

COMMISSION
OF THE EUROPEAN COMMUNITIES

DOCUMENT

**REGIONAL DEVELOPMENT
PROGRAMME (SECOND GENERATION)
IRELAND 1981-85**



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INTRODUCTION

1. In December 1977, the Irish Government, in compliance with Article 6 of the ERDF Regulation,¹ submitted their "Regional Development Programme, 1977-1980"² to the Commission of the European Communities. Subsequent programmes, updating the 1977/80 Programme and adapted to the format of the Common Outline³ for Regional Development Programmes as adopted by the Regional Policy Committee were submitted to the Commission in 1979 and 1980 in accordance with Article 6 of the amending ERDF Regulation⁴.

A further annual updating was submitted in June 1981.

2. A National Economic and Social Plan, covering the period to 1985, to which this Regional Development Programme is closely related, is at present being drafted. The Irish Government intend to discuss issues arising in the preparation of the Plan with the social partners in due course. The uncertainty which is a feature of all development programmes is increased in the case of the Irish programme because of possible changes that may result from such discussions and the outcome of present negotiations on income increases.

3. The Programme is a national one as Ireland is one region of the Community and all twenty-six counties are eligible for assistance from the European Regional Development Fund. In common with all other regions of the Community, intra-regional disparities exist and continuing attention is being paid by the Irish Government to the reduction of these disparities with some modicum of success as the Programme shows.

¹ Regulation (EEC) No. 724/75 establishing a European Regional Development Fund.

² Regional Policy Series No. 7

³ OJ No. C69/2 of 24/3/76

⁴ Regulation (EEC) No. 214/79

4. Of particular concern to the Government, however, in the preparation of the Programme, is the fact that disparities in living standards and levels of economic activity between Ireland and most other Community regions are increasing, as evidenced in the Commission's First Periodic Report on "The Regions of the Community"¹ and as the Commission has pointed out, their persistence "even threatens the proper functioning of the common market itself"². That these disparities should continue to grow during a period of extremely high investment by Ireland is extremely disconcerting particularly when the region has not of itself the resources to maintain these high rates of investment in future years. This is a matter of concern not only for the Irish Government but for the whole Community, one of the basic aims of which is the reduction of "the differences existing between the various regions and the backwardness of the less favoured regions"³.

Note: Since this programme was submitted in December 1981 the Government has changed. The present Government are now drafting a medium term economic plan as a framework for the main economic decisions in the years ahead.

Department of Finance

December 1981

¹ COM(80) 816 Final

² Commission Communication of 3 June 1977 to the Council on Guidelines for Community Regional Policy - Bulletin of the European Communities Supplement 2/77.

³ Preamble to the Treaty establishing the European Economic Community.

Introduction

1.1 A comprehensive analysis of the social and economic situation in Ireland was contained in the annexes to the 1977/80 Programme and further information is available in the Periodic Report on "The Regions of the Community" submitted to the Council by the Commission in December 1980¹. It is not intended to reproduce here what was contained in these earlier documents but rather to concentrate on more recent developments and thereby present as clear a picture as possible of the present economic and social situation in Ireland.

Recent Trends in the Irish Economy

1.2 The international recession and the oil price increases had a severe adverse impact on the Irish economy in 1980, with GDP growth slowing down to about 2 per cent. Merchandise exports remained buoyant, growing by 8 per cent in volume but the volume of merchandise imports fell by about 43/4 per cent. However, because of the significant deterioration in the terms of trade, the favourable volume movements in exports and imports did not produce any improvement in the balance of payments deficit which remained high, at about IR£725 million (1,050 mECU)². The cost of oil imports rose by IR£200 million (290 mECU) to IR£720 million (1,043 mECU). The impact of the recession and, in particular, the large increase in the labour force, led to a rise in unemployment during the year. A review, in more detail, of the main trends in 1980 and, insofar as data are available, in 1981 is set out below in the light of the available data:-

¹ op. cit. page 2.

² Conversion rate used IR£1 = 0.69 ECU (in each case rounded to nearest ECU)

Expenditure

- Consumer demand: Consumer spending declined in volume by about $1\frac{1}{2}$ per cent in 1980. Following a volume increase in the first quarter of the year, reflecting largely pre-Budget purchasing, the retail sales index showed decreases in the second and third quarters. In the final quarter retail sales recovered, largely because of the first payment under the Second National Understanding for Economic and Social Development¹, towards the end of the year. In the first half of 1981, retail sales have shown little change compared with the final quarter of 1980 and they were about $1\frac{1}{2}$ per cent lower than in the first half of that year.
- Current spending by Public Authorities: Expenditure by public authorities on current goods and services showed a volume increase of 4 per cent in 1980 compared with the preceding year. However, in value terms, expenditure increased significantly, largely because of the cost of pay increases in the public sector.
- Investment: Gross domestic fixed capital formation declined by $7\frac{3}{4}$ per cent in volume in 1980, to just under 30 per cent of GNP, following on two years of exceptional growth. Investment in machinery and equipment fell by 10 per cent in volume, while in building and construction the decline was about 6 per cent.

¹ The National Understandings were the results of discussions between the Government, employers and trade unions dealing with arrangements for incomes, employment, industrial relations, taxation, social welfare and other policies affecting economic and social progress.

This decline was to be expected of course since as pointed out in the Introduction to this Programme, the region lacks the resources to maintain the high investment rate of previous years. The figures for cement sales and imports of producer capital goods for the first eight months of 1981 suggest a continuing sluggish investment performance in this period with little volume change in both indicators. However, on an intra-year basis, imports of investment goods have grown.

External Trade and Payments

Exports: Exports of goods and services rose by nearly $6\frac{1}{2}$ per cent in volume in 1980. The export performance of the various sectors differed markedly. Agricultural exports, on a trade statistics basis, increased in volume by about 8 per cent, mainly because of a significant rundown of cattle numbers on farms. Industrial exports rose by about 7 per cent in volume, a satisfactory performance given the effects of the international recession on world trade. In the first nine months of 1981, merchandise exports rose by 15 per cent in value, representing a volume increase of about $2\frac{1}{2}$ per cent. In this period, the performance of the different export categories was markedly different with a 7 per cent volume increase in industrial exports while agricultural exports are estimated to have fallen by about 12 per cent in volume.

Tourism: 1980 was another difficult year for tourism. It is estimated that the total number of out-of-State tourists fell by $3\frac{1}{4}$ per cent in 1980 compared with 1979. Estimated

foreign earnings from tourism showed an increase of 7 $\frac{1}{2}$ per cent in 1980 but, after allowing for inflation, there was a decline in real terms of 9 per cent. The publicity given to developments in Northern Ireland early in 1981 has had an adverse effect on tourism this year and no growth in tourist numbers is expected.

- Imports: In 1980, merchandise imports rose by nearly 12 $\frac{1}{2}$ per cent in value which implied a fall in volume of about 4 $\frac{3}{4}$ per cent. There was a volume decline in imports of producer capital goods and in materials for further production. Consumer goods are estimated to have increased somewhat in volume. The fall in imports of producers' capital goods reflected the decrease in investment, while the fall in the volume of imports of materials for further production is consistent with the slowdown in industrial production and with destocking. The increase in the cost of oil imports in 1980 was IR£200 million (290 mECU). This mainly reflects price increases. In the first nine months of 1981 imports were 21 $\frac{3}{4}$ per cent higher than in the same period last year, representing a small increase in volume terms. Producer capital goods imports showed little change in volume terms in this period while materials for further production showed a small decline. On a deseasonalised basis, however, both categories of imports displayed quite strong growth in the mid-quarters of the year. Imports of consumer goods rose by about 4 per cent in volume terms. Oil imports were 16 $\frac{1}{2}$ per cent higher in value terms but allowing for price increases there was a volume decline of almost 20 per cent.

- Balance of Payments: The trade deficit fell from IR£1,317 million (1,909 mECU) in 1979 to an estimated IR£1,291 million (1,871 mECU) in 1980. Community transfers at IR£365 million (529 mECU) showed little change compared with 1979, while earnings from tourism at IR£360 million (522 mECU) rose by $7\frac{1}{2}$ per cent. Although figures for other items are not yet available, the balance of payments deficit on current account in 1980 is estimated at about IR£725 million (1,051 mECU), compared with IR£727 million (1,054 mECU) in 1979. This represents $8\frac{1}{2}$ per cent of GNP, compared with 10 per cent in 1979. The external reserves rose by IR£371 million (538 mECU) during the year to IR£1,346 million (1,951 mECU), the equivalent of 3 months' imports, implying a net capital inflow of about IR£1,100 million (1,594 mECU) which mainly reflected increased public and private sector foreign borrowing during the year. In the first nine months of 1981, the trade deficit widened considerably to IR£1,435 million (2,080 mECU) or 42 per cent higher than in the same period last year. With imports showing little change in volume terms and exports showing only modest volume growth, the major factor in the significant increase in the trade deficit was a continuing deterioration in the terms of trade.

- Terms of Trade: It is estimated that the terms of trade deteriorated in 1980 by 7 per cent, the oil price rise being the main contributory factor. Import prices are estimated to have increased by about 18 per cent, compared with an increase of 9 per cent in export prices. In the first eight months of 1981, import prices rose by almost 21 per cent while export prices rose by $13\frac{1}{2}$ per cent, indicating a continuing deterioration in the terms of trade.

Output

- Industry: Manufacturing industry output fell by 2 per cent in 1980. On a seasonally adjusted basis, output rose by $2\frac{1}{4}$ per cent in the first quarter of the year but there were declines in the last three quarters. In the final quarter, manufacturing output was 9 per cent lower than the peak level of output in the first quarter of the year. Output in the mining, quarrying and turf sector rose by 2 per cent compared with the 1979 level. Reflecting the fall in cement sales during the year, the output of the building industry is estimated to have decreased by about 6 per cent. In the first half of 1981, output in manufacturing industry grew strongly and in the second quarter of the year had recovered the ground lost in the second half of 1980. However, building output has not yet shown any significant improvement with cement sales in the first nine months of this year showing a volume increase of only $1\frac{1}{4}$ per cent compared with the same period last year.
- Agriculture: For the second consecutive year, output in the agricultural sector was adversely affected by unfavourable weather conditions in 1980. High interest rates and a significant deterioration in the relationship between input and output price changes were other important factors. Gross output showed no change compared with 1979 but, because of a significant decline in farm inputs, net agricultural output rose by $7\frac{1}{2}$ per cent. The higher levels of live cattle exports and cattle slaughterings

caused a run-down in cattle numbers on farms. The December 1980 livestock enumeration showed declines of 5.6 per cent in total cattle and 4.5 per cent in cow numbers. Milk production decreased by about $1\frac{1}{4}$ per cent. In the first half of 1981, cattle disposals fell sharply and milk deliveries to creameries declined slightly, mainly due to the rundown in cattle numbers (including cows) on farms last year.

Incomes

The total wage bill in the non-agricultural sector rose by over 22 per cent in 1980. The main contributory factors to this increase were the payment of the second phase of the First National Understanding¹ for Economic and Social Development (which amounted to just over 7 per cent of basic pay) and carryover from 1979 of the first phase of that Understanding (which had amounted to 9 per cent of basic pay) with a considerable contribution arising from drift and special increases. The first phase of the Second National Understanding (amounting to just over 8 per cent of basic pay) which followed a pay pause of one month, also contributed. Average weekly earnings in transportable goods industries rose by $18\frac{1}{4}$ per cent in 1980, compared with an increase of $15\frac{1}{4}$ per cent in 1979. Farm incomes declined by about $8\frac{1}{2}$ per cent while non-agricultural profits, professional earnings, rent and other incomes increased by 2 per cent.

Prices

The average rate of increase in consumer prices in 1980 was $18\frac{1}{4}$ per cent, compared with an average rate of $13\frac{1}{4}$ per cent in 1979. The important factors contributing to the

¹ See footnote page 4.

increase in the average for 1980 were the indirect tax measures which were introduced in the 1980 Budget, the effect of energy-related price rises and the rise in food prices. The Budget indirect tax increases and the rise in food prices each added about 3 percentage points while energy-related price rises accounted for about 4 percentage points. The continuing rise in domestic costs as a result of wage and salary increases also contributed to inflation. In the first three quarters of 1981, the rate of consumer price increase accelerated, largely because of higher import prices. However, indirect tax increases in the January and July budgets also contributed significantly to the faster rise in prices. The mid-February, mid-May and mid-August quarterly increases were 6.2, 3.9 and 5.6 per cent respectively, giving respective year-on-year increases of 21.0, 17.1 and 20.1 per cent.

Labour Market

- Employment: The Central Statistics Office (CSO) has published a revised series of employment estimates based on the 1979 Census of Population and the outturn of the 1979 Labour Force Survey. These figures show that in the year to mid-April 1980, total employment increased by an estimated 18,000, compared with an average annual increase of 31,000 in the preceding two-year period to mid-April 1979. In the year to mid-April 1980, employment in agriculture fell by an estimated 3,000. There was, however, an estimated increase of 7,000 in industrial employment and an estimated increase of 14,000 in services employment, of

which 6,000 was in the public sector. However, during 1980 employment in manufacturing industry declined and by the end of the year had fallen by 9,400 (or 4.2 per cent) compared with the end of 1979. The decline in manufacturing employment continued into the first half of 1981 when employment declined by a further 3,500 or $1\frac{3}{4}$ per cent on a seasonally adjusted basis, although the rate of decline moderated in the second quarter of the year.

