SYMPOSIUM ON THE FINDINGS OF THE INDUSTRIAL POLICY REVIEW GROUP

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1. INTRODUCTION

I would like to thank the Statistical and Social Inquiry Society of Ireland for the opportunity to respond to this important report on Industrial Policy. With our extremely high levels of unemployment and the mass emigration in the 1980s, the second highest decade of emigration since Independence, radical and urgent solutions are needed. The problem is awesome but I believe that it can be solved and that the key is industrial policy. I believe that this Report goes a long way in the right direction. What I am less certain of is, if and when its sixty substantive recommendations will be implemented.

The reason for this unease is the similarity between 'A Time for Change: Industrial Policy in the 1990s', which I will call the Culliton Report, after its Chairman, and the Telesis Report (1982), which was published ten years ago. It took a long time for the authorities to implement some, though not all of the recommendations of Telesis. However, it appears that the belated implementation of much of Telesis is having effect. Indigenous industry is, at last, performing well and if most, though not all, of the recommendations of Culliton are rapidly implemented, then we will begin to reduce unemployment, at last.

I will first examine the Telesis Report and the effects of its partial implementation. Then the cost of industrial policy will be critically examined, focusing on total costs. A trade union view on the analysis and some of the major recommendations of Culliton will then be given. I also wish to focus on two major areas of industrial policy which have not been covered adequately by this report before taking a brief look at the recent quality of entrepreneurship in Ireland. The first is the need for a coherent EC industrial policy, and the second is the growing importance of new methods of production for industrial success. These are based on consensus rather than traditional hierarchical, adversiarial, worker-management relationships. The Programme for Economic and Social Progress (1991) and its predecessor, the Programme for National

Recovery (1987), the general agreement of the need for a Jobs Forum, all based on consensus, are the basic structure on which to build a competitive industrial base.

2. A FOUNDATION FOR ENTERPRISE: CONSENSUS

In 1982 when Telesis was published, it was extremely well received. The Telesis Report highlighted the limitations of the over-dependence on foreign investment and the weakness of indigenous industry. It advocated much more selective and targeted industrial policy.

It appears as if history is repeating itself with the Culliton Report. However, today, there is a qualitative difference in atmosphere because there is the broad-based consensus. When the Telesis Report was published, on the one hand, there was widespread belief that state intervention, particularly direct intervention, would lead to increased job creation. On the other hand, it was believed that if wages were held down, jobs would follow. Time has proven that both of these solutions have been wrong. In fact, in the early 1980s, the performance of state-owned firms was at its worst, and it has improved dramatically since then, but at the cost of one in four jobs (Sweeney, 1990). Unit labour costs fell in Ireland quite dramatically in the 1980s but industrial employment also fell. Today, entrenched positions have evaporated and this has helped develop agreement.

The Programme for National Recovery and the Programme for Economic and Social Progress epitomise the consensus at national level. While historians may wonder why a trade union movement joins in a form of Corporatist-style co-operation with the state and employers in the face of almost 300,000 unemployed (with over 200,000 emigrating in the last decade), instead of engaging in militant action, I believe that the answer is in setting aside traditional positions and attempting to find solutions through dialogue. Solutions are likely to mean sacrifices; from workers in flexibility and cost reductions, and from business people in a concerted attack on speculative adventures, tax evasion, adoption of long-term perspective, investment in Ireland, financial disclosure and flattening the pyramidal structure of the firm.

Today, there is a much more sophisticated view of competitiveness. It cannot be reduced to labour costs or indeed to total costs. It includes quality of the infrastructure, the level of economic development, political stability, quality, innovation, human resources, financial dynamism, etc. A clearer understanding of competitiveness, combined with a broader-based consensus, is the foundation for a serious and concerted attack on our high levels of unemployment and emigration.

Telesis

Telesis' key recommendation was "the greatest need for Ireland's industrial policy in the 1980s is to better manage the development of indigenous industry, both manufacturing and raw material based". It also recommended a "substantial reduction in average grant levels for many foreign-owned firms, a sharp reduction in grants given to indigenous companies for non-traded businesses, and a substantial increase in funds devoted to the development of indigenous export businesses. It recommended that grants for indigenous industry should address specific cost penalties and there should be further use of loans, loan guarantees and redeemable equity and soft loans. It recommended better control of tax-based leasing and Section 84 loans, and that the government departments resume a more active policy role.

