

Speech by Liam Connellan, Director General, Confederation of Irish Industry at the Irish Computer Users Dinner on Tuesday, 19th October 1982 at the Court Hotel, Killiney Bay, Killiney, at 8 p.m.

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The primary aim of national economic and social policy must be to reduce inflation and create sustainable jobs. Inflation must be brought down urgently to that of our main trading partners so that more orders can be obtained for Irish goods and more employment provided. It must be recognised that, while the rate of inflation in Ireland is 17%, that in Britain is below 8%, in Germany 5%, Netherlands 5½%, the United States 6%, and Japan 3%. Ireland has had a relatively stable exchange rate over the last year with most of these countries. Import prices are now contributing only about 3% to our inflation rate - the remainder is domestically generated as a result of Irish cost increases and the high rate of day-to-day Government spending which is funded either from taxation or borrowing.

The deficit on Government finances, equivalent to over 8% of national output, has acted as a spur to inflation, has damaged the competitiveness of Irish products and must be reduced by cutting day-to-day Government spending.

The damage to the productive sector which would be caused by a continuation of higher relative inflation in Ireland than in our main trading partners would be too great to make a gradual approach to closing the gap acceptable. Every week now two Irish factories close, almost 200 manufacturing jobs are lost, and an additional 200 jobs are lost elsewhere in the private sector. Furthermore, over 200

new job seekers join the dole queue each week on average pushing the total rise in unemployment to over 600 each week. With unemployment rising rapidly there is no justification for continuing to fuel inflation at a faster rate than our competitors as this would cause even more job losses.

Priority must be placed on improving the efficiency with which public services are provided so that the cost of the public sector pay bill, comprising half of total current expenditure, can be contained within limits consistent with reducing inflation in the coming months to the rate of our main trading partners and cutting the current budget deficit. Unless this happens thousands of additional jobs will be lost in the exposed sector of the economy as the public sector overhead burden becomes more and more insupportable. It is worth noting that Britain, our major trading partner, has set a 3½% target for the growth in the public sector pay bill in 1983.

There are many indications that if inflation is contained, Irish industry has the capacity to expand output and maintain employment. Irish industry expanded more rapidly than its European counterparts throughout the 1970s and has the capacity to do so again.

The electronics industry has been in the forefront of this expansion and will continue to be the primary growth sector in the coming decade. The exciting opportunities made available by micro-electronic technology hold out the possibility of a bright future where higher living standards obtain and all can participate in meaningful economic activity. Such a possibility is not remote; the technology to bring it about already exists.

Everyday, micro-electronics is being applied in new and creative ways to increase the productivity of our industries, increase the efficiency of offices, and improve the reliability of

consumer and industrial products. It is applied to economise on the use of scarce natural resources, as an educational aid and, as a result of the great advances in information processing, is improving the quality of decisions made at all levels of society. The successful application of micro-electronic technology means that a greater quantity and quality of output can be achieved using the same, or sometimes even less, resources and thus the potential now exists for increasing the wealth that can be shared by the whole of society. Furthermore, information technology, by improving the flow of information in society, can lead to more informed public debate and enhance the ability of all sectors of the community to fully participate in our democratic system.

Micro-electronic technology fully applied can thus help solve many of the problems of major world concern. The concern that continued economic growth in both the developed and developing countries would seriously deplete available natural resources has been reduced by the ability of applied micro-electronic technology to sensitively control the use of material inputs and energy. The fear of ecologists that our resources of fresh air and water would be destroyed by industrialisation has been diminished by the use of micro-electronic applications in controlling the constitution and emission of effluents. The concern of industrial psychologists over the human costs involved in work consisting of repetitious machine-like tasks has been long expressed. The development of robotics is permitting such "programmable" tasks to be carried out mechanically while freeing workers to move into positions requiring greater personal input and creativity.

The situation in the modern office closely replicates that of industry. While manufacturing industry is now over 50% as efficient as ten years ago, productivity gains in office work

has been comparatively slow, as little as 4% internationally according to one estimate. Productivity gains in this sector can be expected to accelerate as electronic technology is applied and in a similar way will tend to eliminate the more routine tasks. Just as the development of the electric typewriter and photocopying equipment has transformed the office the application of electronic equipment will greatly reduce the extent to which paper is used as a basic medium on which to communicate and store information.

