has been that Irish exports have had a creditable record, though we here suggest consideration of attention to new lines. At least equal attention, official and private, should now be directed towards imports, with a view to diminution. As a matter of opinion, we think that import diminution may be more rewarding, as conducive to the all-important need of promoting employment, than further expansion in exports.

The Investment Aspect

Production occurs from the cooperation of labour and capital in their physical aspects. Either is helpless without the other. So far our main statistical finding is the alarming growth of the capital requirement in relation to labour, inimical, of course, to employment. The phenomenon can be illustrated simply by three figures from our published report: in non-agriculture during the period of economic resurgence, but before the recession, in fact between 1958-1962 and 1969-1973 annual average rates of growth in real GDFCF, real factor GNP and number at work were approximately, in percentages, 9, $4\frac{1}{2}$ and $1\frac{1}{2}$. The rate of growth in gross fixed capital formation was six times that of labour. Here is the essence of our problem of the future: capital (including cost of training of labour) is in short, and labour is in long supply.

There are, however, hopeful aspects, if I am drawing the right inference from the following line of analysis. In 1970, remuneration per worker was about £1,000, gross profit (i. e. added value less labour remuneration) per £1 physical capital was about £0.05. We know number at work each year and have very roughly estimated the value of physical capital applied at constant prices. So, for each year 1960 to 1973 we can estimate, at constant (1970) prices what GDP would be if the 1970 rates, cited above for labour pay per head and profit per £1 capital applied.

These expected estimates of GDP are compared with actual GDP at factor cost and constant prices with the following remarkable result: Over the period 1960-1973 annual average rates of growth of real GDP were 0.7 per cent for the constant factor input series and 3.9 per cent for actual growth. Hence no less than 83 per cent of annual average growth of real GDP is unexplained by input of labour and capital.

Advisidly I call the estimates of capital used as "very rough". My friends and former colleagues in CSO (I know their troubles!) won't mind my saying that one of our most grievous statistical lacunae is official estimates of fixed capital stock. As a check I repeated the foregoing calculation for UK, where capital stock estimates are available, to find for the period 1966-1974 a rate of increase in real GDP, unexplained by input of labour and capital as 73 per cent, near enough to our Irish estimate of 83 per cent. In fact, we may take the ratio at three-quarters. This phenomenon has been long since observed in other countries. In USA M. Abramovitz calls it "mysterious". Other economists call it "disembodied".

My hopeful inference, and I shall later cite other experience in support of it, is that, in a given industry, the relationship between inputs of labour and capital are not as the laws of the Medes and Persians. Coming to mind is the T. P. Linehan revelation of some years ago that the effective range in GNP per head in nearly every industry can be impressively in the ratio of 4: 1. I infer that there must always be a possibility, even in capital-intensive industries, of increasing numbers of workers engaged, with all due regard to efficiency, on certain processes. Otherwise; this "unexplained" phenomenon seems to happen by accident. What may not be the beneficial results, i. e. to increased employment, from conscious study, thus economising the use of the scarce resource, capital?

While official estimates of capital stock, or any estimates for very recent years, are not available we were fortunate in having access to an ESRI office document, prepared by our colleagues E. W. Henry and S. Scott, giving estimates, in considerable industrial detail, of capital stock at constant (1958) prices at the end of each year 1953-1968. Average employment being also known we can analyse this "unexplained" phenomenon by industry. Amongst 22 industrial groups in the period 1960-1968, actual exceeded expected (what

we now term "constant rate expected" - CRE) in all but four cases (interestingly Creameries, Drink, Fertilisers and Vehicles). The surplus as percentage of actual was very large for most other industrial groups, notably in clothing. The lack of obvious relationship between factor input and actual input is so evident that it is with something like relief that we discover there is any relation at all. In fact correlation between actual and CRE in the period was $r = .58$.

The most significant conclusion from this part of our analysis is that a large part (and possibly the greater part) of industrial output in the Irish upsurge period 1960-1968 cannot be accounted for by quantum growth in the combination input of labour and capital.

We also analyse the Henry - Scott data using the well-known statistic capital per unit labour as a measure of capital intensity. Our examination has brought to light a most serious aspect of Irish industrial development, namely the growth of capital compared to manpower, i. e. the factor shift from manpower to machinery, and its implications.

Far and away the most capital intensive industry is Electricity Supply in 1968 followed, though at long remove by Fertilisers, Drink, Cement and Creameries. Percentage growth in the ratio in 1960-1968 was greatest in the case of fertilisers. There is not a single exception to the rule of growth in the ratio in 1960-68 and only two cases of decline (both small) in 1953-1960. Though 1953-1960 was a period of slow industrial growth it is evident that capital intensity was well on its way. With growth during 1960-1968 there was a considerable increase in capital intensity: the simple average of the percentage increases (including negatives) was 38 in 1953-1960 (7 year changes) compared with 60 in 1960-1968 (8 year changes).

What is utterly unexpected is the entire absence of relationship between the increase in the ratio and the actual rate of growth in gross output amongst the 22 industrial groups. For 1953-1960, $r = -.21$; for 1960-1968 $r = -.27$. Both negative signs are perverse; anyway neither value is significant even at the .1 null hypothesis probability level.