3. CHANGES IN POLICY FOLLOWING TELESIS

The Culliton Report says "responding to Telesis, the policy changes of the mid-1980s introduced the first significant changes in emphasis. Some new schemes of assistance were introduced, there were modifications in others and there were changes in the structure of agencies engaged in industrial promotion. Probably the most notable change was the shift away from fixed asset grants which were partly substituted by greater availability of employment grants and by financial aid in the form of equity or preference share finance loan guarantees and the like". Between 1985 and 1989 the total industry budget (direct expenditure) fell from about £390m to £317m (even without correction for inflation)" [p.61/62].

However, the Report then became quite critical, stating that "the policy shift has *not been as decisive in practice as it has been on paper.* In particular, *the shift in the grant budget to indigenous companies (from 51% in 1985 to 54% in 1989), has been modest compared* with the target of 75% proposed by Telesis for 1990. *The degree of selectivity is not noticeably increased* ... the switch to equity-type instruments has been *half-hearted* ... the early hopes for the company development programme ... seemed to have *evaporated*" "... The execution of policy ... *remains difuse*".

The response to Telesis was slow. However, gradually, some of its recommendations began to be implemented and in recent years there have been positive results, particularly in the area which Telesis targeted - indigenous industry. The improved performance of indigenous industry in recent years has not been all due to the upturn in the international economy after 1987. 1991 was not a particularly good year internationally, but according to CTT's latest review, exports from indigenous industry continued to grow in that year. It appears that the shake-out in the early 1980s left the strongest firms intact and that these are now in a position to develop.

4. TOTAL COST OF POLICY: DIRECT, INDIRECT AND TAX EXPENDITURES

Telesis recommended that *"the level of funds devoted to Irish industrial development should be as high as the Irish people can bear"*. It argued that if this money is "properly spent" then it will yield substantial benefits to this and future generations. It made three specific recommendations to make public spending on industry more efficient; (1) substantial reduction in the average grant levels to foreign firms, (2) sharp reduction in grants to indigenous companies for non-traded businesses and (3) the substantial increase in funds devoted to indigenous exporting companies. If this necessitates further public spending in the early years, then this cost imposition becomes a severe liability.

The Culliton Report, following Telesis, recommends a reduction in grant aid, a switch to equity and a cut in the grants budget. Nonetheless, it does admit that non-grant aided plants lost more jobs than those which receive grants. Therefore, there is a correlation between grant aid and job creation. As the Culliton Report itself says, "it is not possible to say how much greater the job losses would have been in the absence of grants, though it is true to say that non-grants aided plants also lost jobs - and indeed lost them at a higher rate" [p.63].

It is not clear that the Culliton Report is including tax expenditures as well as direct spending on industrial policy when it set its fiscal absolute.

It quantifies the cost of direct intervention, at £1.6bn in 1990 prices in direct grants, alone, between 1981 and 1990. The net result was a mere 7,000 net new jobs. My union has been constantly critical of Irish industrial policy as being expensive because it is ineffective (ITGWU, 1981-1988). In addition to the considerable costs of grants to industry of £292m in 1991, the related expenditures in other government departments added to this and the cost of tax reliefs, gives a total direct cost of state aid to industry of £600m, "while the level of industrial employment would show little change for the period", Culliton says.

From a trade unionist perspective, the phenomenal growth in the importance of tax expenditures in the 1980s is somewhat ironic. This is because the great tax marches, calling for a fairer deal for the PAYE worker, took place in late 1979 and early 1980. Yet it was in the following decade that there was the phenomenal growth in tax breaks for industry which rose from £180m gross in 1980 to £1,422m in 1988/89 as Appendix I shows. Indeed, it was this union which was the most critical of tax-based lending, and particularly to Section 84 lending in 1982 ('Liberty' 1981), arguing for direct aid to industry as the alternative. Yet in spite of the disquiet and the feeble attempts of some Ministers of Finance to curtail Section 84 lending, its cost grew substantially.

Culliton quantifies the total cost of grants and sets out the cost of personal tax-breaks, but fails to quantify the total cost of corporate tax expenditures. The gross nominal amount of tax expenditures in industry, at approximately £5.9bn for the nine years to 1988/89, or over £7bn in the decade, severely undermines the image of a parsimonious Department of Finance (Appendix I).

