

u MASTER
OPS



*Il Presidente
del Consiglio dei Ministri*

Roma, 18 Gennaio 1985

**PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No: T8AB/85**

Eccellenza,

mi riferisco all'invito formalmente esteso al Suo Paese a partecipare alla Conferenza che si terrà il 10 e 11 aprile p.v. a Venezia sul tema "Innovazione tecnologica e creazione di nuovi posti di lavoro".

Sono lieto di comunicarLe che le risposte sin qui ricevute sono state largamente favorevoli all'iniziativa che concerne un tema di alta priorità nell'attenzione delle nostre Società e delle istanze internazionali di collaborazione multilaterale.

Come Le avevo preannunciato ho fatto predisporre una nota di riflessione che suggerisce traccie utili per lo svolgimento del dibattito e che sottopongo alla Sua attenzione.

Una partecipazione attiva del Suo Paese alla Conferenza accrescerà il contributo che dai suoi lavori potremo trarre per quelle azioni necessarie a conciliare sempre meglio l'esigenza dell'innovazione e dell'ammodernamento tecnologico con la promozione dell'occupazione del progresso sociale, anche nell'interesse della stabilità delle relazioni economiche e politiche internazionali.

Con i migliori saluti.

S.E. Margaret Thatcher
Primo Ministro del
Regno Unito di
Gran Bretagna e Irlanda del Nord
L O N D R A

B. Amey

From: Signor Bettino Craxi President of the Italian Council of Ministers

To: The Rt. Hon. Margaret Thatcher, MP.

Date: Rome, 18th January, 1985.

ROUGH TRANSLATION

I refer to the invitation formally extended to your Government to take part in the Conference on the subject "technological innovation and the creation of jobs" which will be held in Venice on the 10th and 11th April next.

I am glad to inform you that the answers so far received have been largely in favour of this initiative which deals with a subject of the highest relevance both for our countries and for the international institutions involved in multilateral cooperation.

As anticipated, I am enclosing for your consideration the text of a document which should represent a useful basis for the debates.

Your Government's active participation to the Conference will undoubtedly contribute to the conclusions that from its discussions we will be able to draw with the aim of reconciling the objectives of technological innovation and modernization with the promotion of new jobs and social progress, also in the interest of stable political and economic international relations.

With my warmest regards.

Bettino Craxi



Presidenza del Consiglio dei Ministri

DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS

Ref.: International Conference on Technology and Employment
(Venice, April 10-11, 1985).

1. BACKGROUND

At the London Summit Meeting the 7th and 8th of June 1984, the Italian Government extended an invitation, which was accepted, to a Conference on the subject of technological innovation and employment to be held in the spring of 1985.

Such an undertaking is in line with the conclusions of the Versailles Summit (June 1982) and with the reports on "Technology, Growth and Employment", submitted in Williamsburg and London by the Working Group of high-level representatives of the seven governments and ^{the} European Community.

"As unemployment in our countries remains high, stated the declaration of the Seven in London, "we emphasize the need for sustained growth and creation of new jobs. We must make sure that the industrial economies adapt and develop in response to demand and to technological change. We must encourage active job training policies and removal of rigidities in the labour market, and bring about the conditions in which more jobs will be created on a lasting basis, especially for the young. We need to foster and expand the international trading system and liberalize capital markets".



Presidenza del Consiglio dei Ministri

2.

All unemployment is wasteful. As extensively illustrated by the OECD activity, it has human, social and economic consequences which imply "costs" that no government should ignore. When unemployment is concentrated among youth and is of long-term, as in the current context, these consequences are even more serious: those to whom access to the mainstream of society is denied might well become permanently estranged from it.

Actually, technological innovation, output and employment growth are not independent. The interrelationship between technological change and employment growth was discussed in Paris at a OECD conference of Labour Ministers held in February 1984 on the subject of "Employment Growth in the Context of Structural Change".

Also in February 1984, the EEC Commission submitted a paper to the Council of Ministers containing a number of proposals for a Community strategy which - in parallel to initiatives in the field of innovation, research and development - provides a positive answer to the threats and challenges posed by the technological change to social structures and to the way of living.



Presidenza del Consiglio dei Ministri

While it is true that technological change constitutes one of the principal and necessary impulses for economic and social change, it is also true that any change entails social costs which must be kept in balance with economic gains. Indeed, the success of the main scientific and technological innovations is often directly related to a positive attitude by public opinion.

This is the sense of the plea made by President Mitterrand at the Versailles Summit: "Technological innovation, cannot spread in a context of unemployment which creates a climate of pessimism, generates rejection and destroys confidence in social and economic advance. This is why the struggle against unemployment is an absolute priority for us".

Furthermore, the economic and social events of the last decade provide sufficient evidence that technological change is mostly resisted in those countries which are unable to control the transition from declining economic activities to new productive developments. Elsewhere, the consequences are exactly the opposite.



Presidenza del Consiglio dei Ministri

4.

2. TECHNOLOGICAL CHANGE AND THE DYNAMICS OF EMPLOYMENT IN THE
DECADE 1985-1995.

Western economies reacted to the 1973 and 1979 oil shocks in different ways: policies often diverged or conflicted, thereby leading to disparate and contradictory results.

Common to all countries, however, was an acceleration of technological change that affected the economy and its mechanisms, which eventually influenced social values and structures.

As a result, a major political problem confronting our governments in the present transition process is how to reconcile the objectives of full employment with acceleration and, perhaps, with intensification of the modernization of productive structures and social relations systems.