The implications for the way we live are every bit as profound as those for the workplace. New consumer and leisure products have already been developed but the potential for exciting new developments is vast. The interaction of electronic and communications technologies for instance, has led to the possibility of remote shopping and funds transfer from the home. Computerised games are already well-established and are undoubtedly playing a major role in promoting awareness of new technology. The potential use of computers in education offers the chance to greatly increase the level of skills and knowledge of the community - which has always been an essential part of economic growth.

The major digital telecommunications 5-year development programme now under way will play an exceptionally important part in speeding up the application of new communications technology. Despite the current financial constraints, it is essential that this development programme should be implemented in full and on target as it is fundamental to the creation of a more efficient economy.

What I have outlined is the optimistic scenario of the more productive and resourceful society that we could become by the rapid application of available technology. In a period of economic gloom these technological developments offer a light at the end of the tunnel.

This optimistic scenario will not come about by itself, and it is worth outlining the conscious decisions we must take as a society to bring about the desired end result. Although the technology already exists, the success with which it is used depends critically on the ability of social institutions to adapt. The responsiveness of organisations, the speed with which the vast majority of our workforce can learn new skills and techniques, and the extent to which our overall political and economic framework can facilitate and encourage these changes are key factors in the process.

This process of rapid technological change is not without historical precedent and we can draw on previous historical experience in coming to grips with some of the problems which may arise. In the great Industrial Revolution of the 18th century, the introduction of weaving machines led to a fear amongst traditional handweavers that their employment opportunities and ability to earn income would disappear. Consequently secret societies, known as Luddites, were formed with the intention of smashing machinery and preventing industrialisation from taking place. Had this movement succeeded the great advances in living standards, and working conditions, that came about in the next two centuries could not have occurred.

Any improvement in productivity increases the amount of output per person and thus raises the community's income. The fear is often expressed that new employment will not be found for those whose work can be effectively done by technological application. The recent report by the National Board for Science and Technology on the impact of micro-electronics in Ireland has indicated that micro-electronics would have a net favourable effect on employment in the Irish economy. There is still a very significant gap in productivity between Ireland and Continental Europe, while the unit costs of production are similar. Unit costs can be reduced in manufacturing and in services and living standards improved by bringing productivity closer to EEC levels. Low productivity damages the community at large and is a significant cause of our current economic problems.

The application of technology will lead to more employment in the long run as people retrain and adapt to new needs. Historical experience has never shown technological progress permanently displacing segments of the workforce. provided these segments can adapt, respond to market opportunities and learn new skills. To assume that no new employment will be created is to assume that all of society's needs have already been met. The fact that we in Ireland have been living beyond our means, consuming more than we produce and building up foreign debts, points clearly to desired consumption exceeding productive capacity. We have attempted to vote ourselves unearned wage increases with the result that we have priced ourselves out of markets where we could still be producing competitively.

The realisation that Government expenditure will not raise living standards in the long run and causes damage to the economy by undermining the productive base, is finally becoming all too clear as we face the prospect of our level of consumption falling over the next two years. We must now reverse the ethic of recent years, moving away from Government spending and unearned consumption, in order to restore the conditions for expansion of our productive base.

Micro-electronic technology provides the opportunity to leave behind us the current economic gloom. Already the output of the electrical and electronic sector of Irish industry has increased threefold since 1977, expanding from 7% to 14% of total manufacturing output. Employment in these sectors has risen sharply from 13,000 in 1977 to 20,000 today. In addition a further 15,000 people are engaged in managing, programming and servicing information processing equipment. It is worth noting that even in the current recession the demand for data processing executives is considerably higher than its pre-recession level.

The benefits of applying new technology and developing new products will not be shared equally by all countries. Those countries who are able to adapt most quickly will benefit more than proportionately. The youthful age structure, and excellent educational and training facilities available place Ireland in an almost unique position to expand rapidly in these industrial sectors.

We in Ireland must emulate the approach of other successful economies if we wish to reap the substantial benefits available from new technology. Our current economic problems can be overcome by tackling the obstacles to growth. We must make increased productivity, lower inflation and improved competitiveness the major national priority. This can be achieved by accelerating the acceptance of new technology and containing cost increases until unemployment has been reduced.

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