The foregoing statistical analysis has shown clearly:-

- (1); At the macro level in UK and Ireland some three-quarters of recent growth is unexplained by quantum input of labour and capital; there is a large proportion of industrial growth in Ireland not accounted for by factor (capital in particular) growth.
- (2) Capital intensity (in relation to labour) is increasing and industrywise is unrelated to growth.

Both findings are relevant to a consideration of the role of physical capital in future economic and, perhaps more important, social development in Ireland. The implications of the second showing are of fundamental significance. Both points support our thesis, which is that, as a matter of national policy, net additions to fixed capital stock be reduced to a minimum, i.e. that such increase be resorted to only after the most intensive examination of the potential of existing stock, if necessary with replacements, increased output being achieved by improved management and labour, increased shift working, improved materials, skilled marketing, change of products in accordance with demand, in fact every device except net increase in capital. Objections to increasing capital are mainly the increasing current cost of depreciation (tending to increase the competitive cost of the article) and the large import content of capital goods used in Ireland inimical to our serious balance of payments problem.

Would the energy industries please note, and authority for the vast building industry recognise that many more buildings can be reconstructed than new-built within a given sum available for capital investment?

All the comment in this section relates to constant price series of variables. Price inflation is not a direct element here though it does, of course, affect output, foreign trade etc, in their physical aspect. Inflation is an arch-agent for the misdirection of economic activity away from social optimality.

As to point (1) above, the surplus phenomenon is, of course, a good and it is satisfactory to note that Ireland is well to the fore in its exploitation. All that seems to be required is that the fact enter the consciousness of planners, public and private. The slogan might be "much more output is possible from your existing capital stock" (apart, of course, from present depression levels). In this respect individual firms would do well to try to imitate their best exemplars, always bearing in mind the Linehan showing.

As to (2), increasing capital intensity is a world problem for which we do not presume to know the answer. The marked tendency towards substitution of machines for labour is specially grave for Ireland with its endemically high rate of unemployment which (including unregistered) at present may amount to one-seventh of the work force. The tendency is, of course, good for exporters of capital goods, typically the economically advanced countries. We had this aspect in mind when earlier we recommended that Ireland should seek a larger share in heavy industry, if only in its bits and pieces.

We are emphatically of the opinion, that existing plans for economic development with their almost exclusive acceptance of the profit motive in the private zone will not solve the Irish unemployment problem, or lead to even a sizable reduction in the present level during the next few years. To repeat a point made in previous papers: in future planning emphasis should be on volume of employment rather than on income. As stated earlier, faced with a choice, we would prefer a situation of a lower rate of increase of real income per head (including unemployed and unemployment pay) and a low rate of unemployment, than the contrary. The personal preferences of the speaker does not matter. I pose the problem which must be faced. Drift will not do.

Ireland's special problems are so well-known in this general regard that they scarcely require mention. They include the increasing birth-rate consequent of the increased marriage rate, the near elimination of the safety valve of emigration.

There are a number of recent studies^{*} on this problem of the substitution of labour for capital. Though the data they are based on (actual statistics and other facts for a number of individual firms) relate to African countries at a lower stage of economic development than Ireland's and with cheaper labour favouring substitution, their findings are relevant for us. Pack is interesting in his classification of factory processes (in relation, of course, to his problems) and of managements:-

"All plants can be characterised by five basic operations: material receiving, processing, material handling among processes, packaging, and storage of the finished product"

* "The substitution of labour for capital in Kenyan manufacturing" by H. Pack. The Economic Journal, No. 341, 1976

"Substitution of labour for capital in the foreign sector: some further evidence" by R. F. Solomon and D. J. C. Forsyth. The Economic Journal, No. 346, 1977.

Employment possibilities with each of these operations are considered in detail. As to managers

"A useful typology in analysing the role of managers is to divide them into two categories: those with technical training or a background in production and those without such education or experience"

It was found that the former class had an open mind as to "the possibility of using other methods," in particular labour instead of machines. The second class (with a background of marketing and accountancy etc) were very much more rigorously machine-minded.

"... it should be emphasised that our investigations produced no evidence that companies using labour-intensive methods suffer from lower efficiency or increased costs"

Pack's conclusions:-

"The two major findings of this study are: (1) there is considerable variation in feasible efficient production methods, particularly in periferal operations; (2) substantial gains in labour productivity without capital deepening occur due to the existence of considerable (disembodied) productivity gains and the gradual elimination of excess capital capacity and consequent better utilisation of the labour attached to that capacity."

I suggest that Pack's methods of inquiry could be profitably applied by firm's themselves to their own activities.

The Solomon-Forsyth paper is a critique of certain aspects of the Pack paper. The experience reported on relates to Ghanian firms.

Some heads of the conclusion:-

"The evidence reported here suggests that Pack's observation that foreign-owned firms are more labour-intensive than indigenous firms may not be universally valid."

"The conclusion to be drawn with respect to the current shortcomings of management of indigenous manufacturing firms in less developed countries clearly supports Pack's view of this matter."

The Solomon-Forsyth comments do not negative Pack's conclusions as quoted.