This latter process, however, seems to produce cumulative, and thus accelerating, effects which are quite often unprecedented and difficult to predict: e.g. new technologies (mainly microelectronics and information) show effects, especially as to their dimension and nature, which suggest a substantially different impact as compared to past innovations - though past innovations may have been just as revolutionary.



Presidenza del Consiglio dei Ministri

5.

This can be attributed, among other reasons, to differences
in:

patterns of diffusion;

the ways in which the structure of productive systems is
influenced and modified;

the impact produced on labour markets and employment;

the interrelationships and integration of factors (on
economic, socio-cultural and institutional grounds).

Other important factors suggesting substantial influences
on labour markets are:

A. New technologies are based on the labour-saving principle
as well as reduced consumption of raw materials and energy. Nevertheless,
with respect to many other past innovations, they also imply capital
savings (in terms of equipment, installations, and labour required for
the production of capital goods). These characteristics could well act
to reduce the compensatory effects of the technological multiplying
factor.

B. New technologies require a shift of emphasis in investments
from fixed capital to "human capital". However, a number of possible
obstacles might hamper the supply of "new skills" and cause a qualitative
imbalance between the demand and the supply of "new skills", with the



Presidenza del Consiglio dei Ministri

6.

consequences of slowing down the pace at which new professions replace old ones.

C. Not only the diffusion of innovation spreads faster than in the past throughout the production system, but time lags are observed here in the processes of job destruction and creation. The time lags, were they to become important, could result in imbalances, of growing size, in labour markets which may weaken the "virtuous circle" between innovation, growth, and employment. Another possibility is that these negative effects, if not countered through suitable policies, could start a "vicious circle" and provoke resistance arising from social costs that society can only bear if adequate policies exist or are adopted to protect individuals and families from them.

D. Another factor that should be considered is the possibility that, unlike the past, the diffusion of the new technologies may occur under conditions of higher protectionism and poor co-operation between nations. In this context, companies would face tougher competition in expanding their market shares or hold onto their respective positions. Decentralization of production at the international level becomes in this instance increasingly profitable.



Presidenza del Consiglio dei Ministri

7.

"Cumulative" advantages, for countries which produce innovations and possess new technologies, also become more important. This raises the following issue: given the existing gaps between the countries, including the employment effects of new technology, which possibilities exist that gaps widen as a result of longer delays and higher social costs in weaker countries?

If it is undeniable that new technologies can lead to significant improvements ⁱⁿ the ways of living and, especially in the working conditions, no automatic mechanism or universal guarantee can be devised to accrue benefits according to patterns that are the same in the different countries.

Differences between countries can depend on:

- a) differing point of departure, e.g. in productive capacity and levels of know-how; and, in particular
- b) different cultural and institutional conditions which can affect the responsiveness and consistency of public policies.

Hence, the importance to grasp how in the long term the various forces of change - i.e. the policy of industrial enterprises, the reaction of social partners and public policies - interact and "melt" to produce what will appear as the transition pattern.



Presidenza del Consiglio dei Ministri

8.

For each society, the net balance between the costs and benefits of new technologies will to a great extent depend on the capacity to manage and influence the transition to the new structures, i.e. the timing of the various waves of technological innovation, including changes in processes and production methods, modifications of public and private behaviour and of the institutional contexts.

It can be expected that the availability of the "new skills" mentioned above will play a central role. In particular, this applies to the capacity to renew institutions and devise a set of consistent policies which can favour rather than hinder technological and social change.

Possible changes in public policies seem to include deregulation and, in particular, the replacement of rigid rules with more composite and flexible ones, both at the national and international level. Nevertheless, the ways such changes will occur are yet to be determined.

If new technologies require profound changes in the attitude of both business and labour, they also call for new stances by public bodies as well as new policies to smooth transitional hindrances and new forms of international co-operation.



Presidenza del Consiglio dei Ministri

9.

Nobody, however, seems to have doubts that an essential requirement for a successful transition is a greater degree of flexibility. This will help to muster the changes which are underway, while preventing undesired constraints and regulations from hampering this process and bring it to a total paralysis.

Nonetheless, there still exists the risk of erroneous decisions.

As a consequence, the social burden of transition may increase especially in connection with decisions which have a nation-wide application.

3. MAJOR ISSUES FOR DISCUSSION AT THE VENICE CONFERENCE

To conclude, the main issues for the 1985-1995 decade can be formulated as follows:

how can our societies sustain and guide the modernization process and expect successful results without meeting explosive and unbearable problems such as increasing structural unemployment?

to what extent can individual countries successfully sustain the "transition" without the fruitful support of co-operation measures for promoting development and employment?



Presidenza del Consiglio dei Ministri

10.

To what extent the lack of co-operation and uncoordinated policies can widen gaps and increase tensions between industrialized and developing countries?

The Italian Government is hopeful that the Conference of Venice will provide a forum where views and experiences can be offered and discussed ^{and} answers found to the afore mentioned questions. The Conference will be attended by participants from Western countries, OECD,EEC,ILO, and Trade Unions and employers' associations, represented by TUAC and BIAC.

The programme, as well as other organizational aspects are being finalized by the Italian Government in contact with the afore mentioned participants.

The Conference should deal with the following main issues:

- (i) The effects of technological change on employment and on the creation of new jobs.
- (ii) Policies to foster and guide technological innovations, and related issues of international co-operation.
- (iii) Social measures which have been adopted or would seem suitable to attenuate the costs of transition, and their possible harmonization at the international level.



Presidenza del Consiglio dei Ministri

11.

- (iv) The formation of "human capital", innovation in schooling and educational curricula, vocational training, and other measure. facilitating the acquisition of new professional qualifications.