- Unemployment: The movement of the Live Register through 1980 indicated a reversal of the downward trend in unemployment of the previous years. The average monthly Live Register total for 1980 was 13 per cent higher than the average for 1979. The rate of increase in the seasonally adjusted series was highest from May to October, with an average increase of about 4,000 a month, but in November and December this fell off to an average of 2,150. The unadjusted Live Register total at the end of December was 122,200 which represents an increase of about 38 per cent on the end-1979 figure. This is discussed in paragraph 1.22 below. The registered unemployment total continued to rise in 1981. In the first ten months of the year, the average monthly increase (seasonally adjusted) in the registered total was 1,400. The October monthly increase of 800 was considerably lower than the increase of 3,000 in the previous month. The unadjusted total of 129,200 at the end of October represented about 10.3 per cent of the labour force and was 16.5 per cent

higher than the total at the end of October 1980. Notified redundancies in 1981 have shown a similar trend - in the first nine months of the year, the total of notified redundancies was 13,024 or 22 per cent higher than the total for the first nine months of 1980. The deterioration in labour market conditions is also evident in the number of vacancies notified to the National Manpower Service. During the first nine months of 1981, just under 28,500 vacancies were notified, a decline of 13 per cent compared with the number for the corresponding period in 1980.

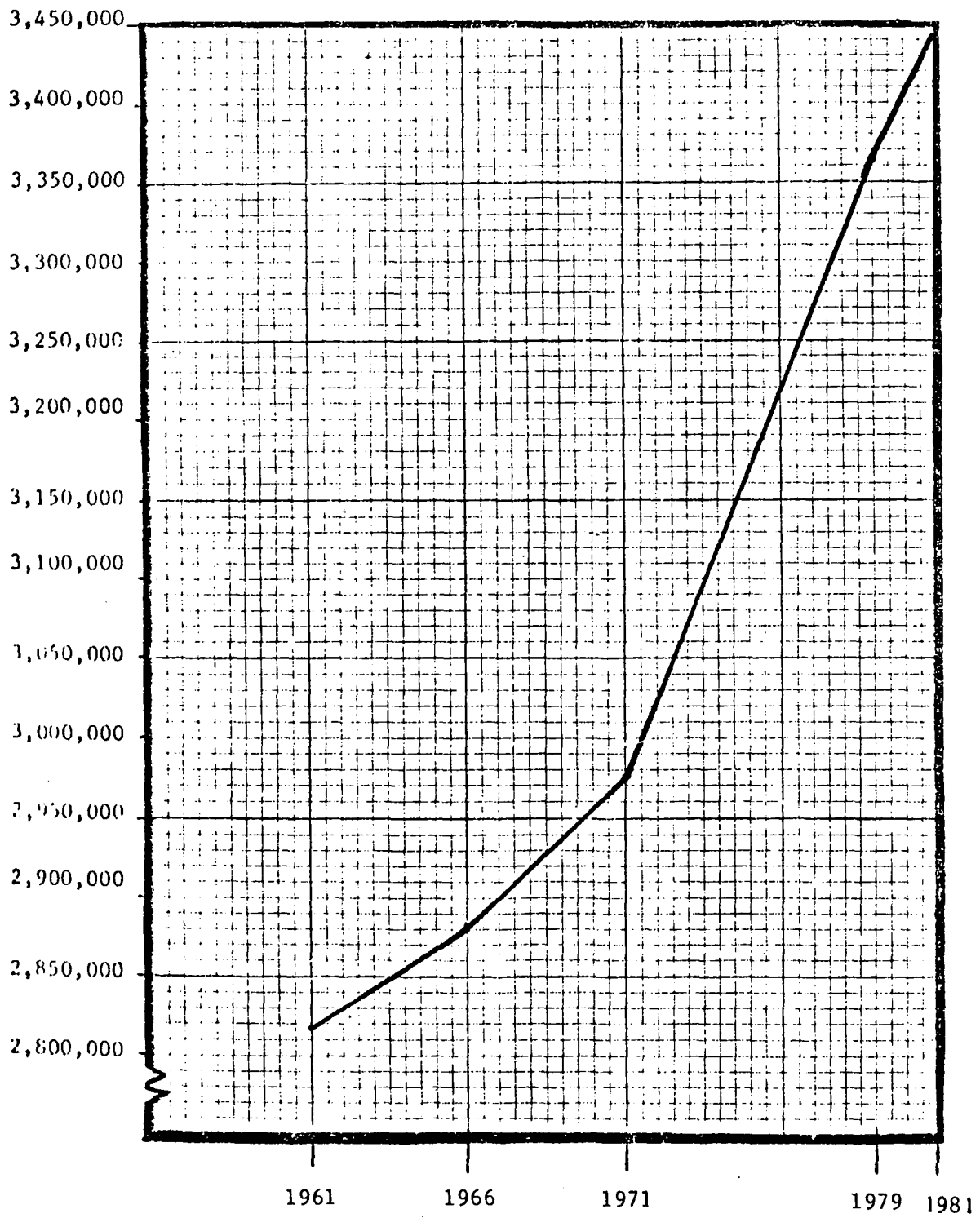
Review of Main Socio-Economic Indicators

1.3 The country remains very much less developed by comparison with the Community as a whole and the disparities that exist are growing. A review of recent trends in the main socio-economic indicators will provide information on the present level of development.

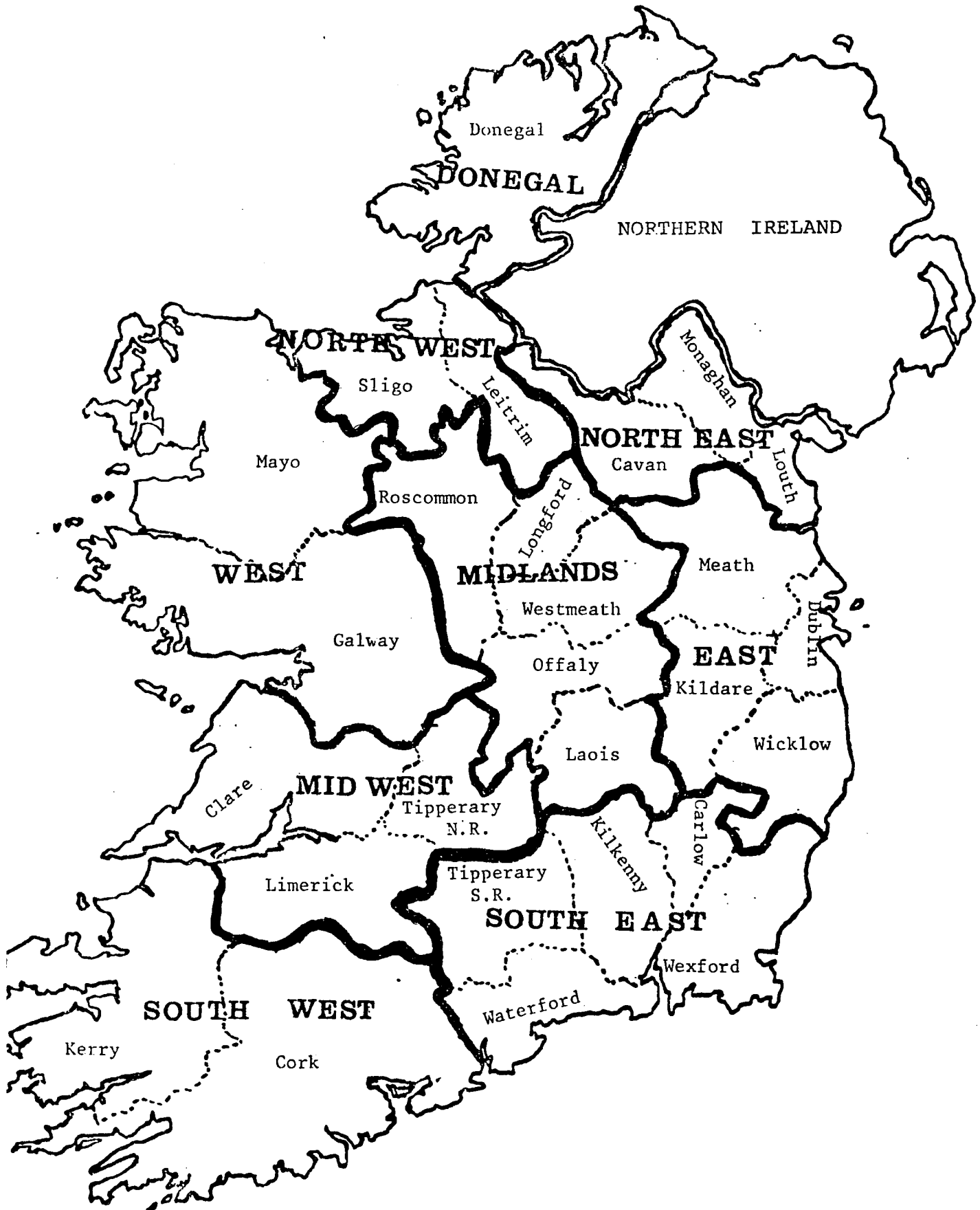
Population

1.4 Population decline was an almost continuous feature of Irish demography from the middle of the last century until the early 1960s. Since 1961 however, there has been a continuous and sustained increase in the national population (see graph 1.1) and since 1971, population increases have been recorded in all the physical planning regions (see Map 1.1).

Graph 1.1
National Population 1961-81



PLANNING REGIONS



1 inch = 31.6 miles

1 : 2,000,000

1.5 Preliminary results of the Census of Population carried out in April 1981 indicate a continuing growth in population high by European standards but lower than that averaged over the period 1971 (when the last full Census for which results are available was taken) to 1979 (when a limited Census was carried out). This feature was common to all the physical planning regions. The preliminary total for the population as of April 1981 is 3.44 million compared with 3.368 million in 1979, representing an annual average rate of growth of almost 1.1 per cent. This compares with an annual average rate of about 1.5 per cent for the period 1971-79. For the decade as a whole the overall rate of increase at 1.45 per cent was substantially higher than that recorded in the previous decade 1961-71 when it was 0.55 per cent. The results of the 1981 Census are summarised in Table 1.1 which provides comparable data for previous inter-Censal periods.

1.6 Despite the somewhat lower population growth rate, the natural increase in population at 11.9 per thousand average population was higher than that recorded in 1971-79 as shown in Table 1.2. Indeed, the natural increase at 81,000 was slightly above the actual population increase of 72,000. The difference of 9,000 (4,500 per year) is taken as an estimate of the extent to which net emigration occurred. For the preceding inter-Censal period 1971-79, it was estimated that there was net inward migration of 109,000 or 13,600 per year, marking a reversal in a long-standing pattern of net emigration. This was due in part to the relative demand for workers in Ireland compared with traditional centres of emigration, especially the United Kingdom. It was considered that to the extent that the outlook for employment in the United Kingdom, other Community countries and in

Table 1.1
Annual Average Percentage Change in Population
by Physical Planning Region

	1901/1961	1961/66	1966/71	1971/79	1979-81	Actual Population 1981
<u>Designated¹</u>						
Donegal	-0.7	-0.9	-0.04	+1.5	+1.2	124,783
North-West	-0.9	-1.2	-0.8	+0.6	+0.3	83,032
West	-0.6	-0.7	-0.4	+1.1	+0.8	286,384
<u>Partly Designated</u>						
Mid-West	-0.4	+0.3	+0.4	+1.4	+1.2	308,040
Midlands	-0.5	-0.4	-0.2	+1.0	+0.8	256,413
South-West	-0.4	+0.2	+0.6	+1.3	+0.8	525,022
North-East	-0.5	-0.2	+0.6	+1.1	+0.8	193,296
<u>Non-Designated</u>						
East	+0.6	+1.8	+1.4	+2.1	+1.3	1,288,973
South-East	-0.4	-0.02	+0.6	+1.4	+1.0	374,484
State	-0.2	+0.5	+0.6	+1.5	+1.1	3,440,427

1. Designated areas, largely in the western part of the country, are areas where economic conditions are generally more severe than in the non-designated areas. Industrial incentives are differentiated in favour of designated areas. (See Map 1.2 on page 27)

Table 1.2

Annual Rate of Change in Population, Natural
Increase and Net Migration per 1,000 of average Population

Inter-Censal Period	Change in Population	Natural Increase	Net Migration
Per thousand average population per annum			
1961-66	+4.6	10.3	-5.7
1966-71	+6.4	10.1	-3.7
1971-79	+15.4	11.1	+4.3
1979-81	+10.6	11.9	-1.3

the United States remained unpromising, it would be unlikely that net emigration would resume though at the same time the size of the potential labour force in the country would probably discourage net immigration. The results of the 1981 Census show, however, that the long-standing pattern of net emigration seems to have halted only briefly and has now resumed, though the level of net emigration is very low in the historical context and the rate of population increase remains high.

1.7 As mentioned above, population trends at national level have been reflected at sub-national level as shown in Table 1.3.