The Department of Industry and Commerce appears to be embarrassed by the size of tax expenditures, and in its 1990 Review of Industrial Performance, it attempted to greatly reduce the estimated exchequer cost of tax expenditures in, what it called, "an average year". While there are grounds for reducing the total cost of tax expenditure in order to estimate revenue lost in their absence, the Department's exercise is both subjective and dubious. It manages to reduce the costs of tax expenditures from £1,086m in a typical year to only £298m.

It is disappointing that the Culliton Report recommends some further tax-breaks. It is not critical of the extension of the 10% regime, only stating that it should not be extended beyond the year 2010. It does recommend that Section 84 loans should be ended, but that BES should be retained and that the bank levy be abolished. The BES is the high income earners' tax break which was grossly abused and appears to have had little effect on job creation, (Dáil Debates 12th April, 1989).

In a peripheral, late-developing economy such as Ireland, there is a need for continued high levels of public expenditure in the area of industrial policy if jobs are to be created. The debate should not be about how much to cut the overall budget, but how to make it much more effective. The move to reduce tax expenditures, which are not transparent and whose efficacy is difficult to judge, should be accelerated and accompanied by increased direct expenditure on more effective programmes.

5. INFRASTRUCTURE

The Report is welcome in including an analysis of the supporting infrastructure as being important for industrial development. However, the case has not been proven that the road network has been a "significant constraint for many years". As it pointed out itself, over £600m will have been spent on road improvements in the five years to 1993. It concludes "this emphasis seems correct". The work "seems" does crop up a lot in this Report and I would be highly critical of the lack of money spent on public transport, particularly urban public transport. Investment in a reliable public transport system in our urban areas would increase economic efficiency and competitiveness.

Much of this section of the Report is highly critical of public enterprises. While there is a cost subsidisation within and between the state energy companies, the elimination of this will cost a substantial number of jobs. SIPTU represents most of the workers in these companies and it would not see wholesale redundancies for small financial improvements in a period of such high unemployment as being desirable. The level of subsidisation here is small compared to the UK, France and Germany. There is a case for transparency, but there is also a case for explicit subsidies for social services.

The Report also focuses on planning issues and on the Structural Funds. It is quite correct in drawing attention to the fact that in a few years time there will be pressure on government to continue funding spending programmes which will no longer be financed by the Structural Funds. However, if there is to be a real European Community, the poorer regions must be assisted automatically and not just because Jacques Delors is more socially aware than others.

What is missing from the section on the infrastructure is a lack of a critical assessment of the financial and legal systems. It had appeared as if this would be addressed when, early in the Report, it is stated that "between 1971 and 1986 the number of accountants more than trebled, and the number of auctioneers and lawyers doubled, but the number of engineers increased by less than 50%. While Ireland, like every society, needs its accountants and lawyers, it is hard to resist the conclusion that too little effort in Ireland is going into directly productive activities that are product orientated and market driven". Perhaps the answer is that the accountant and the lawyer who investigated the activities of former leading "entrepreneurs" in Greencore each individually were to be paid "£250,000 plus" and "£240,000 plus" respectively, for a few months' work, by the taxpayer.

There is only a small section on finance for industry which is mild in its criticism of the banks' lack of support for business needs, their short-termism and Chapter (7) advocates that the banks, which pay little or no corporation tax, should pay even less tax! It concurs with the view that foreign investment is not sufficient to develop an economy (p.66).

6. TRAINING

The broad view of industrial policy, which includes education, training, enterprise and technology is to be welcomed. The low level of inservice training from general operatives right through to top management, which is highlighted in the Report (p.54) is a serious problem which must be addressed. However, if all FS training schemes for the unemployed were to be transferred to the Department of Social Welfare, it would be the same as writing-off the long-term unemployed. Yet there is a golden circle here. If we manage to reduce the high numbers of unemployed, then we can concentrate finances and training on those at work and on giving skills to those who are unemployed. Much training is a public good and therefore it is best that it is undertaken by the state, but there is a strong case to levy the employer to pay for training, from management to upskilling of general operatives. The Report also highlights the low level of spending on R & D and the need for active state involvement in promoting new technology and the need for technology acquisition.

