GRADUATES AND INDUSTRY

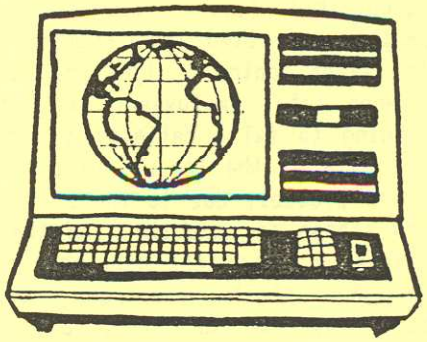
The recent ESRI Quarterly Commentary described certain features of the Irish economy as "bizarre". It highlights how a substantial increase in the economy's output in 1987 was nevertheless accompanied by a fall in living standards. An equally bizarre happening - going on for some time now - is that qualified Irish people have been emigrating and yet we have been able to rapidly increase our exports of the type of products that it takes qualified people to make.

When the composition of Ireland's manufactured exports is examined, we SEEM to be a research-intensive economy because a large proportion of our exports are sophisticated technological products. In fact, the technology embodied in our manufactured exports is more advanced than that embodied in the exports of such countries as the Netherlands, Sweden, Germany, Japan or France.

However, the amount of Research & Development that actually goes on in the Irish economy to make our sophisticated exports possible is another story. We SHOULD be providing substantial employment for technicians and scientists. In fact, countries whose exports may be only half as R & D-intensive as ours, have a lot more brainpower working in their manufacturing industries than we have. The reason, of course, is that those countries - such as Austria and Italy - have relied much less than we have on multinationals and got on more with their OWN research & development. They may export much less office equipment than we do, for example, but their workers will have played a much bigger part in designing what they do export than did Irish workers in the flood of such products leaving our shores.

The composition of our exports gives us the APPEARANCE of being a very advanced economy. There is a growing consensus, however, that we must bring the reality of our manufacturing industry up to the image that the quality of our exports projects. Until we do so, we shall continue to export qualified people and quality products side by side.

To date, sophisticated exports have been the preserve of multinational subsidiaries, drawing on the brainpower of their parent companies overseas. It is IRISH companies who must now apply advanced technological and marketing skills to their operations. Where this happens, a company will enjoy rising sales, be able to provide secure employment and considerably increase its purchases from the rest of the Irish economy. For example ; the 'spin-off' effect of each £1m increase in turnover by a manufacturing company is reckoned to create, on average, 6 jobs in the rest of the economy. Bailey's Irish cream is the oft-cited example - it spends £45 million a year on purchases of cream, whiskey, packaging material and so on, creating an exceptional number - 600 - jobs. So, the race is on, and rightly so, to develop more quality export products like Bailey's Irish cream. The Confederation of Irish Industry, for example, wants to see State support for industry shift decisively from subsidising machinery to subsidising Research and Development. To date, we are spending proportionately much less on Research & Development than countries with whom it is reasonable to compare ourselves. Austria and Denmark, for example, each spent 1.3 per cent of their GDP on R & D in 1985 as against Ireland's 0.8 per cent.



More R & D expenditure will mean more graduates from engineering, science and marketing backgrounds working in Irish companies. Nothing could make more sense. At present, some graduates of third-level institutes emigrate to work in the research laboratories of multinational companies where they will design products of which Ireland may subsequently be given only a small, relatively un-demanding piece to manufacture. That is not a path to development so much as a way of remaining permanently dependent.

Irish Industry should realise the urgency for it, and for the country, of bringing more skilled, young people to share in the challenge of capturing new export markets. The question of motivation is critical and must be addressed. If graduates of our engineering and science faculties are interested only in money, then the Sterling and Dollar salaries (especially after tax) they can earn in the UK and USA will lead them overseas. The response, however, should not be to pay salaries and reduce taxes that will bring about the type of gross social inequality that has developed in the UK and the USA (where salaries resembling 'phone numbers are being paid in economies that are simultaneously reducing social welfare payments). It would be a sad reflection on the Irish educational system if graduates, whose studies have been powerfully supported by public money, were to see no independent value in their working immediately for the Irish economy rather than for some other. Industry, in turn, should ensure that it can provide them with a responsible and interesting role where a sense of partnership and shared control would compensate for earnings that would be less than what could be got in some very large overseas company. It becomes apparent that, in the search to bring fresh dynamism to Irish manufacturing industry, the values by which people are being guided is