Prior to the 1970s population growth had been confined to the main urban areas and some rural districts along the east coast. Between 1971 and 1979, 132 of the 160 rural districts recorded increases in population and population decline, once the universal experience of rural Ireland, was confined to a small number of districts along the western seaboard and to a narrow corridor in the North-West planning region. 1981 results

Table 1.3

Population changes, Natural Increase and Estimated Net Migration in the Inter-Censal

Period 1979-1981 for each Planning Region

Physical Planning Region	Population		Change in Population	Natural Increase	Estimated Net Migration	Average Annual Rates per 1,000 of average Population			Regional share of national population	
	1979	1981				Change in Population	Natural Increase	Net Migration	1979	1981
<u>Designated</u>										
Donegal	121,941	124,783	+ 2,842	2,321	521	+ 11.5	9.4	+ 2.1	3.6	3.6
North-West	82,454	83,032	+ 578	801	- 223	+ 3.5	4.8	- 1.3	2.4	2.4
West	281,857	286,384	+ 4,527	5,149	- 622	+ 8.0	9.1	- 1.1	8.4	8.3
<u>Partly Designated</u>										
Mid-West	300,802	308,040	+7,238	7,525	- 287	+ 11.9	12.4	-0.5	8.9	9.0
Midlands	252,137	256,413	+4,276	5,128	- 852	+ 8.4	10.1	-1.7	7.5	7.5
South-West	516,474	525,022	+8,548	10,662	-2,114	+ 8.2	10.2	-2.0	15.3	15.3
North-East	190,231	193,296	+3,065	4,572	-1,507	+ 8.0	11.9	-3.9	5.6	5.6
<u>Non Designated</u>										
East	1,255,533	1,288,973	+33,440	36,113	-2,673	+ 13.1	14.2	-1.1	37.3	37.5
South-East	366,788	374,484	+ 7,696	8,699	-1,003	+ 10.4	11.7	-1.4	10.9	10.9
Total	3,368,217	3,440,427	+72,210	80,970	-8,760	+ 10.6	11.9	-1.3	100.0	100.0

show that, with the exception of the border county Leitrim, all counties recorded increases in population.

1.8 The demographic trends discussed above differ considerably from those observed in the rest of the Community. The annual population growth rate over the last decade at almost 1¹/₂ per cent is almost four times the Community average, making Ireland's both the fastest growing national and regional population in the Community.

Urbanisation

1.9 While the percentage of the population living in towns is increasing as outlined in the Periodic Report on "The Regions of the Community"¹, Ireland, nevertheless, is characterized by a low degree of urbanization with just over half the population classified as urban. Indeed, disregarding the capital and its environs, only just over one third of the remaining population can be classified as urban i.e. living in towns with a population of 1,500 or over. Furthermore, apart from Dublin with its population of approximately 1 million, only one other town, Cork, had a population in excess of 100,000. This emphasises the fact that in a Community context, Dublin provides the only growth point whose size is on a par with that of regional growth points elsewhere in the Community.

¹ op. cit., page 2

Age Structure and Dependency Ratios

1.10 As a result of the very high population growth rate and of previous demographic trends, notably in relation to emigration, the age structure of the population also differs considerably from that in the rest of the Community as shown in Table 1.4.

Table 1.4

Age Structure of Population 1979

Physical Planning Region	Total Population Million	% of Total Population in Age Group				
		0-14	15-29	30-44	45-64	65+
<u>Designated</u>						
Donegal	0.122	31.1	21.3	15.4	18.2	14.0
North-West	0.082	27.5	21.7	15.0	20.5	15.3
West	0.282	29.3	23.0	15.1	18.7	13.9
<u>Partly Designated</u>						
Mid-West	0.301	31.0	23.2	16.4	18.2	11.2
Midlands	0.252	30.8	22.8	15.2	19.3	11.9
South-West	0.516	30.1	23.5	16.4	18.3	11.7
North-East	0.190	30.7	23.5	15.9	18.7	11.2
<u>Non-Designated</u>						
East	1.256	30.8	26.7	17.7	16.3	8.5
South-East	0.367	31.6	23.3	16.2	18.0	11.0
State	3,368	30.6	24.4	16.6	17.7	10.7

The most noteworthy features of these data (the most recent available relate to 1979) are the very high proportion of the population in the youngest age groups - 30 per cent less than 15 years of age and 55 per cent less than 30 years of age - and the low proportion in the oldest age group, features common to all the physical planning regions, though with some variation particularly in the case of the western half of the country.

1.11 Dependency ratios¹ are thus very high in Ireland by Community standards. According to projections made in 1978², Ireland will continue to have a dependency ratio far higher than any other of the Nine³ Member States in 1990. In 1990, Ireland's dependency ratio is put at 67 against an average for the Nine of 50.

1.12 Of particular significance is the fact that the rate of "young dependency" is higher in Ireland than in any of the other Member States or regions of the Community. Table 1.5 shows that this very high young dependency rate is common to all the physical planning regions of the country. There is, in contrast, a degree of variation in the rate of "old dependency" in the physical planning regions. While the overall rate in Ireland is low by Community standards, being the lowest of the nine Member States, it tends to be quite high along the western seaboard and in the Midlands. However, because of a very low "old dependency" rate in the East region, the overall national rate is quite low.

1. defined as the proportion of the population in the economically inactive age groups [0-14 (young dependency) and 65 and over (old dependency)] compared with those in the active age group (15-64).
2. Kervyn Group Report on "The Economic Implications of Demographic Change in the European Community 1975-1995" published by the Commission in 1978.
3. Greece was not a Member when the projections were made in 1978.

Table 1.5

Dependency Rates in Ireland, 1979

Physical Planning Region	% of "Active" Population 0-14	Population 64+	Dependency Ratio
<u>Designated</u>			
Donegal	56.7	25.6	82.3
North-West	48.2	26.9	75.0
West	51.6	24.5	76.1
<u>Partly Designated</u>			
Mid-West	53.6	19.5	73.0
Midlands	53.8	20.9	74.6
South-West	51.6	20.1	71.7
North-East	52.9	19.3	72.1
<u>Non-Designated</u>			
East	50.7	13.9	64.6
South-East	54.9	19.1	74.1
<u>State</u>	52.1	18.3	70.4

1.13 This low "old dependency" rate is however more than offset by the extremely high "young dependency" rate in all regions of the country. A high dependency ratio has important implications regarding the provision of social infrastructure as well as the level of social services. The difficulties created by a high dependency ratio are compounded when they are accompanied by increasing urbanization. A high dependency ratio affects the cost of the education, health and child support services in particular, while increasing urbanization affects housing and educational building programmes principally. However, when dependency ratios are high, the active age groups form a relatively small proportion of the population and this in turn creates a strain on public finances since the tax net is relatively narrowly spread. Nevertheless, the provision of such social infrastructure is essential in itself and is also a prerequisite for the attraction, retention and growth of foreign investment which is essential for the further economic development of the country. Because of Ireland's limited resources, however, there is an urgent need for increased Community aid towards the provision of this infrastructure which is just as essential for future development as investment in factories.

1.14 Finally, the structure of the dependency ratio, with a uniquely high proportion of the population under fifteen years of age, has enormous implications regarding the provision of employment in the future and poses a daunting challenge to the nation in the years ahead.

Employment

1.15 The problem of creating new employment for an ever increasing number of new entrants into the labour market is compounded by the fact that jobs have also to be provided for job losses in other sectors. In addition, the male labour force participation rate¹ is high in Ireland by Community standards. The female participation rate is, however, fairly low by such standards but indications are that this rate is increasing. The total participation rate is therefore slightly below the Community average but is above the rate in Luxembourg, the Netherlands and Italy.²

1.16 Furthermore, the structure of employment in Ireland, being heavily dependent on agriculture, as shown in Table 1.6, is fundamentally different from that of the rest of the Community.

1.17 The primary sector thus accounts for about 19 per cent of employment in marked contrast to the situation at Community level where the sector accounts for only just over 7 per cent. In Italy, the most heavily dependent on agriculture of the other Member States, apart from Greece, the sector accounts for just under 13 per cent. The high degree of dependence on the primary sector is common to all the physical planning regions, though it is more pronounced in the designated areas. Only the East

¹ participation rate is defined as the proportion of the population aged 15 years and over who are in the labour force

² Eurostat Labour Force Sample Survey 1977, Table 0.9

Table 1.6

Sectoral Employment in Ireland, 1979

Physical Planning Region	Percentage of Total at Work Engaged in		
	Agriculture	Industry	Services
<u>Designated</u>			
Donegal)			
	32.62	29.23	38.15
North-West)			
West	38.23	23.33	38.44
<u>Partly Designated</u>			
Mid-West	25.54	32.18	42.28
Midlands	35.20	31.74	33.17
South-West	25.09	30.94	43.97
North-East	24.96	38.20	36.68
<u>Non-Designated</u>			
East	4.29	33.59	62.12
South-East	24.12	34.20	41.76
State	19.28	32.13	48.59

Source: Labour Force Survey, 1979.

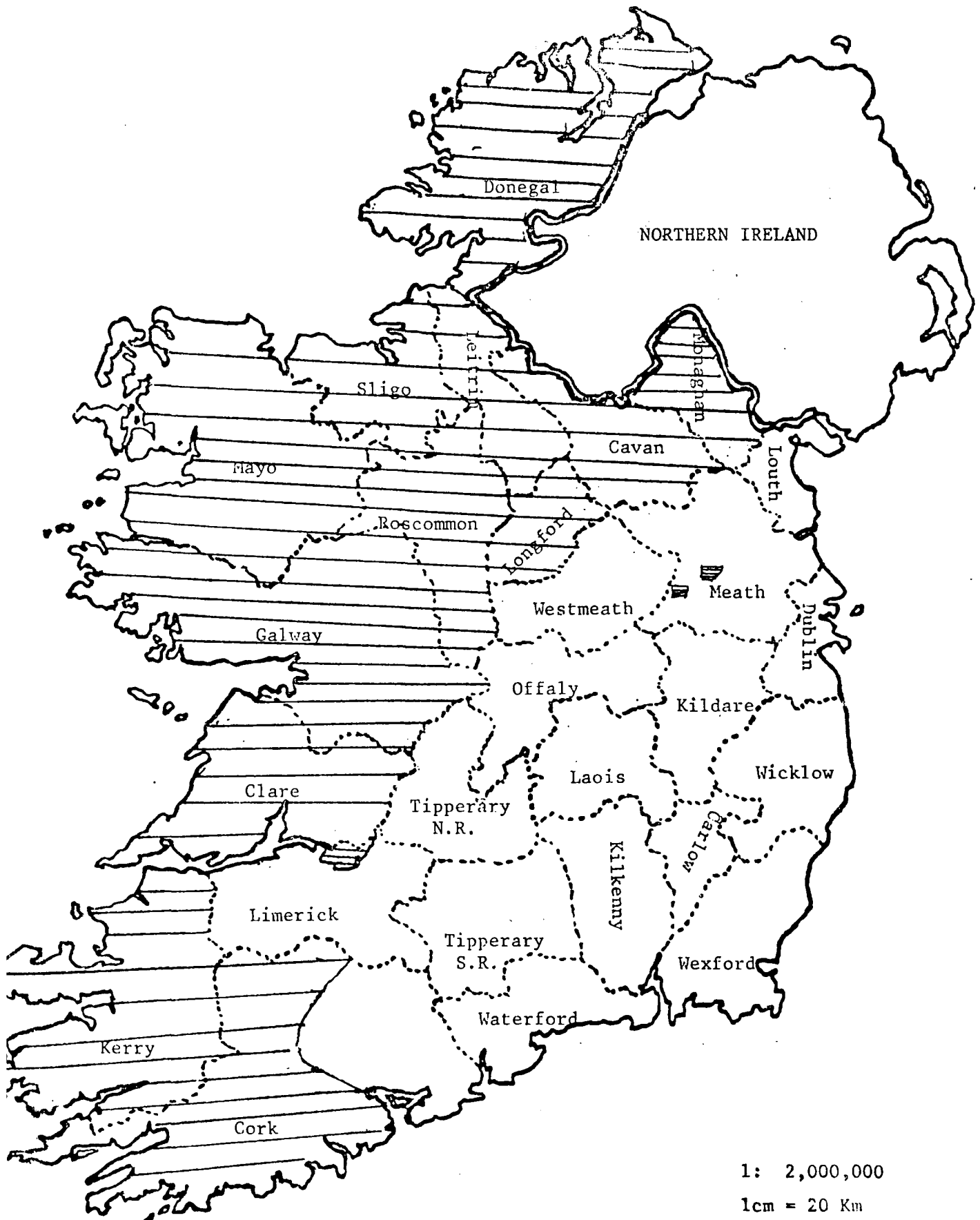
planning region appears to conform with the Community average but this is due to the influence of the capital, the country's main centre of service employment. Dublin apart, agriculture accounts for some 17.4 per cent of employment in the East region.

1.18 As might be expected, the industrial sector is relatively less developed as a source of employment than elsewhere in the Community, Ireland having the lowest share of industrial employment of all the Member States, apart from Greece. While the sector's share is only slightly higher in Denmark and the Netherlands, the situation is significantly different in these countries in view of the predominance of the tertiary sector.

1.19 The tertiary sector in Ireland accounts for 49 per cent of employment which is below the level obtaining in general in the Community. The relative predominance of service activity in the East planning region is again due to the influence of the capital. Service activity in Ireland is concentrated on Dublin where the sector accounts for 62 per cent of total employment. This is hardly surprising given the fact that the capital is the only city of sizeable proportions in the country. The capital apart, however, service employment accounts for only 45.6 per cent of total employment in the East planning region which is somewhat below the national average. The sector tends to be most developed of course in the non-designated areas. (Map 1.2 on page 27).