7. INDUSTRIAL PROMOTION

The strategy for industrial promotion involves changes in four areas. There is much merit in having a decisive shift from grants to equity capital. However, this is a repeat of a key objective of the Telesis Report. Secondly, it emphasises industrial promotion in industrial clusters. Clusters encourage competition and the development of "related and supporting industries" according to Porter (Porter, 1990, p.138). Best argues that clusters encourage co-operation (Porter's word is "supporting") at local level which assists in enhancing international competitiveness (Best, 1990, p.203). Intense local competition can reduce competitiveness by limiting the capacity of the sector to reinvest. Best, like Porter, examines the Emilia Romagna region of Italy and much of his analysis may be more appropriate to Ireland than aspects of the non-interventionist Porter. It is worth pointing out that some of Ireland's most successful multinationals developed in non-traded industries.

Clustering would be a change from widely dispersing industry through-out the country. The prevailing wisdom holds that the rest of the country has been discriminated against in favour of Dublin. For the last two decades, the opposite has been true. In the 1970s, when there were new jobs being created, Dublin got very few of them. And in the 1980s, when there was substantial decline in jobs, as many as 64% of all the job losses occurred in Dublin (Drudy, 1990). Furthermore, the shift in industry away from Dublin has not been compensated by a growth in service employment. In fact, Dublin's share of the service industry has declined marginally in recent years.

The third strategy for industrial promotion is "a squeezing of the budget of the agencies to ensure efficiency and value for money". Again, a cuts policy does not necessarily mean better performance.

8. PUBLIC ENTERPRISE

Finally, the Report points out that the commercial state enterprises include some of the very few large industrial enterprises in the state and it says that they should be allowed to operate in a fully commercial manner and have access to the capital necessary for their expansion. The statement that "improved efficiency need not await privatisation" implies that privatisation is or should be the objective of government for state-owned enterprises. Yet the Report admits that the improvement in efficiency in the commercial state sector, both here and in the UK, occurred prior to privatisation. I would also take issue with the clearly implied assertion that public sector monopolies should be privatised. While this is not the place to discuss privatisation, some people see it as a form of industrial policy. I would argue that it is a distraction from the issue of job creation, but one which can and has enriched a small number of people, as we have seen with the personal privatisations of a subsidiary of Greencore and the machinations over the sale of the site for the Telecom headquarters.

The public enterprise sector has sufficient scale to overcome the many barriers to expansion. One of the most entrepreneurial companies in the country which has expanded within Ireland (as well as abroad) has been Aer Lingus, with its major diversification programme with Team Aer Lingus, Airmotive, Pratt & Whitney and SRS. All of these are high-tech and well-paid, employment-creating ventures. Yet the government has embarked on a programme of privatisation and has stated that it will refuse further investment in Aer Lingus and indeed in any state company, profitable or not (Dáil Debates, 25th February, 1992). This means that privatisation becomes inevitable, particularly if the company needs capital to diversify or to expand.

It is not currently fashionable, but I would argue that public enterprise, a key section of indigenous industry, should again become a vehicle for job creation. Most of the companies are efficient and profitable.

It is disappointing that the Secretary of the Department of Industry and Commerce, in an interview, said that "the state cannot itself create successful industries" (*Irish Times*, 11/2/91). This dogmatic position denies the facts and also rules out the role of public enterprise as another direct means of translating policy into action.

There is also the problem of pay which has been exacerbated by the privatisation programmes, which has seen senior management double and treble its pay for doing the same job in the week following privatisation. Governments have also connived with chosen public enterprise managers to pay them substantially above their own pay guidelines. This official hypocrisy and the remuneration changes after privatisation have undermined the morale of senior managers in the public sector and it has not gone unnoticed by general employees.

The idea of an advisory board on industrial policy is one to be commended, the division of the IDA into an indigenous promotion agency and other to promote foreign industry has merit if the important indigenous industry division is not to be the poor relation. The IDA has, understandably, opposed it. There is little merit in the system of regional boards in a small country, except to create new layers of bureaucracy.

9. A TASKS FORCE

Initially, the establishment of a Task Force to "give an impetus and direction to the wider focus of industrial policy recommendations in this Report and ensure that the recommendations of this Report are fully considered and progressed", appeared to be yet another layer of bureaucracy. My hostility was emphasised when I realised that no trade unionist was there to represent one of the key social partners. However, on reflection, and not withstanding this omission, which can and must be rectified, it appears to be a good move to overcome institutional jealousies which are such an obstacle to policy implementation.