Conclusions

To your obvious question "But what will all this cost? "The answer must be the vague one "A lot, if a sizable impact is to be made on the nation's gravest social problem." Our erstwhile colleague, E. Costa, has, however, made an estimate of the net cost - i. e. "net" in the sense of allowing for the saving in social security payments - SWP's setting nearly all the unemployed on special works, ranging from £66 to £87 million which are not large sums under the present affliction of inflation. A survey of men on the LR which we conducted in 1975 has shown that 87 per cent would take a job even if this were lower in pay and skill than their normal job.

Writing on Election Day, the speaker (apolitical in the party sense but who sets the highest value on electoral freedom) has noted the debate at the hustings of the cost of a social plan, conducted at a reasonably sophisticated level. We have emphasised that an effective plan must be revolutionary and costly and will involve sacrifice by all classes, including the poor, particularly in the direction of income restraint. "Take what you want, said God, and pay."

I do not consider that there is any real difference between the parties on the issue of the gravity and the enormity of this problem. Any differences might be in priority, method, timing etc but, granted the will, these should be easy to resolve. The worst of party politics is that differences tend to be exaggerated, to point the party image. I do not see much hope of a solution of this problem unless the political approach is practically unanimous. The new Dail would afford an admirable opportunity for a tri-party Declaration thus dramatically taking the problem out of politics. Nothing would be better calculated to inspire the people, to obtain their consent to the necessary sacrifice, the necessary sharing out.

Governmental spending with increases, home and foreign, in the National Debt have been on a vast scale in recent years. Governments have certainly a lot to show for this spending, but can they honestly claim that it has been as effective as it might have been? Observation goes to show that it has left the people rather apathetic.

The trouble about parliamentary prodigality is that it must be all things to all men lest votes be lost. Spending has to be seen to be proportionately about equal over all objects. The total sum available from taxation and loan being limited, the spread is too shallow over the land. Everybody gets something but nobody is much pleased about it. Better a marked priority at any given time for a particular object, the first surely the sizable reduction of unemployment. Such particularisation involves sacrifice in all other groups, including the poor.

There is nothing new in this idea of parliament's deliberately disqualifying itself in creating extra-parliamentary organisations with very large measures of mandatory power, as distinct from advisory function. The IDA is an outstanding example, markedly successful granted its policy directives. Of course, this policy of devolution creates its democratic problems; all prudent decision is on a balance of good and bad effects. I understood a minister recently to say that he would like the whole Budget to be taken out of the government's hands. I would not say him nay - if this is what he meant. Democratic control, i. e. control by the people, must be absolute. Is it all that good as it is, except on Election Day?

The IDA has always been conscious of the employment and capital aspects of the industries it creates and supports. It has, however, been criticised for the inadequacy of its policy as regards net job creation.

In fact, in one of the latest issues of IDA News one reads that in 1976 a net 3,000 extra jobs were created; a net 6,000 - 8,000 are expected in 1977 and the Government Green Paper is quoted for the statement that manufacturing industry is to yield a net 10,000 extra a year in 1976-1980. In the same article it is stated that the net extra figure was 2,600 a year in 1968-1973. Even when full allowance is made for induced employment, and for the fact they take no account of the possibly increased employment in special works (to be mainly in agriculture and construction), these figures scarcely make sufficient impact on the existing unemployment level and the prospect of some 60,000 young people coming on the labour market and to post primary schools every year in the near future. But if IDA is criticised for its attraction of too capital-intensive industry, there is substance in its reply that, in a world-competitive market for industry, it must take what it can get.

I have full confidence in according IDA responsibility (together with the proposed NMA) for creating employment on an adequate scale on the economic side in future. It must be granted increased funds for this purpose, frankly to induce home and foreign labour-intensive industries to start or to increase their activities. I have not the slightest objection to multinationals or foreign firms, noting that the Irish people have far more control over their activities here than we have over our investments abroad. They are here for profit, and more power to them: why should potential direct investors not be told of a recent US Department of Commerce report that the average of all UA investment gave a return of 29 per cent? We shall love our visitors even more when we are assured that they plough back a substantial part of these profits, that they train and use Irish talent in higher posts and that they use Irish materials.

We do not know of the policy constraints, other than money, under which IDA operate in their systematic worldwide search for the kind of things we should be making, mainly for export or for import substitution. If there are any constraints they should be removed: all is possible with enough cash.

As a last word I am reminded of a report by J. Tinbergen to the UN Far Eastern organ ECAFE. Tinbergen suggested that a list should be made of the things or groups of things that could be made. Enquiry from manufacturers would reveal a certain number of statistical characteristics of each. In the Irish case these might include (1) Irish contribution to investment per person employed, (2) world demand, actual, (3) demand prospect, (4) percentage purchase of Irish materials, (5) dummy variable for general suitability (environment etc), (6) minimum and maximum scale of operation, and other. By chopping and changing the list, subject to the constraints, one would ultimately arrive at a selection of goods to be made and the scale of activity for each which maximise total employment, subject to the constraints. There seems even to be a nice problem here, as an extension of linear programming, which I confidently commend to our young mathematicians.

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