1.20 More precise data have recently become available as to the numbers employed in the main sectors of economic activity in recent years. Following from the results of the 1979 Census of Population and from the Labour Force Survey taken in association

DESIGNATED AREAS



1: 2,000,000

1cm = 20 Km

1 inch = 31.6 miles

with that Census it has been necessary to revise previous estimates of the labour force¹. The revised estimates, which involve appreciable changes in relation to figures previously published, are set out in Table 1.7. It should be noted that the revised estimates

Table 1.7
Estimated Total Labour Force and Number of
Persons at Work by Sector - April

Sector	1975	1977	1979	1980*
Thousands				
Agriculture, forestry and fishing	238	228	223	220
Industry	337	336	365	372
Services	498	519	557	571
Total at Work	1,073	1,083	1,145	1,163
Unemployed	73	89	74	74
Total Labour Force	1,146	1,172	1,219	1,237

Source: Table 10. Economic Review and Outlook, Summer 1981,

*The 1980 figures are provisional and refer to the situation as at April, 1980.

for the unemployed and for the total labour force (like the original estimates) do not include persons seeking regular work for the first time. While such information is available from each of the Labour Force Surveys, it will be recognised that, as this particular aggregate is significantly influenced by the timing of the Survey, it is not possible to adjust this element of the 1975 and 1979 Survey data to a consistent April basis. The actual estimates for the number of such persons are as follows:

- 1 The Survey results have shown that in the previous estimates there was underestimation of the numbers at work in non-agricultural activity, particularly in the building and construction and services sectors. The second factor is the change in the conceptual basis inherent in the Survey approach on which the figures are now based. This is particularly marked in the case of the new unemployment estimates which are lower than the original figures. It is considered that a major cause of this difference in level is the separate identification in the Labour Force Survey of persons unable to work owing to permanent sickness or disability, some of whom would otherwise be returned as unemployed.

1975 end May	:20,000
1977 end April	:16,000
1979 early June	:14,000

1.21 This new evidence totally alters the record as regards employment changes in recent years. The main points to note are the following:

- between 1975 and 1979 the labour force increased by 73,000 or over 6 per cent
- the increase was more pronounced in 1977-79 at 47,000 (4 per cent) than in 1975-77 when it was 26,000 (2.3 per cent)
- employment in 1975-77 increased by 10,000
- employment in 1977-79 increased by 62,000 (or 31,000 a year) which was well in excess of the targets set out in previous Regional Development Programmes
- the numbers "out of work" in April 1979 is now put at 74,000 (excluding first time job seekers) or 6.1 per cent of the labour force which is well below the 1976 peak of 90,000 or 7.8 per cent.

This impressive performance is reflected also in the regional data on changes in the numbers of persons at work set out in Table 1.8.

Table 1.8

Percentage Change in Number of Persons at Work

by Physical Planning Region

Physical Planning Region	Percentage Change in Persons at Work											
	1975/77				1977/79				1975/79			
	Agriculture	Industry	Services	Total	Agriculture	Industry	Services	Total	Agriculture	Industry	Services	Total
<u>Designated</u>												
Donegal												
North-West	- 5.6	+19.4	- 8.9	-1.4	- 4.1	+10.5	+10.2	+5.3	- 9.4	+31.9	+ 0.4	+ 3.8
West	-14.9	+16.9	+17.5	+1.5	- 1.1	+ 9.7	+ 8.7	+5.1	-15.8	+28.2	+27.7	+ 6.7
<u>Partly Designated</u>												
Mid-West	+ 0.4	+ 2.1	+ 4.3	+2.6	+ 5.7	+10.2	+ 3.4	+6.0	+ 6.2	+12.5	+ 7.8	+ 8.7
Midlands	+ 0.3	+ 7.6	- 2.7	-3.0	+ 0.7	+29.1	- 3.5	+6.5	+ 1.0	+19.3	- 6.1	+ 3.3
South-West	+ 1.9	- 2.6	+ 5.7	+2.0	+ 1.1	+ 2.4	+10.4	+5.5	+ 3.0	- 0.2	+16.8	+ 7.5
North-East	-16.0	-	+15.3	-0.3	- 7.9	+19.5	+ 3.9	+5.8	+22.6	+19.5	+19.8	+ 5.5
<u>Non-Designated</u>												
East	+ 2.5	+ 0.1	+ 4.4	+2.9	- 7.8	+ 5.5	+ 8.9	+6.9	- 5.5	+ 5.7	+13.7	+10.0
South-East	-	- 4.2	- 2.6	-2.3	-10.0	+17.6	+ 9.0	+6.1	-10.0	+12.7	+ 6.2	+ 3.7
State	-4.1	+0.6	+ 4.1	+1.1	-2.4	+9.4	+ 7.8	+6.2	- 6.5	+10.1	+12.2	+ 7.4

1.22 There was, however, a deterioration in unemployment in 1980. The Live Register of Unemployment at end-1980 being 122,200 shows an increase of 33,600 on the numbers registered as unemployed at end-1979 i.e. 88,600. This represents an increase of almost 38 per cent or over 90 a day in the numbers out of work. Graph 1.2 illustrates trends in registered unemployment over the period 1977-1981 at national level. The deterioration of the unemployment situation has been felt to varying degrees in different areas of the country. Most seriously affected has been the South-East planning region where registered unemployment rose by 48 per cent. Other planning regions seriously affected were the North-East, South-West, East and Midlands as shown in Table 1.9. At the other end of the scale, the numbers registered as unemployed in the North-West/Donegal planning region rose by 26 per cent but the level of unemployment in this planning region was already high.

1.23 The deterioration in the unemployment situation has continued in 1981. The Live Register total at end-October was 129,200, or 16.5 per cent higher than the total at end-October 1980 and represented about 10.3 per cent of the labour force. Again the deterioration was felt to varying degrees in different areas of the country with the South-East planning region being again the worst hit as shown in Table 1.9. The seasonally adjusted increase of 800 in October was considerably below the average monthly increase of about 1,470 in the first nine months of the year and compares with an average monthly increase of over 2,900 in the same period in 1980. The numbers of persons working systematic short-time at end-October rose by about 590 to 4,630 compared with end-September. There had been a downward trend in this category from February (when the total on systematic short-time reached a peak of nearly 9,400) which was reversed in September.

Graph 1.2

Live Register 1977/1981

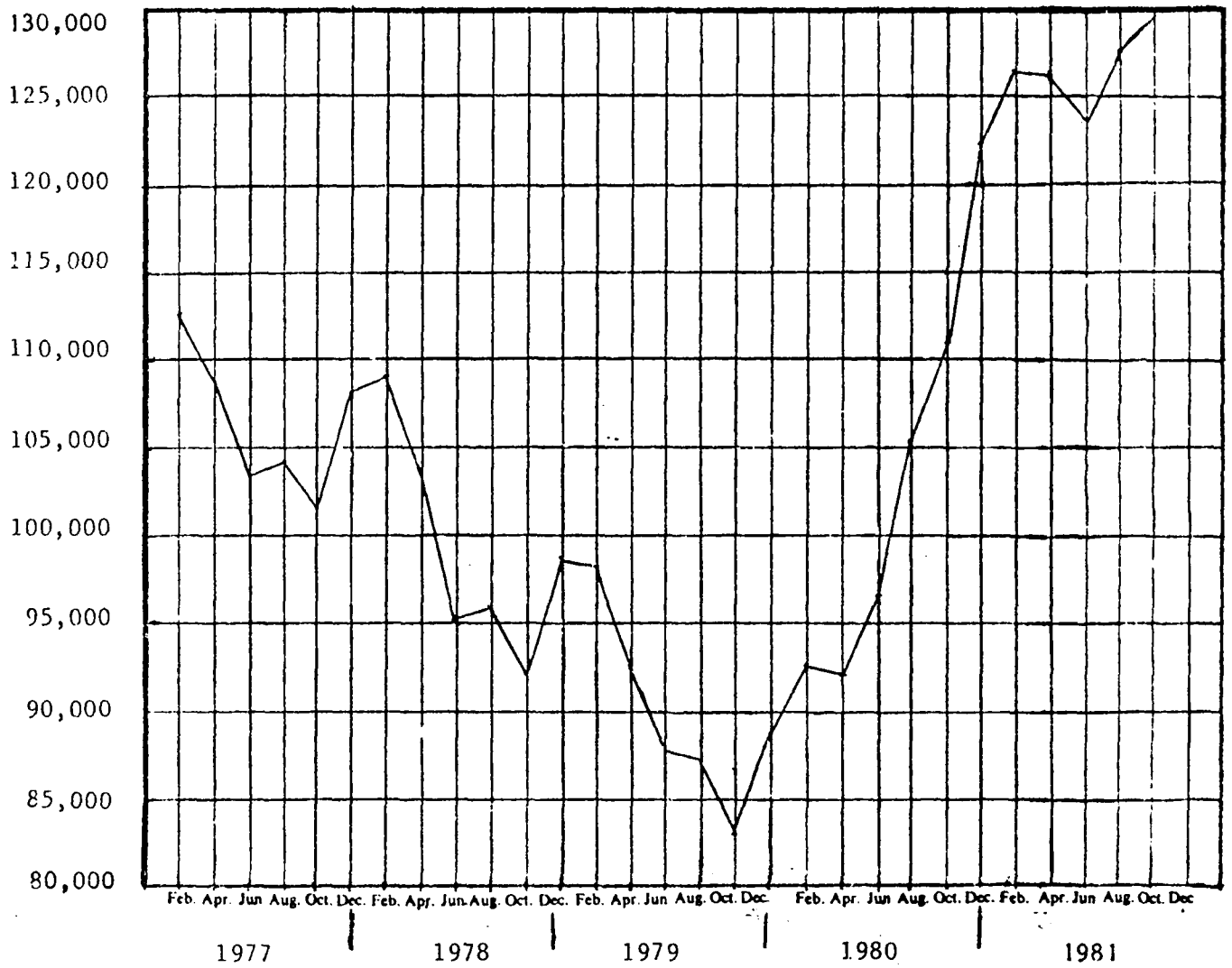


Table 1.9

% Changes in numbers on the Live Register in the years to

end-December 1980 and end-October 1981

Physical Planning Region		% Increase in Numbers	
		Registered as Unemployed	
<u>Designated</u>	Year to end Dec. 1980	Year to end Oct. 1981	
Donegal)	26	8	
North-West)			
West	29	14	
<u>Partly Designated</u>			
Mid-West	30	16	
Midlands	39	10	
South-West	45	23	
North-East	45	14	
<u>Non-Designated</u>			
East	39	15	
South-East	48	27	
State	38	17	

Notified redundancies in the first nine months of the year, totalling just 9,200 were 22 per cent higher than in the same period last year reflecting a continuing high rate of job losses, mainly in industry, although there were 24 per cent fewer notified redundancies in the third quarter than in the second. The latest comprehensive breakdown of the Live Register figures by age and duration of unemployment was published in August and relates to end-October 1980. It shows that 24.9 per cent on the Live Register on that date were under 25 years, 62.1 per cent were aged between 25 and 54 years and the remaining 12.9 per cent were aged between 55 and 64 years. As regards duration of unemployment, 37.1 per cent of those on the Live Register in October 1980 were registered for less than 13 weeks, 31.3 per cent for between 13 and 52 weeks and 31.6 per cent for 53 weeks and over.

1.24 From a social point of view, the experience in the labour market of certain sub-groups, such as young people and women, is of particular importance. Labour force participation rates broken down by age and sex are given in Table 1.10. The influence of economic conditions on the participation rates for young people is evident. The participation rates for males up to age 24 and for females up to age 19 fell between 1975 and 1977, reflecting both the long-term trend towards staying longer in education and the impact of the recession. However, in the 1977-1979 period, when job opportunities were relatively plentiful, the participation rates for young people increased significantly. The table also illustrates the increasing tendency for married women to participate in the labour force, although participation rates for this category remain low by European standards. The fall in the participation rates for older males, particularly in the 60-64 age-group, indicates the trend towards earlier retirement.

Table 1.10

Labour Force Participation Rates by Age and Sex in 1975,1977,1979

	Age	15-19	20-24	25-34	35-44	45-54	55-59	60-64	65+
Males	1975	47.3	90.1	97.2	96.6	94.0	89.0	77.9	28.2
	1977	44.1	87.6	96.9	95.8	92.5	86.7	76.3	26.3
	1979	46.2	89.9	96.9	95.7	91.2	83.7	71.2	26.0
Females	1975	42.0	66.0	30.5	22.3	24.6	22.4	19.1	7.2
	1977	38.1	65.8	31.4	21.2	23.7	22.6	17.3	5.6
	1979	38.8	68.0	33.4	22.9	24.0	23.0	16.9	4.6
Married	1975	24.5	24.1	16.0	14.4	15.7	12.6	10.5	4.5
Women	1977	*	28.4	16.7	14.3	14.4	11.4	7.8	2.9
	1979	*	28.5	18.7	15.6	14.4	12.2	8.5	2.0

* sample too small to give a reliable estimate

Source:- Labour Force Surveys

1.25 As regards long-term unemployment, while the numbers registered as unemployed fell by over 20 per cent in the three years to end 1979, the numbers unemployed for more than a year showed virtually no improvement at all.

1.26 Youth unemployment in 1975, 1977 and 1979 amounted to 18.6 per cent, 17.2 per cent and 12.5 per cent respectively for 15-19 year olds and 9.8 per cent, 10.3 per cent and 6.8 per cent for 20-24 year olds. These rates compare with overall unemployment rates of 9.3 per cent in 1975, 8.8 per cent in 1977 and 6.9 per cent in 1979. These figures

relate to those classified as unemployed in the Labour Force Survey including those looking for their first job. More up-to-date data on the trend of youth unemployment can be derived from the analysis by age group of persons on the Live Register (this does not, however, include very many of those seeking employment for the first time). Between January 1980 and January 1981, registered unemployment among those under 20 increased by 24 per cent, while among 20-24 year olds increased by 64 per cent, as against an average increase for all age groups of 36 per cent. As a special measure to curb youth unemployment job creation schemes were initiated, as shown in Table 1.11.