10. AN EC INDUSTRIAL POLICY

A major criticism with this Report is that it neglects a major determinant of industrial policy. Irish industrial policy only exists as part, albeit an important part, of an EC-wide industrial policy. The drive to the Single Market appears to be a negation of industrial policy, being based on "free" competitive markets, with the minimum of state aids to industry or other "distortions". In practice, all member-state support substantially industry and other sectors. The following table shows the amount of state aid to manufacturing (excluding ship-building and steel) in 1981 and 1988 for the member states.

Table 1: Aids to Manufacturing (excluding Ship-building and Steel) (MECUs)

	1981	1988
B	720	1,091
DK	156	232
D	5,010	7,849
GR	592	954
E	-	2,020
F	4,224	4,744
IRL	372	369
I	7,040	9,382
LUX	19	38
NL	780	1,126
P	-	403
UK	4,463	3,212

Source: *Second Survey of State Aids, 1990, European Commission.*

This table shows the phenomenal amount of money going to aid manufacturing industry in member states, in spite of all the free market rhetoric. There is an extremely strong case for a coherent EC-wide industrial policy to rationalise, not cut, this expenditure.

Table 1 shows that in spite of retrenchments in many economies in the 1980s, state aid to industry grew substantially in Italy, Germany, and to a lesser degree, in France. It should be noted that Germany, Europe's strongest economy, gives almost as much in state aid to both coal and to railways, as it gives to manufacturing. Italy's aid to manufacturing is around three times the level of the UK, twice the level of France, and 20% higher than that of the much larger German economy.

Indeed, the figures for Ireland are probably understated. In Table 1 the figure of 369 MECU for 1988, equivalent to £284m, is substantially less than the £600m grand total of aids which Culliton estimated for 1991.

In terms of value-added, Italy gives 2.5 times as much as Germany, as Table 2 shows.

Table 2: Aids to Manufacturing (excluding Steel and Shipbuilding) (average 1986/88)

	% of gross Value Added	ECU per Employee
GR	16.4	3,721
P	8.1	701
I	6.5	3,077
IRL	• 6.2	2,551
E	3.7	1,067
B	4.6	1,693
F	3.5	1,371
NL	3.5	1,528
D	2.7	1,139
UK	2.5	723
LUX	4.4	1,812
DK	1.6	643
EC 12	3.8	1,439

Source: *Second Survey of State Aids, 1990, European Commission.*

Greece, Portugal, Italy and Ireland have higher state aid as a percentage of gross value-added than the European average. Greece, Italy and then Ireland are the three largest aid donors to manufacturing on a per capita employee basis.

Appendix II shows the forms of aid as a percentage of total aid. This shows that grants and tax expenditures form the bulk of state aid in the member states. In Ireland, it is almost 90%, that is, the same as Italy, with Netherlands at 94%, Portugal at 86%, Germany at 85% and the others not far behind, with the exception of France, which is the lowest with 45%. Most of this aid is in the form of direct grants, except in the case of Germany. Ireland was significant in the form of tax breaks.

The EC Survey on State Aids to Manufacturing Industry concludes by saying that "the sheer volume and proliferation of aids means that the Commission must take into account the negative impact these aids could have on the unity of the Common Market, competition and therefore the successful completion of the internal market. A firm aid discipline is a prerequisite to the increased competition, without which very little of the projected gains from the internal market will be realised". It appears that many of these aids have increased in the other countries in ways similar to Ireland, that is, on an ad hoc basis. The

Culliton response is that they should be cut back in the richer states. This is echoed by the EC Commission Report which says that controls will have to be "concentrated on aids awarded in the richer regions and such a policy will therefore increase the aid differentials in favour of the peripheral regions".

However, coherent industrial policy is not just a cutbacks policy on aid to industry within the Community. A two-pronged approach is required at EC level. On the one hand, the EC has to decide where it has a competitive advantage and attempt to build up its largest firms, and secondly, policy must encourage enterprises to locate in the poorer regions. Whether one is for or against state intervention in Ireland, the fact is that state intervention is massive and wide-spread in the EC. In this country we are all 'Keynesian interventionists' in industrial policy. What we have got to do is work together to ensure that we are getting value for money. However, the industrial policy must be planned at EC level.

A Report from the EC Commission (EC2, 1990) is extremely hostile to state intervention in industry. Fortunately, a debate is underway in Europe, though it has not yet begun here. A reply to the Commission's report from the European Parliament (1991) is much more positive, more interventionist and socially conscious. The Task Force which is seeking the implementation of the Culliton recommendations must broaden its perspective to include the EC dimension. The richer states might agree to this for, in the words of Henry Ford, "an unemployed man is an out of work customer. He cannot buy." (Ford, 1926).

11. EMPLOYEE PARTICIPATION AND PARTNERSHIP

The Culliton Report acknowledges the merits of participation and partnership, but it neglects the growing importance of partnership in the workplace. It is widely recognised that the Programme for Economic and Social Progress has made a major contribution to recent economic and social development in Ireland. I want to focus more on worker-management co-operation in the workplace. Some trade union hostility to Human Resource Management exists because it has been used as a weapon against trade unions, but there are many aspects of it which deserve serious attention. Our adverserial industrial relations system wastes much energy and promotes barriers to modernisation and efficiency. Some of the leading companies today are ahead because they have attempted to harness the collective intelligence of their workforces through genuine partnership. They have moved away from adverserial-type labour-management relationships to co-operation. They have flattened the pyramid structure, eliminated formal quality control, humanised the workplace, attempted to integrate innovation in human resource management with new technologies, by giving voice to employees at all levels in decision-making - including strategic management decisions, and moved to team-work within the plant.

European integration, globalisation and the intensification of competition, with rapid changes in technology, has meant that these changes must be reflected in the ways that companies compete. They must be able to respond to the rising expectations of workers. Corporate competitive strategies must harness increased levels of motivation, trust and commitment from workers so that there is increased value-added, better quality and product innovation. The more progressive companies are well aware of this, including some in Ireland. Employees on the boards of the semi-states, Aer Lingus' sub-board consultative organisation, the CRC, and CIE's recent attempt to introduce world-class manufacturing at Inchicore, with the support of the unions are examples in the public sector. In the private sector, they are mainly foreign companies. The Social Chapter and the FIE/ICTU (1992) declaration on Employee Involvement in the Private Sector indicate that there are positive moves towards greater co-operation in the workplace.

12. ENTERPRISE

Ireland suffers from a deficiency in entrepreneurial talent. The climate for enterprise has been favourable for several years. At Independence we were well placed by international standards to continue to develop. It may be that our firms were not of sufficient size, as a late developer, to overcome the barriers due to economies of scale, production, technology, finance and marketing. Larger firms in the more developed economies had better access to large local markets, skilled labour, raw materials and specialist services. This is why the cluster theory of Porter and well directed industrial policy can help overcome barriers facing indigenous firms. However, too much popular literature has focused on individual entrepreneurs whereas the firm is often a collective entrepreneur, where teamwork and innovation are key components in entrepreneurship.

From a trade unionist's perspective, it is extremely disappointing to see some of Ireland's leading entrepreneurs involved in corruption, speculative deals, tax evasion and the theft of public property. The daily reports of the Beef Tribunal reveal practices which are particularly scandalous in one of Ireland's major companies. The unseemly wheeling and dealing over the Telecom site and the Greencore scandal, the double standards of certain leading employers, indicate a serious malaise which must be confronted.

The great lengths which some business people go to avoid laws on disclosure of financial information, the poor quality of financial reporting in general, their hostility to genuine partnership, and the secret "payments on the side" which, according to one former entrepreneur, are "commonplace" amongst top executives (Sunday Tribune, 8/3/92), must end. An economy built on speculative economic rent-seeking will fail. We can only hope that the revelations in regard to a minority of Ireland's entrepreneurs will be the salutary lesson that productive industry is the key to wealth creation and job creation.

13. THE JOBS FORUM AND OTHER EMPLOYMENT INITIATIVES

The hysteresis in the Irish labour market may have been induced by the sclerosis in the state's political and executive functions. Had the recommendations of Telesis been immediately implemented with vigour, it is very likely that unemployment would not have risen anywhere near present levels.

There has recently been debate on the composition of the Jobs Forum. There is agreement that some kind of a national body should be established, with adequate resources, to tackle the jobs crisis.