Table 1.11
Youth Job Creation Schemes

<u>Number of Man-Years</u>			
Scheme	1978	1979	1980
Work Experience Programme	1,016	2,023	2,122
Environmental Improvement Scheme	754	910	470
Temporary Grants Scheme for Youth Employment	324	560	560
Community Youth Training Programme	775	1,050	708
Employment Incentive Scheme (actual number of school leavers) ¹	4,235 ²	3,593	3,824

¹ Participants may be employed up to a limit of 24 weeks.

² The corresponding numbers of adult participants which would include a proportion of young people up to 25 years of age, other than school leavers, were 6,175, 3,376 and 2,923 respectively.

Projected increase in the labour force

1.27 The three main factors influencing the growth of the labour force viz the rate of increase in the population, the structure of the population and participation rates have now been discussed. The manner and degree to which these variables have fluctuated unpredictably in the past makes forecasting of them a most hazardous business than in other countries. This is especially true

respect of the rate of increase in the population which has defied accurate forecasting in the past. Little more can be done in these circumstances other than to project previous trends in a mechanistic way without placing too much confidence in the outcome. On the basis of such trends and on the technical working assumption of zero net migration, the structure of the population implies an average increase in the population of working age (persons aged 15-64) of nearly 30,000 a year up to 1985. This figure will have to be reviewed in the light of the 1981 Census result which points to resumption of net emigration albeit at a fairly low level. As regards participation rates, a higher number of young persons, male and female, could delay their entry into the labour force in line with the higher educational standards required of members of the work force in an increasingly developing economy. Participation rates in the older age groups could also fall, in line with the long term trend towards earlier retirement, particularly by farmers. On the other hand, participation rates for married women could continue to increase since long-term trends favourable to married women's employment - for example, the growth in clerical and professional job opportunities and the tendency towards earlier completion of families - are expected to intensify in the future.

1.28 In the aggregate, past trends in participation rates have resulted in a slight decline in overall participation rates in recent years but, for the period to 1985, the relative increase in the proportion of persons in the more active age groups means that the overall participation rate could remain relatively stable at its 1979 level of approximately 52 per cent. This assumption may also need to be revised in the light of the results of the 1981 Census.

1.29 Because of the many influences that have been taken into account, projections of the development of the labour-force cannot be regarded as reliable. The assumptions used for the purpose of this

Programme, and the calculations based on them, suggest that the average increase in the numbers seeking work in the period covered might fall in the range of 15,000 to 20,000 a year exclusive of new jobs required to replace job losses including the decline in the numbers at work on the land. Considerable year-to year variations around the range can be expected.

1.30 Because of its importance and the degree of uncertainty attaching to it, the projected increase in the labour force will be continually reviewed.

Job Requirements

1.31 An increasing labour force affords only a partial view of the gross numbers of jobs required in the period to 1985. Account must also be taken of the continuing decline in the numbers engaged in agriculture and of job losses in the non-agricultural sectors. If there is to be no increase over the current level of unemployment by 1985, jobs will be required on a scale sufficient to absorb the increase in the labour force and to offset the incidence of job-loss throughout the economy. The working assumptions adopted, combined with past experience, would suggest an annual average gross job requirement over the next five years in the region of 40,000.

Personal Incomes

1.32 Data on personal incomes are provided in Table 1.12, the latest data available relating to 1977. While the East planning region still continues to have the highest per capita income, it

Table 1.12

Personal Incomes

Physical Planning Region	Personal Incomes per capita 1977	Personal Incomes per capita as % of national average			Percentage Increases in real personal incomes per capita			Ranking by Personal Incomes per capita	
	IR£ (at 1977 Prices)	1969	1973	1977	1969/73	1973/77	1969/77	1977	1969 (and 1973)
Designated									
Donegal)									
North-West)	1209	77	76	76	35	5	42	8	8
West	1358	76	82	86	39	11	55	6	7
Partly									
Designated									
Mid-West	1496	93	95	94	33	4	38	4	3
Midlands	1242	78	83	78	34	3	38	7	6
South-West	1581	97	98	100	32	6	41	2	2
North-East	1436	90	91	91	31	5	37	5	5
Not									
Designated									
East	1821	123	117	115	23	3	27	1	1
South East	1504	90	95	95	35	6	43	3	4
State	1578	100	100	100	30	5	36		

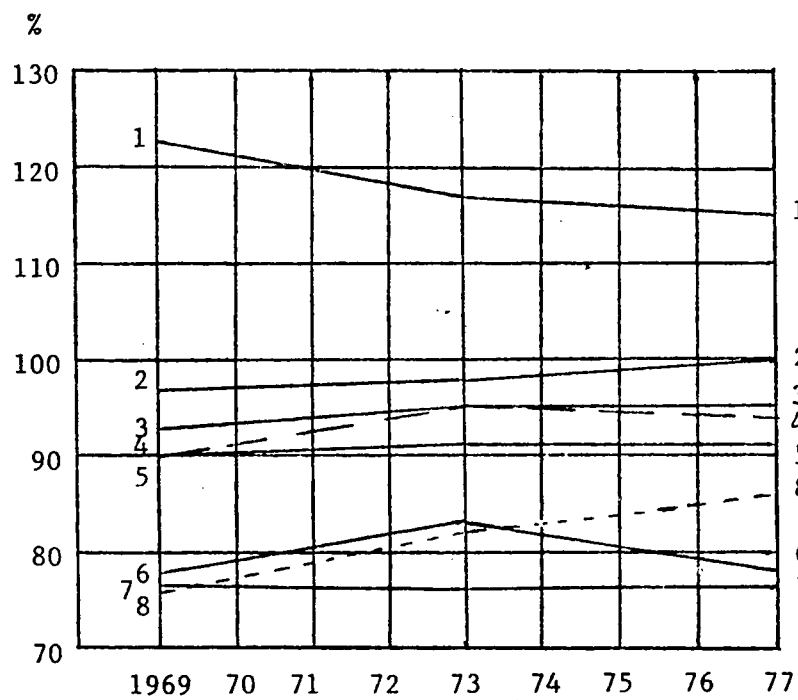
had the lowest increase in relative terms between 1969 and 1977. In contrast, the designated planning regions experienced a relatively higher increase in incomes than either the partly or non-designated regions. Thus, while the ranking for the planning regions by income per capita has changed very little, nevertheless, comparison of the lowest per capita income region (North-West/Donegal) with that of the highest per capita income region (East) shows a definite tendency towards convergence over the period 1969 to 1977 though there has been some slowing down in the rate at which this convergence has been taking place as illustrated in Graph 1.3. This tendency towards convergence is in marked contrast to the trend at Community level over the same period as evidenced in the Periodic Report on "The Regions of the Community"¹. The trend at Community level is illustrated in Graph 1.4.

1.33 As might be expected, agriculture is of particular significance as a component in personal incomes, as Table 1.13 demonstrates. This is true of all planning regions including the East planning region where the figure is distorted because of the large element of non-agricultural income in Dublin.

¹ op. cit., page 2

Graph 1.3

Personal Incomes per capita as % of National Average*

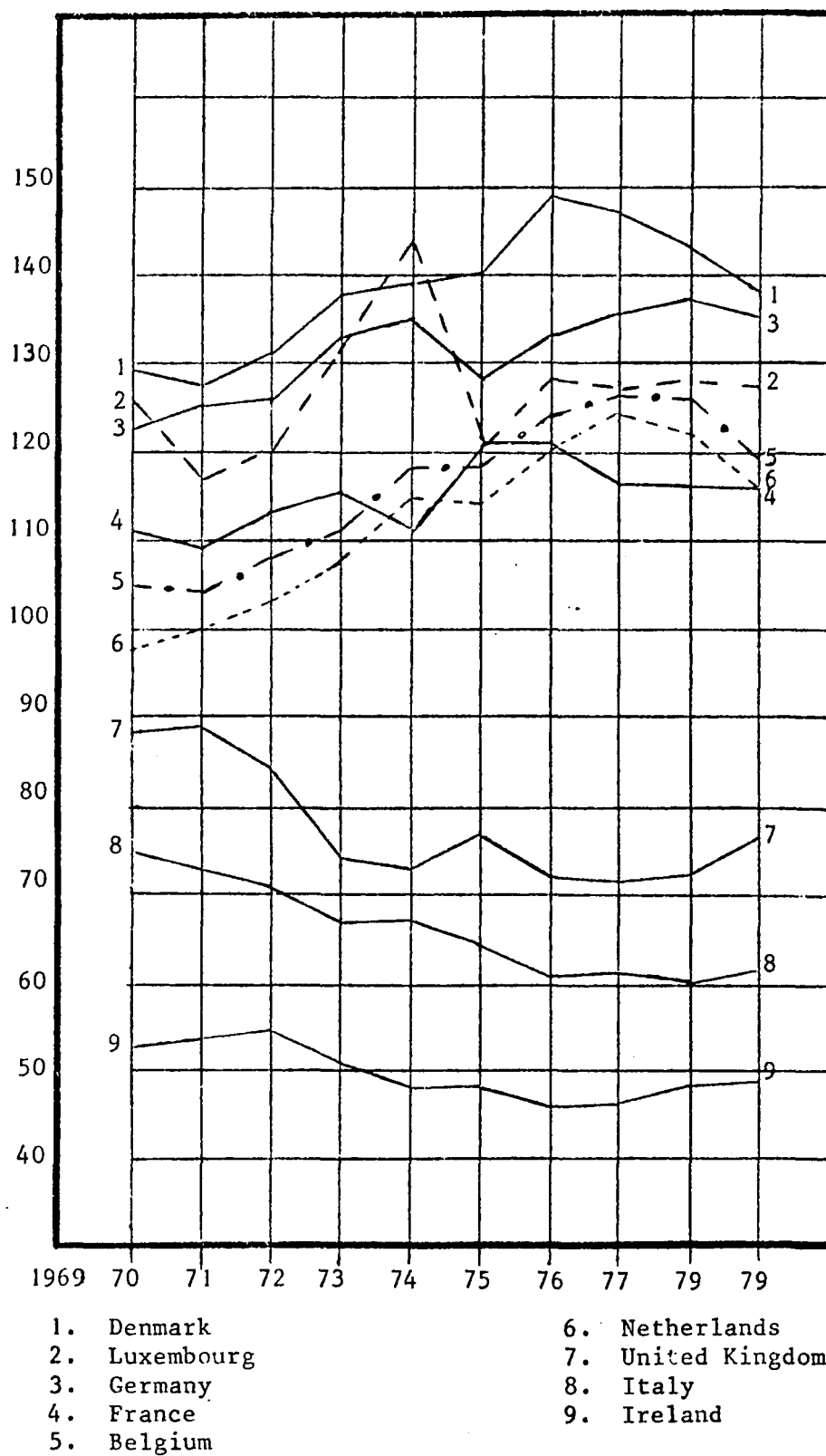


1. East
2. South West
3. Mid West
4. South East
5. North East
6. Midlands
7. North West/Donegal
8. West

*Source: NESC Report "Personal Incomes by Region in 1977", published July 1980.

Graph 1.4

GDP per Capita as % of Community average*



* Source: Commission of the European Communities "European Economy - No. 7", November 1980.

Table 1.13

Agricultural Income¹ as a % of Total Personal Income 1977

Physical Planning Region	Agr. Income as % of Total Income
<u>Designated</u>	
Donegal)	21.5
North-West)	
West	22.5
<u>Partly Designated</u>	
Mid-West	23.9
Midlands	26.7
South-West	23.6
North-East	23.4
<u>Non-Designated</u>	
East	4.0
South-East	29.2
State	15.8

¹ comprises the remuneration of employees in the agriculture and forestry sectors together with the income of the self-employed in the farm and fish sectors.

1.34 The aims of the Government's domestic regional strategy in the 1970s (which is presently under review) were to end involuntary emigration from the country as a whole; to seek the attainment of national growth; and to provide for the maximum spread of development through all physical planning regions, so giving an increased and wider range of economic and social opportunities, thereby reducing income disparities and minimising population dislocation through internal migration.

1.35 The analysis above suggests that significant progress is being made towards the achievement of these broad aims of regional policy. Changes in population pattern, the reduction in the gaps in average incomes as between planning regions together with regional changes in employment and unemployment have been adverted to earlier in this chapter. Main concerns at domestic regional level, at present, are minimising involuntary internal migration and further reducing intra-regional disparities in income. In the shorter term, these disparities could be reduced by transfers, but the longer term aim must be to reduce the gaps in primary incomes i.e. those generated within the physical planning regions themselves. This cannot be done without developing the indigenous potential of each region by, inter alia, strengthening infrastructural and productive investment in the regions.

1.36 Allied to this will be the task of ensuring that the Dublin area's future growth is orderly and controlled, taking account not only of the capital's needs and its role in the national economy

but also of the desirability of equalising opportunities and standards throughout the country. It is of crucial importance that urban structures in other regions be strengthened in order to provide a sufficient range of facilities for attracting manufacturing and especially service employment to absorb local and regional labour resources. Such regions are therefore accorded very high priority in the Government's economic and social programmes, particular attention being given to those in the designated areas, largely in the western half of the country.

1.37 Without prejudice to this concept, however, policy must also address itself to the serious problems at present facing Dublin, where the effects of the recession, particularly on employment, have been severe. Remedial action is being taken, however. Policy in relation to the promotion of industrial investment and the availability of financial and other incentives has been adjusted in order to cope with the problems of unemployment and redundancy in the city, while the Government also plan to invest heavily in the provision and upgrading of infrastructure in the coming years. The Road Development Plan for the 1980s, published by the Government in 1979, set as one of its major objectives the improvement and upgrading of the principal access routes to the capital. Major investments in Dublin and its environs at present include the electrification of commuter railway lines, major drainage schemes and major road and bridge works, many of these being assisted by the Regional Fund. Planned investment includes the piping of natural gas from the Kinsale field to the Dublin area, thus reducing dependence on other sources of energy and enhancing the city's attractiveness for industrial development.

1.38 The problems are even more acute in the inner areas of the city. These include high unemployment, much of it hard core and

long-term, sub-standard housing, low educational attainment and general social deprivation. In response to these problems, the Government have set up an Inner City Group of officials reporting to the Minister for the Environment, whose remit it is to co-ordinate and accelerate public programmes as they apply to the inner city. In addition to expenditure undertaken directly by Departments under existing programmes, IR£1.25 million (1.81 mECU) has been made available to date to the Group for its work. The Group's activities have emphasised employment creation, education and training and the upgrading of the environment.

1.39 The concept of controlling urban growth while, at the same time dealing with acute problems in the city, is far from unique and in no way invalidates the overall strategy being pursued in relation to the development of smaller urban centres elsewhere in the country.

Regional Institutions

1.40 There are numerous bodies in the public sector whose work has a regional dimension. These include the Industrial Development Authority and Bord Failte Eireann (the State Tourist Board) and ACOT, the Agricultural Development Authority. Both in structure and operation, these are regionally oriented. There are, in addition, a number of other bodies which exist to further the interest of the subnational region they cover. These include the Shannon Free Airport Development Company (SFADCo) (which operates in the Mid-West planning region), Udaras na Gaeltachta (which operates in the Irish speaking districts mainly situated in the West of Ireland) and the Central Development Committee, under whose aegis a number (13) of County Development Teams operate in the less developed areas of the country. There are nine Regional Development Organisations (RDOs) whose main function is to coordinate the programmes for regional development in each

region. The various bodies concerned with development in the region - mainly local authorities, certain Government Departments, the Industrial Development Authority, Bord an Mona (the Peat Development Board), Coras Iompair Eireann (the State Transport Authority), Bord Failte (the State Tourist Board), Harbour Boards - are represented in the Organisations. The RDOs, which are non-statutory bodies, do not have executive functions in their own right. They have produced reports setting out the main considerations bearing on development and putting forward views as to how the potential of the regions could be fully exploited. They have carried out a number of studies and activities related to their role. A comprehensive regional development strategy for the Midlands planning region which was prepared with the financial assistance of the Commission of the European Communities has recently been published. Assistance has also been sought towards the cost of regional development strategies for the North-East and West planning regions. As indicated in Table 5.1, the local authorities throughout the country also play an important role in the regional development process.

Cross-Border Cooperation

Non-Quota Section of Regional Fund

1.41 A special effort is also required to ensure that the border areas share to the fullest extent possible in the development process. The border areas of Ireland - on both sides of the border - are among the least developed areas of the Community and their development requires the fullest cooperation of the Authorities on both sides and the involvement of the European Communities which have a special responsibility towards their less developed zones. An excellent example of such cooperation may be seen in the adoption by the Council of Ministers of the European

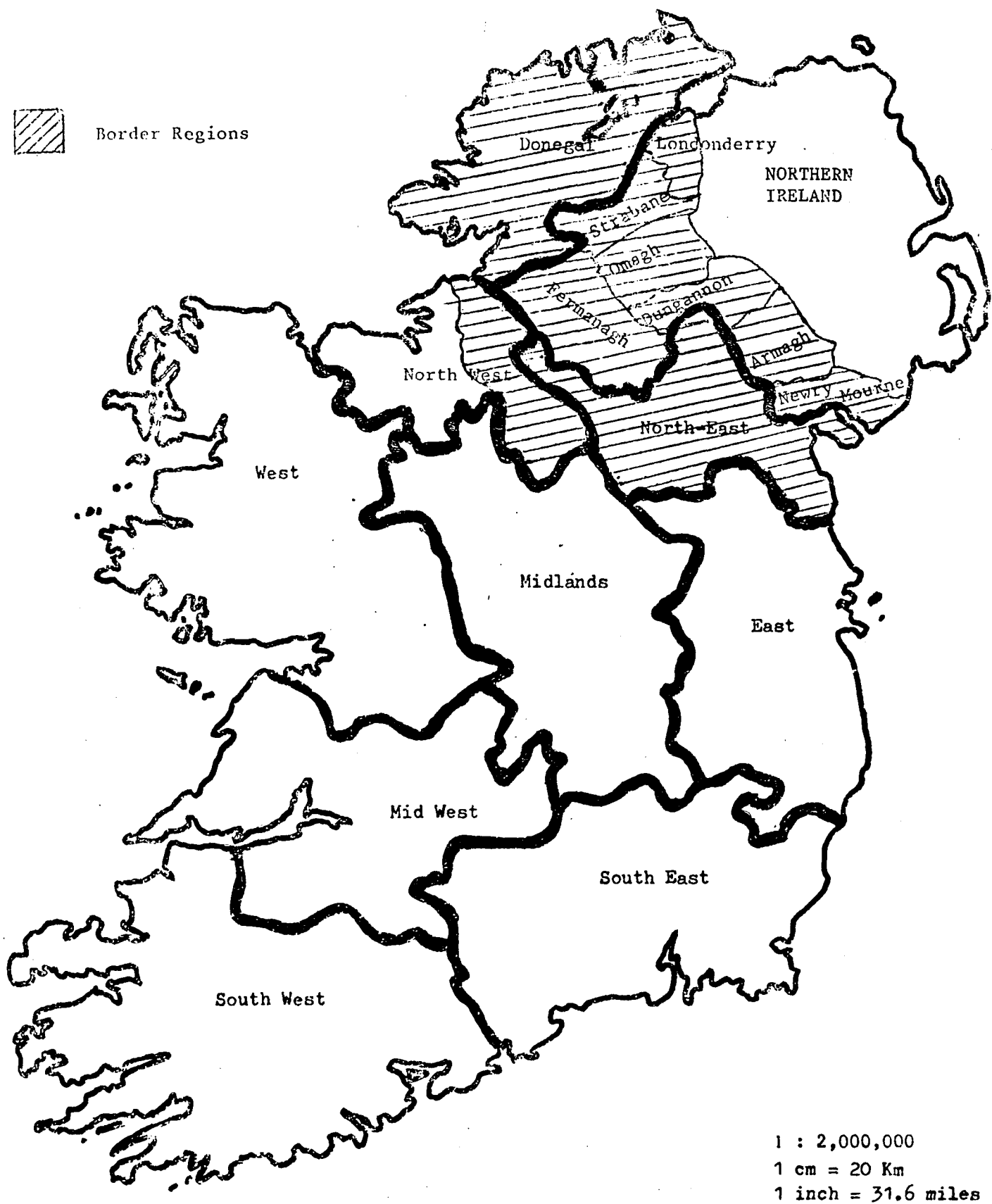
Communities on 7 October 1980 of a Regulation¹ instituting a specific Community regional development measure contributing to the improvement of the economic and social situation of the border areas (Map 1.3) of Ireland and Northern Ireland. This measure is one of five to be assisted in various regions of the Community under the Non-Quota Section of the Regional Fund. The measure is being implemented by means of a Special Programme which is concerned with the development of economic activities in tourism, communications, craft industries and small and medium size undertakings. As far as the southern side of the border is concerned, a Special Programme Fund has been established to finance the programme. The Fund, which amounts to just over IR£20 million (29 mECU) is being financed equally by the Irish Government and the Community. The programme has commenced and several of the development measures are well under way. The size of the Fund is small in relation to the area it covers. For this reason it will be necessary to carefully monitor the progress of the programme to ensure that measures which are achieving the objectives of the programme - the improvement of the economic and social situation in the border countries - receive priority.

EEC Cross-Border Drainage Scheme

1.42 In addition to the Non-Quota Section measure, the Council approved on 6 February 1979, a drainage programme for catchment areas on both sides of the border involving a maximum contribution of 8 mECU (IR£5 million approximately) or, if less than this maximum, to provide 50 per cent of the total combined costs to the Irish and British Governments of whatever drainage schemes are undertaken. The grant will be used by the Office of Public Works and the Northern Ireland Department of Agriculture for work on the Ulster Blackwater and Finn-Lackey (Erne tributary) catchments.

¹ Regulation (EEC) No 2619/80 of 7 October 1980

Border Areas (shaded) covered by Regulation (EEC) No 2619/80



Cross-Border Studies

1.43 As a means of providing guidelines towards an overall co-ordinated strategy for border areas, several studies of a cross-border nature have been undertaken on a joint basis by the Irish and British Governments acting in some cases with Community participation. These reports effectively span almost the entire length of the border starting with the Derry/Donegal Communications Report, the Erne Catchment Report, the Mourne Herring Fishery Report and finally the Newry/Dundalk Study. These studies are discussed only briefly in the following paragraphs as fuller information is contained in the separate Special Programme for the Development of the Border Areas¹ submitted to the Commission of the European Communities in the context of the Non-Quota Section of the Regional Fund.

Derry/Donegal Communications Study:

1.44 The study had the following terms of reference:

"To examine communications, including transportation (e.g. roads, railways, ports, airports, telecommunications) in the Derry and Donegal area in the light of existing projects and plans in order to determine their adequacy and to make recommendations for future development, having regard to financial constraints".

The consultants' report, half the cost of which was borne by the Regional Fund, was published in December 1977. Subsequently, the main recommendations of the report were endorsed in a separate study carried out by the Economic and Social Committee of the European Communities, published in June 1978. Following publication of the report, the Irish Government reached agreement in principle on a programme of implementation covering the main areas of the consultants' recommendations and substantial progress is being made in a number of areas such as roads and telecommunications, the operation of freight transport services, harbour improvements, tourism, transport etc.

1 to be published shortly by the Commission of the European Communities.

Erne Catchment Area Study:

1.45 The study, jointly commissioned and financed by the Irish and British Governments and the Commission of the European Communities (the latter's contribution being provided from extra funds added to Article 266 of the EEC Budget at the instigation of the European Parliament) had the following terms of reference:

"To assess and report on the development potential of the Erne Catchment Area with reference to the development of tourism amenities and tourism requirements in matters such as accommodation, access and marketing and of the development of land resources through arterial drainage and to make recommendations for the area as a whole".

1.46 The report provides a comprehensive and detailed analysis of the Catchment Area and a practical strategy for developing its resources. Its main recommendations relate to the following objectives

- improving agriculture conditions through arterial drainage
- enhancing the identity of the Erne
- reinforcing the existing tourism products of the area and developing new products which reflect the resources base of the Catchment
- increasing the quantity, range and quality of accommodation
- improving accessibility and transport services at the inter-regional and intra-regional levels
- providing infrastructure to sustain an increased flow of tourists to the Catchment.
- extending the market spectrum.

The study proposes a development strategy to implement these recommendations at a cost of IR£68.75 million¹ (100 mECU) (in 1979 prices) for both sides of the border. It is envisaged that the European Community, which has played a significant role in relation to the report, will have an important role to play in relation to the follow-up action to be taken. While the Government have not yet considered the report in detail, an indication has been given by the Taoiseach to local representatives that the Government's approach is a positive one in regard to some of the recommendations.

¹ This figure is exclusive of any moneys which may be spent on roads

Newry Dundalk Area Study

1.47 The objectives of the study were:-

- to determine whether there were areas in which there was scope for improvement in cross-border co-operation; and
- to identify whether further specific studies by consultants would be of mutual benefit.

The study concentrated on industrial development and training; roads; ports; water supply; tourism; electricity supply; customs facilities; telecommunications; planning; drainage; and fisheries. The report, which was published in April 1980, acknowledges that cross-border co-ordination and co-operation have been good in most of the functional areas studied, but also makes a number of recommendations of which the most important are the commissioning of studies to examine alternative routes for the Newry/Dundalk section of the Belfast/Dublin road and of the tourism resources and potential of the area.

1.48 This study was somewhat different to the other cross-border reports in that it was the direct work of Government officials and, in consequence, there has already agreement to the various proposals made in the report. Hence speedy implementation is assured. In fact, the tourism study has already been completed by the Tourist Boards, North and South, and should be available shortly. In relation to the road study, it is the intention to seek Regional Fund assistance towards the cost of carrying it out.

Mourne Herring Fishery Report

1.49 This study, like the Erne study, was jointly commissioned and financed by the Irish and British Governments and the European Commission, the latter's contribution again being provided from the special funds added to Article 266 of the EEC Budget at the instigation of the European Parliament. The objective of the study was to gather basic scientific data on this small, discrete herring

fishery with a view to establishing a future management regime which would ensure the maximum sustained benefits to the local coastal communities which have depended upon the fishery for income and employment over several centuries. The study was considered to be particularly timely in view of the rapid decline of the Mourne herring stock during the 1970's, culminating in complete closure in 1979. The consultants' report, which was published in May 1980, makes a number of recommendations including continuation of the temporary closure of the fishery, collection of further scientific data, the establishment of a regional management group, and that an investigation be carried out to identify the dependence of coastal communities on the resources of the fishery. The report is presently being examined by both Governments with due regard being had to current negotiations within the European Community to establish a Common Fisheries Policy.