While the supremacy of the Oireachtas is important, it is also vital that the main interest groups be included in the Jobs Forum. The reason for this is that vested interests have to be overcome, and the best way to do that is to have each included in the major decision-making body. Therefore, the Jobs Forum should include a number of TDs from each party, and a representative of the main interest groups which are represented on the NESC and the Irish National Organisation of the Unemployed. Like the New Ireland Forum, the Jobs Forum should have an independent chairman of outstanding calibre, who, ideally, would have almost missionary zeal in ensuring its success. The Forum would report to the Cabinet, through the Taoiseach. Its relationship with the economic Departments and with the existing Task Forces needs further thought.

It is vital that the Executive (not a mere secretariat) of the Jobs Forum be given very substantial resources. This Executive should be made-up of full-time civil servants, economists and business persons from a wide variety of backgrounds. It has the vital task of uniting policy and practice. It needs to undertake detailed sectoral analysis and should consult and work with all interests and business people in the specific areas where it believes expansion and diversification can take place. While it should commission much consultancy work from the Irish and international private sector, it should also aim to do much of its work itself. It should also employ international business people and experts from MITI and major US, German and other corporations full-time, for at least one year. If this Executive can get the appropriate people, cost should be unimportant. Finally, those persons who serve on the overall Forum should be prepared to give a minimum of half their working time to its work.

14. CONCLUSION

What is surprising about Culliton is that the eight part-time members, in a mere six months, were able to draw up such an excellent report. Some, though not all, of the back-up consultancy reports are also excellent, particularly with the even shorter time periods which these consultants were given. As the Report was drawn up by part-timers in such a short period and as the government's thinking on the Jobs Forum/Committee has been vague, one must ask is the government's war on jobs a Phoney War? In Ireland, in spite of mass unemployment, and probably because of the emigration safety-valve, there has been no really concerted and serious attempt to get to grips with job creation. The Culliton Report is an excellent contribution, but much more needs to be done.

The absolute limit placed by the Report on spending contrasts with Telesis' recommendation that we should spend as much as we "can bear". Whilst the amount of expenditure on industry has been large, we should really be discussing the efficiency of the spending not its size, and we must realise that cutting expenditure does not necessarily ensure efficiency. The one area which must be cut deeply is the level of tax expenditures because they are not transparent, narrow the tax base and are very blunt.

While Culliton points out that £1.6bn was spent on grants in the 1980s, it does not emphasise the cost of corporate tax expenditures which amounted to over £7bn gross. This contrasts sharply with the small but growing positive flows from the commercial public enterprises to the Exchequer (Sweeney, 1990, p.61).

Public enterprises are once again useful in translating policy into action. The state can, and has, itself created successful industries. The biggest obstacle to expansion of efficient enterprise is an unsupportive shareholder which is ideologically opposed to direct state investment. The level of investment in public enterprise is minute in comparison to the thousands of millions of state aid to industry, which has not generated much in return.

Private industry has to move away from the "businessmen's dole" mentality. It has to prove that it is "private". It must devote much more of its energies to productive work rather than lobbying for state aids. It is also imperative that the speculation, evasion and wheeling-dealing of the past couple of years will be replaced by serious productive investment.

The decision by Culliton to widen out industrial policy to include taxation, infrastructure, education, training and other areas is welcome, and most of its recommendations are worth implementing. While I have focused in on those areas with which I am critical, overall, the Report is a very valuable contribution to policy.

The delay and only partial implementation of Telesis' recommendations probably cost jobs. However, indigenous industry has substantially improved its performance in recent years, and grant-assisted firms have performed particularly well, indicating that the improvement cannot be credited only to the general improvement in the economic environment. Thus, the changes in industrial policy have contributed to better industrial job creation in recent times. Job creation in regard to public expenditure has also improved and most importantly, the far greater improvement in the performance of the medium and large indigenous firms, compared to foreign firms, bodes well for the future.

If many of the Culliton[1] recommendations are implemented successfully by the Task Force and if the Jobs Forum also contributes, it will only lead to 10,000 new jobs in industry and services each year. We would need 25,000 new jobs each year if we are just to absorb the new entrants, in the absence of emigration.

Therefore, we need to harness the goodwill of all, at every level and build substantially on the national consensus, relax our sectional interests and development new partnerships and participation at enterprise level. The more successful companies have developed new ways of working which involve all employees in improving quality, product and output. Policy must examine the new ways of working and assist in their development and wider application. We also need to consider initiatives in other areas such as a minimum income for all and work sharing. The location of a number of large EC projects in Ireland as part of a new EC industrial policy would also make a great impact.