Economic Cooperation

1.50 Economic cooperation was among the subjects covered in the Joint Report submitted to the Taoiseach and British Prime Minister at their meeting in London on 6 November 1981. The Report considered a wide range of existing and potential areas of economic and technical cooperation, both bilateral and in the context of the two countries' common membership of the European Community and made recommendations as to how these might be encouraged and developed. The Report noted that a substantial amount of economic and technical cooperation already existed between the two countries but that closer cooperation could open the way to greater and mutually advantageous rationalisation and harmonisation in a range of development fields notably between North and South in Ireland. In particular, it was felt that coordinated or joint effort could be of advantage to deprived border areas. Examples of the subjects considered were:

- future co-operation on energy, in particular, the possibilities for electricity interconnection both across the land border and across the Irish Sea and for the supply of gas from the Kinsale field to Northern Ireland and the exploitation of new energy technologies
- exchange of information on pollution of the Irish Sea and co-ordination of responses to pollution emergencies
- broadcasting of television and radio programmes direct to the home from a satellite
- co-operation in the field of animal and plant health
- the facilitation of economic development in Lough Foyle, Carlingford Lough and the nearby offshore areas
- industrial development, particularly of small and craft industries
- trade promotion
- industrial training
- tourism
- continuing co-operation in the economic development of border areas
- science and technology.

The Report hoped that the measures envisaged would make a contribution towards the improvement of the economy of the two islands and that the practice of economic cooperation would, in itself, generate further cooperation.

Infrastructure

1.51 Before reviewing the main sectors of economic activity, brief reference should be made to the general situation in regard to the level of provision of infrastructure in Ireland, since, as will be evident from this Programme, the economic and social development of the region is being hindered - in some cases severely - by infrastructural deficiencies.

1.52 The rate of growth of population, industrialisation and urbanization experienced in Ireland in the last decade - the most rapid in the Community - has placed very considerable demands on the region's infrastructural capacity. The expansion of this capacity has fallen far short of this growth in demand with the result that deficiencies are evident in all the main areas of productive infrastructure - roads, telecommunications, water supply, transport etc. - as well as in some areas of social infrastructure - hospitals, schools etc. Such deficiencies will have to be overcome if the economy is to develop to anything near its full potential.

1.53 These deficiencies and their harmful effects are now widely recognised. A recent study¹ by the European Management Forum, for example, based largely on a survey of business people, ranked Ireland thirteen out of a total of sixteen European countries surveyed with regard to infrastructural facilities. In this respect, telecommunications and roads are probably of most concern. Similarly, a recently published review² by Allied Irish Banks Ltd. of the experience of foreign industry in Ireland, while yielding favourable results overall, illustrated the concern of foreign industrialists with the region's infrastructural services. Some four fifths of the companies surveyed considered, for example, the telephone system to be "much worse" than in other countries.

1.54 The main infrastructural deficiencies are discussed in Chapter 3 in the context of the measures being taken to reduce and eventually eliminate them. Before discussing these and other measures, however, a brief review of the main sectors of economic activity will provide a useful background against which they should be considered.

¹ "Survey of Competitiveness of European Industry 1980" published by the European Management Forum.

² "Ireland as a Manufacturing Base", Allied Irish Bank Review April 1981.

Agriculture

Recent Trends

1.55 The importance of agriculture to the Irish economy will already be apparent from the examination of the socio economic indicators above particularly those concerned with the sectoral composition of the labour force (Table 1.6) and the agriculture related component of personal incomes (Table 1.13). The agricultural sector still accounts for about 20 per cent of the employed labour force and agricultural income accounted for 17 per cent of total personal income in 1978, though this has declined sharply in the period up to 1980. Total agricultural exports estimated at IR£1,226 million (1,777 mECU) in 1980 represented some 31 per cent of total exports. Irish agriculture developed rapidly in the 1970s in response to the very favourable climate created for its expansion by the unprecedented increase in output prices which took place in the period both prior to and after entry into the Community and from the freer access to a larger market which resulted from that entry. The volume of gross agricultural output rose by about 21 per cent in the period 1970-75 and the corresponding increase for the period 1976-80 was about 13 per cent.

1.56 The rapid development of agriculture was interrupted in 1979 however, when severe weather conditions, which led to an increase of nearly 19 per cent in the volume of inputs of farm material, resulted in a decline of 9.6 per cent in net output. There was a fall in farm incomes of 12.1 per cent from IR£834.5 million (1,209 mECU) in 1978 to IR£734 million (1,064 mECU) in 1979. When

inflation and the decline in the farm labour force of 3.4 per cent are taken into account, the fall in farm income per head, in real terms, was 19 per cent in 1979.

1.57 While the trend in net output became positive again in 1980, this was largely due to the sharp fall in the volume of farm material inputs. Farm incomes deteriorated, generally falling 9 per cent below the outturn in 1979 in current money terms. When the 1980 consumer price increase of 18 per cent is taken into account, the fall in farm income per head in real terms was about 37 per cent for the two years 1979 and 1980. This is before allowing for the problem of debt servicing by farmers. Although this 40 per cent fall in real farm incomes per head is from the good income situation of 1978, it is of such a magnitude as to have a major impact on the future development of the agricultural sector and its contribution to overall growth in the economy.

1.58 Annual investment in agriculture rose during the 1970s from IR£50 million (72 mECU) at the beginning of the decade to reach IR£300 million (435 mECU) at the end. The increase was particularly noticeable in the case of farm buildings, although farm machinery remained the largest single category of investment throughout the decade.

1.59 The current situation on farm prices, costs and incomes is inevitably having a serious effect on the current level of farm output. In the June 1981 livestock enumeration, cow numbers were 53,000 or 2.6 per cent lower than in the June 1980 enumeration. Milk production in 1980 was about $1\frac{1}{4}$ cent lower than in 1979. There has been a decrease of nearly 2 per cent in the cereal acreage and the difficult harvesting weather led to some fall in total grain output.

1.60 The consequences of these income trends both for the agricultural sector and for the economy as a whole are particularly daunting. In view of the high multiplier effect of changes in farm incomes the result of the fall in farm incomes, in current money terms as well as in real terms, will be to reduce the growth in GNP. The Government have sought and obtained aid from the Community to implement measures to help farmers e.g. an interest subsidy for development farmers and programmes for livestock improvement and land drainage.

Farmers' Borrowing Position

1.61 As a result of the poor farming conditions described above, the problem of debt servicing by farmers has become particularly serious. The total loans from the Banks and the Agricultural Credit Corporation outstanding to farmers at the end of 1980 was IR£1,165 million (1,688 mECU) - at the beginning of 1978 it was less than IR£500 million (725 mECU). Interest rates in 1980 were generally in excess of 17 per cent - very much higher than those of two years ago. Farmers' debt service charges were close on four times greater than in 1978. Interest alone on current borrowings was about IR£170 million (246 mECU) and capital repayment commitments required a further IR£150 million (217 mECU). It is clear that out of a 1980 farm income of around IR£672 million (974 mECU), this represented an enormous burden.

Common Agricultural Policy

1.62 The study of the regional impact assessment of the CAP, as pointed out by the Commissioner for Regional Policy in his paper "Reflections on the Common Agricultural Policy from the Regional Point of View", shows clearly that the CAP has acted to increase disproportionately the incomes of large farms in the more developed areas of the Community. The preparation of this study presents the first opportunity for the practical implementation of the Council Resolution of 6 February 1979 on Guidelines for Community Regional Policy insofar as Community policies are concerned. Clearly the onus now rests on the Council, in accordance with its own Resolution, to ensure that any change in the CAP must have reference to its regional effects. Because of the country's heavy dependence on agriculture's contribution to the balance of payments and to economic development in general, the Common Agricultural Policy is of paramount importance to Ireland. It will be the Government's policy to ensure that any adjustments in the CAP will take full account of this situation and will not have the effect of holding back growth in Irish agriculture nor of preventing the necessary restoration of farm income levels in Ireland.

Industry

Recent Trends

1.63 Over the course of the 1970s as a whole, the development of the manufacturing sector was characterised by

- strong growth in output, largely due to strong export growth from new grant-aided industry

- relatively poor resulting growth in employment due to a continuing high level of job loss in established industry caused by increasing import penetration, inadequate product development and marketing and changes in technology and market demand leading to structural changes in demand for labour and, moreover, the severe economic recessions in the middle and end of the 1970s which led to a more intense shake-out in manufacturing employment
- a high rate of investment growth, largely due to new grant-aided industry
- a high rate of increase in earnings (as workers attempted to improve living standards in the face of high inflation rates), the adverse price competitiveness of which were, by and large, offset by currency devaluation prior to membership of the EMS.

1.64 Table 1.14 gives the main indicators of growth in the manufacturing sector since 1975. This table shows that there was considerable growth in both output and employment between 1975 and 1979. This was largely due to

- favourable developments in world trade
- a greater number of new industrial projects being established
- a relatively fast rate of growth in demand in the domestic market which helped to offset, to some extent, the adverse effects on output and employment of rapidly growing import penetration
- a steady growth in exports.

Table 1.14

Development of the Manufacturing Sector 1976-1980

	% change over previous year				
	1976	1977	1978	1979	1980
Gross Output	10.2	8.7	7.8	5.8	-2.0
Employment % (average annual)	- 0.4	3.1	3.0	4.1	-1.1
Employment end-year actual ('000)	- 0.7	6.1	6.1	8.5	-9.4
Productivity per manhour	9.2	3.7	6.0	2.8	1.5
Exports	7.5	15.5	10.5	13.0	7.0
Investment	- 4.8	2.6	26.1	16.0	n.a.
Employee earnings per head	17.0	15.6	14.3	15.4	21.1
<u>Memorandum Items</u>					
(i) IDA Job Approvals ('000)	17.9	24.0	30.2	34.5	35.3
(ii) Gross Job Gains ¹ ('000)	20.9	24.6	23.3	25.3	18.0
(iii) Gross Job Losses ¹ ('000)	18.1	18.3	16.6	15.5	27.2

1 Sources: IDA Annual Employment Surveys. Data for gross gains and losses include normal labour turnover. The net change implied does not always correspond precisely with the Central Statistics Office net employment data.

1.65 The upward trend in manufacturing output was halted in the middle of 1979 while employment began to decline in early 1980. The result was that output declined by 2 per cent in 1980 while employment at the end of 1980 was some 9,000 lower than a year earlier. The main factors responsible for these adverse trends were

- the slowdown in the growth of world trade resulting largely from increases in oil prices
- the decline in the growth of domestic demand, which affected home sales of goods manufactured in Ireland
- the continuing rise in imports of consumer goods
- financial pressure imposed on business through high interest rates (although this was alleviated by Government measures to provide for loans to industry free of exchange risk and market rates moderated later in the year)
- increases in relative costs of Irish industry, partly due to relatively higher increases in incomes relative to our EMS partners.

1.66 Manufacturing output recovered in 1981, largely because of strong growth in exports, although employment continued to decline. Overall manufacturing output is likely to show a moderate rate of increase in 1981 on average, although the end-1981 level of employment may be lower than a year earlier.

Performance of the Industrial Promotion Agencies

1.67 The main industrial promotion agencies are the Industrial Development Authority (IDA), Shannon Free Airport Development Company (SFADCo) and Udaras na Gaeltachta (Gaeltacht-Irish speaking areas - Authority). These agencies have succeeded in generating a significant number of new jobs over recent years. The data for job approvals for the IDA are given in Table 1.14 above and indicate the acceleration in the level of job approvals towards the end of the 1970s. Moreover, despite the adverse effects of the recession, the level of job approvals in 1980 is estimated to have reached a record level of 35,300. Significant features of the 1980 outturn were that

- the share of domestic job approvals in total job approvals reached 55 per cent
- the number of job approvals in small firms accounted for almost 30 per cent of the total job approvals
- a significant number of new projects continue to be approved in the fast-growing electronics sector. The number of job approvals in new overseas electronics projects in 1980 was 5,700 or 35 per cent of total job approvals from overseas.

1.68 In 1978, a new and extended role was given to SFADCo for the intensive development of indigenous small industry in the Mid-West planning region. The new programme has been exceptionally successful and realised 1,600 job approvals in 1980 compared with some 230 in 1977. In addition, some 2,000 jobs were approved in the Shannon Industrial Estate in 1980.

1.69 Udaras na Gaeltachta (Gaeltacht Authority) has a role similar to that of the IDA in relation to industrial promotion in Gaeltacht (Irish speaking) areas. An active industrial development policy has been pursued in these areas (population 77,000) since the late 1960s. As well as developing home-based industries, firms have been attracted from overseas. Actual employment in industries assisted by the Authority and its predecessor (Gaeltarra Eireann) totalled just over 4,000 in 1980, of which 60 per cent came from domestic sources. Job approvals in recent years were as follows:

1978	1979	1980
1,032	1,342	954

Over 500 small businesses have been assisted by Udaras na Gaeltachta/Gaeltarra Eireann.

Effects on Irish Industry of the Community's External Trade and Restructuring Policies

1.70 As noted earlier, one of the main developments in the manufacturing sector during the 1970s was the high level of job losses due to increased import penetration and structural change. While the closure of firms, redundancies, lay-offs and losses by companies in Ireland cannot be attributed solely to any one factor, nevertheless, it can be argued that the Community's external trade and restructuring policies did have an adverse effect on the Irish economy, an effect which varied as between different sectors of industry. Some of these effects are discussed in the following paragraphs.

1.71 The Community has been party to the GATT Multifibres Arrangement (MFA) which has regulated world trade in textiles since its inception in 1974. The MFA was renewed in 1977 and the Community has agreed in principle to negotiate a further renewal at the end of 1981. Because the level of low cost imports into the Community increased by 80 per cent between 1974 and 1977 and because of the crisis situation in the Community industry in 1977, the Community insisted that the first renewal provided for certain reasonable derogations from the MFA. Since 1977, the Community has pursued a textiles policy aimed at regulating imports of textiles and clothing from all low-cost sources, mainly through a series of bilateral agreements. These measures have reduced considerably the annual rate of increase in imports from low cost sources and have helped to ease somewhat the difficulties of the Community's textiles and clothing industries. However, in recent years imports from other developed countries and particularly from the United States have increased significantly and it has not generally been possible for the Community to take restrictive measures against such imports because of the very real danger of retaliation by developed countries.