Therefore, the government must spend as much time and effort on promoting a coherent EC industrial policy as it did on the CAP. It should be intelligently interventionist and seek to both develop large competitive EC firms and ensure a regional distribution of employment as rapidly as possible. The poorer regions must have jobs, not handouts, if we are to be able to consume the products of the centre and be a genuine community.

The real worry is that too little will be done, too late. Some people may no

[1]The Culliton Report cost a total of £337,434, of which £262,973 was in consultance fees. Telesis cost £173,190 in 1982 prices or £263,000 in today's prices.

longer believe that policy has an effect and await the recovery in the US and UK, so that mass emigration can resume. The really cynical are waiting until around 2005 when there will be a dramatic fall-off in new labour force entrants, thanks to the passionate embrace of contraception by the Irish people after 1980. Yet we have seen that policy can work, and that we can do something about unemployment. While it will require leadership from those in power, all must contribute to this endeavour.

APPENDIX I

TAX EXPENDITURES

	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91
	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
Export Sales Relief	93	106	96	301	194	423	378	729	770	n/a	n/a
Shannon Relief	10	10	11	22	40	57	29	116	110	n/a	n/a
10% Manufacturing Tax Rate	n/a	Nil	92	90	96	111	124	131	147	151	230
Section 84 Lending	5	13	63	58	69	77	64	95	112	128	88
Accelerated Capital Allowances and Tax Based Leasing	66	74	57	95	96	110	105	103	251	241	n/a
Reduced Rate of Corporation Tax for small firms*	6	7	8	8	7	8	9	9	10	n/a	n/a
Business Expansion Scheme	-	-	-	-	1	2	3	6	14	41	n/a
Co-operatives Tax Relief	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7	8	10	10
	180	210	327	547	503	788	712	1,196	1,422	n/a	n/a

* Calendar Year

Sources: Review of Industrial Policy 1990; Dail Debates 14/6/83, 7/12/83, 7/4/87, 24/10/90 and 18/1/91; Annual Report of Revenue Commissioners, 1990; Arthur Anderson Report for Culliton, 1992.

APPENDIX II

FORMS OF AID AS A % OF TOTAL AID IN MANUFACTURING
(EXCLUDING STEEL AND SHIPBUILDING)
1986-88 (1981-86)

Aid Form		B	DK	D**	GR*	E	F	IRL	I	L	NL	P	UK
Grant	A1A	61 (61)	70 (44)	30 (32)	88 (95)	78	33 (26)	52 (68)	54 (48)	68 (62)	64 (62)	26	69 (81)
Tax Reductions	A2A	11 (3)	0 (0)	55 (54)	0 (0)	0	12 (5)	37 (17)	36 (31)	9 (16)	30 (26)	60	3 (2)
Total	A	72 (64)	70 (44)	85 (86)	88 (95)	78	45 (31)	89 (85)	90 (79)	77 (78)	94 (88)	86	72 (83)
Equity participation	B1A	6 (12)	0 (0)	**	9 (0)	19	18 (6)	6 (9)	7 (19)	5 (3)	0 (0)	12	16 (7)
Soft Loan	C1A	12 (14)	29 (53)	6 (7)	0 (0)	2	15 (49)	1 (4)	3 (2)	18 (19)	6 (13)	2	7 (7)
Tax Deferrals	C2A	0 (0)	0 (0)	8 (6)	0 (0)	0	4 (9)	0 (0)	0 (0)	0 (0)	0 (0)	0	3 (2)
Total	C	12 (14)	29 (53)	14 (13)	0 (0)	2	19 (58)	1 (4)	3 (2)	18 (19)	6 (13)	2	10 (9)
Guarantees	D1A	10 (10)	1 (1)	1 (1)	3 (5)	1	19 (7)	4 (2)	0 (0)	0 (0)	0 (0)	0	2 (1)
		100	100	100	100	100	100	100	100	100	100	100	100

*Greek figures should be treated with caution. In addition for certain aids in Greece it was not possible to separate the positive budgetary aids from tax concessions.

**No figures available for equity participation in Germany - aid element considered as negligible.

Source: Second Survey of Aids to Industry, 1990, European Commission.

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