1.72 Most of Ireland's textiles and clothing imports originate in other Member States as shown in Table 1.15 and are not, therefore, subject to any restraints. Nevertheless, over a quarter of Ireland's textiles imports originate outside the Community, with a little less than half of these in low cost countries. To a large extent, therefore, the difficulties facing the industries in Ireland can be attributed to the external trade and restructuring policies of the Community. Insofar as exports are concerned, the vast bulk of Irish textiles and clothing exports go to the United Kingdom and other Community countries.

1.73 Since Ireland's entry into the Community, employment in the textiles and clothing industries has fallen by nearly 20 per cent, from 42,500 to about 34,500. In addition, there has been considerable short time working in both the industries particularly over the last year. In the period 1976 to 1980, the drop in employment was less dramatic with the overall job level falling by about 1,000. Actual job losses in these years were, of course, significantly higher than this - in 1980 alone more than 2,500 jobs were lost in the two industries - but were offset to some extent by the coming on stream and expansion of large new IDA assisted projects and by the reopening of a number of plants under new management - again with IDA assistance. Because of the current recession and the continuing crisis in the industries - throughout the Community - the level of restructuring necessary to strengthen the industries in the face of moves towards further liberalisation has not taken place since 1977 and in this regard Ireland probably lags even further behind than most Member States.

Table 1.15
Main Sources of Imports of Textiles and Clothing
by average annual value 1977-1979

Sources	Textiles			Clothing		
	Value			Value		
	IR£m (mECU)	%		IR£m (mECU)	%	
Community	177 (257)	73		109 (158)	88	
[of which United Kingdom	128 (186)	53		97 (141)	78]
Non-Community	64 (93)	27		15 (22)	12	
[of which "low cost"	27 (39)	11		8 (12)	6]
Total	241 (349)	100		124 (180)	100	

Footwear Industry

1.74 Recent trends in the Irish footwear market are set out in Table 1.16. As the table shows, import penetration increased from 48 per cent in 1973 to 82 per cent in 1979 and it is now estimated that there was a further increase to 87 per cent in 1980. Particularly noteworthy is the fact that imports from non-Community countries increased by 480 per cent in the six year period.

Table 1.16

Recent trends in Footwear Market (million pairs)

	1973	1979	% change
Total Market	8.8	12.5	+42%
Imports	4.2(48%)	10.3(82%)	+145%
Community	3.7(42%)	7.4(59%)	+100%
Non-Community	0.5(6%)	2.9(23%)	+480%

1.75 The Irish footwear industry has been seriously damaged by the continuing increase in footwear imports and import penetration, since many Irish factories are totally dependent on the home market. Employment in the industry which stood at 5,000 in 1973 is now down to 3,400, a decrease of 32 per cent, while production has fallen from 7.7 million pairs in 1973 to 4.9 million pairs in 1979, a decrease of 36 per cent. While it is true that Ireland has, on the whole, benefitted from Community membership, this is just one example of the less well known adverse

effects of membership. Some measure of stability in the industry was achieved in 1977/78 as a result of a restructuring programme but the results were minimal compared to the losses suffered in the preceding years and the industry is once again on a downward trend.

1.76 The footwear industry is of particular importance to Ireland because

- it is a labour intensive industry
- it is dispersed throughout the country and often affords the only significant employment in smaller towns.

The Commission has already recognised the importance of this industry and the need for special measures to safeguard it. This has been done by the authorisation of tariffs over and above those permitted under the Act of Accession to the European Communities, by permitting Ireland to introduce quantitative restrictions against Czechoslovakia and Taiwan and by arranging voluntary restraint agreements with Poland and South Korea.

Fertilisers

1.77 The main matter of concern to the European fertiliser industry is the problem of imports into the Community of cheap finished and semi-finished fertilisers such as Diammonium Phosphates (DAP), Monoammonium Phosphates (MAP) and Triple Superphosphates (TSP) and Nitrogen Solutions.

1.78 A system of surveillance on imports from Third Countries of DAP, MAP and TSP introduced by the Commission in 1977 has not led to any major reduction in imports. The advantages of American producers and exporters of DAP, MAP and TSP in regard to the cost of raw materials and energy distort international competition to the detriment of the European industry with particular reference to intermediate fertiliser products and petrochemical finished products. The availability of cheap intermediates in Ireland has led to major problems in the Irish fertiliser compound manufacturing industry. Because of the high energy costs and the technical process involved in the manufacturing of compounds, Irish producers are unable to compete with firms who blend imported cheap intermediates.

1.79 In regard to nitrogen solutions, despite the imposition of a 12.2 per cent duty in August, 1980 on Third Country exports, imports into the Community, particularly into France, have continued to increase. Imports into France in the months of September and October 1980 amounted to 150,000 tonnes. This high level of imports into France will, in turn, affect the entire Community fertiliser industry in so far as France will be forced to export a higher proportion of its nitrogen product which will serve to contract the market for other Member States including Ireland.

1.80 As far as the effects of the Community's external trade policies on the Irish fertiliser industry are concerned, it is not possible to quantify the actual damage caused, other than to point out that the 350 job losses at the Nitrigin Eireann Teoranta (NET) Arklow plant in mid 1981 were due, in part, to the present trend of importing cheap fertilisers though this has, of course, benefitted agriculture. In addition, further redundancies have arisen over the past few years as a direct result of the depressed state of the fertiliser industry.

Glucose Production

1.81 Ceimici Teo (the State Chemicals company) produces glucose and alcohol. Its glucose production has been severely affected by Community membership. The lack of recourse to tariff barriers exposed the Company to the full effects of a price war in 1978 and 1979 when a very large American producer began production in the Netherlands. This extra supply, with a market already oversupplied, resulted in losses in Ceimici's glucose operation. In addition, a trend which is now established whereby international prices for starch (raw material for glucose) are rising faster than glucose prices, is severely affecting Ceimici's long-term profitability. This effect might have been alleviated by protectionist measures were Ireland not in the Community. As against this Ceimici Teo now has access to the European market, which has led to its involvement as a minority partner in a very large integrated (wheat to starch to glucose) venture relying heavily on exports.

Exports

1.82 About half of total output in the manufacturing sector in Ireland is exported. The Community's external trade policy is therefore of particular relevance to Ireland. The following aspects of the policy need to be considered:

- discouragement of protectionist tendencies in world trade
- agreements with EFTA countries
- agreements with developing countries.

1.83 The Community's policy of discouraging protectionist tendencies in its main trading partners - with its corollary of exercising restraints in protecting the Community - is of considerable importance to Ireland. Because of the present economic recession and rising unemployment, there is, of course, strong pressure on Governments to impose restrictions on imports in order to protect industries that are particularly hit by such imports. However, resort to protectionist policies by one country could lead to retaliation by other countries and ultimately to wide scale restriction on world trade which would make the economic recession deeper and more lasting. For this reason the Community is reluctant to adopt protective measures and, where some such measures become essential, it adopts them only after full consultation with the parties involved and in such a way as to cause the minimum restraint on trade consistent with remedying the situation. A widespread recourse to protectionism could have a serious effect on Irish exports to countries other than Community Member States.

1.84 As far as the trade agreements are concerned, those with the EFTA countries provide for practically complete free trade in industrial goods between the EFTA countries and the Community. On the other hand, some of the agreements with the developing countries, such as those with ACP countries, provide for preferential access to the Community market but do not provide preferential access for Community exports to the markets of these countries. The various forms of aid and the increased export earnings resulting from these agreements should increase the capacity of these countries to import from the Community and elsewhere. However, their import needs are largely of capital goods not generally available from Ireland.

1.85 Data on Irish exports are provided in Table 1.17. These show

Table 1.17
Destination by Main Trading Bloc
of Irish Exports

Destination	1975			1980		
	Value		%	Value		%
	IR£m	(mECU)		IR£m	(mECU)	
United Kingdom	781	(1,132)	54	1,768	(2,562)	43
Other Community	326	(472)	23	1,309	(1,897)	31
EFTA	35	(51)	2	152	(220)	4
Other Developed Countries	232	(336)	16	585	(848)	14
Developing Countries	68	(99)	5	321	(465)	8
Total	1,442	(2,090)	100	4,135	(5,993)	100

sizeable increases in the value of Irish exports to Community countries, to EFTA countries and to developing countries even when allowance is made for the effects of inflation. It is not possible to identify how much of the increases were due directly or indirectly to the external trade policy. However, in 1980, almost 90 per cent in value terms of our exports went to either the Community (almost 75 per cent) and represents trade which falls outside the policy or to developed countries (over 14 per cent) with which the Community has no preferential agreements (i.e. excluding EFTA countries) and which, therefore, offer no special import terms to Irish exports. It is improbable therefore, that the external trade policy has been a significant factor in this trade.

1.86 Irish exports to EFTA countries in 1980 represented only 4 per cent in value terms of total exports, despite a three fold increase since 1975, no doubt a major factor in this being high inflation in Ireland. Any real gains achieved, however, have almost certainly been counterbalanced by the free access to the Irish market for industrial goods enjoyed by the EFTA countries.

1.87 Finally, the developing countries took only 8 per cent in value terms of total Irish exports in 1980 despite a near four-fold increase since 1975. This sizeable jump is due to special elements other than the external trade policy because, as already indicated, Community agreements with developing countries do not provide for preferential access for Community goods to these markets.

Restructuring of the Steel Sector

1.88 The European Coal and Steel Community is pursuing a policy of restructuring the European Steel Industry to cope with over-supply and inefficient methods of production. The aim of this restructuring policy is to modernise and rationalise steel undertakings within the Community. Financial aid under Article 54 of the ECSC Treaty, in the form of loans at a low rate of interest, is made available to undertakings which restructure in accordance with this policy.

1.89 Irish Steel Ltd., a State-sponsored body, has benefitted under this policy by obtaining an ECSC loan facility of IR£17.5 million (25 mECU) for its new plant at Haulbowline (Co. Cork) given at the lowest market rate available less 3 per cent for the first five years. It has also received ECSC training grants. Community membership has afforded Irish Steel access to the full European market. This is particularly important because, at full production from the new plant, the Company will have to export some two thirds of its production in order to be viable as the Irish market cannot absorb the total production of its range of products. Also, as a result of membership, European supplies of ferrous scrap, for use as a raw material, have become freely available to Irish Steel.

1.90 In addition to aid for Irish Steel, Ireland has also received aid from the ECSC towards housing for coal and steel workers and for industries which re-employ coal and steel workers made redundant.

1.91 As against these benefits, increased competition is being experienced, but it must be stated that this may have come about anyway because of world-wide trends towards lower tariff barriers. In addition, because of over-supply in the European market, quotas are imposed for steel production.

Restructuring of the Shipbuilding Industry

1.92 Commission policy for restructuring the shipbuilding industry is aimed at reducing the shipbuilding capacity within the Community and to make the industry competitive and eventually to operate without aid.

1.93 The Irish shipbuilding industry is in a unique position in that it consists of one yard - Verolme Cork Dockyard (VCD) - and represents only 0.5 per cent of the Community shipbuilding production. The Commission has, in the context of the current discussions leading up to adoption of the draft Fifth Directive on aid to the shipbuilding industry, agreed to include a specific reference to this effect in the Council minutes concerning the Fifth Directive.

1.94 Aids to the shipbuilding industry are made in accordance with the provisions of the EEC Directives on Aids to the Shipbuilding Industry. The Irish Government have over the years aided the industry by ordering vessels for various Government Departments and by having State-sponsored companies order vessels at VCD. In addition, with the approval of the European Commission, it has operated a loss subsidy scheme which provides for the payment of a loss up to a maximum percentage of the contract price of a vessel to the shipbuilder. The Government also subsidise loans to the purchasers of new ships in line with the terms of the OECD Understanding on export credits for ships.

1.95 Building and construction was one of the fastest growing sectors of the economy in the last decade. The continuing rapid pace of industrialisation and the expansion of the agricultural sector placed great demands on the industry as did the attendant growth in the country's infrastructural and, more especially, housing requirements. Between 1973 and 1980 building output grew by an estimated 37 per cent, equivalent to an average annual rate of 4 per cent although, as can be seen from Table 1.18, there were considerable year-to-year fluctuations in this growth pattern.

Table 1.18
Building and Construction 1970-1980

	Output	Employment (mid-April)	Public Capital
			Programme expenditure affecting the industry
	% change per annum	(vol)	% change p.a. (vol)
1973	+ 6.3	n.a. ¹	+ 6.6
1974	- 1.1	n.a.	- 4.5
1975	- 7.4	89,000	- 6.1
1976	+ 1.7	84,000	- 6.2
1977	+ 8.7	87,000	+ 4.8
1978	+14.1	96,000	+10.3
1979	+19.2	101,000	+15.3
1980	- 6.3	103,000	+11.6

¹ n.a. = not available

1.96 Direct employment in the industry increased substantially, from 84,500 in April 1971 to 103,000 in April 1980. It subsequently fell to an estimated 98,000 in April 1981 under the impact of the recession. Since then employment has been bolstered somewhat by a major expansion programme undertaken in 1981 and subsequent Government support and it is expected to reach 99,000 by end 1981.

1.97 Housing output, which is discussed below, currently represents about 33 per cent of the building industry's output and was the main source of growth in the industry over the decade. In 1980, house completions reached a record level of 27,800 although there was a marked decline in new private housing output during the year. An interesting feature of the housing market in the latter years of the decade was the improvement in the quality/size of new house construction. This quality adjustment factor is estimated to have increased by 9 per cent over the years 1977 to 1980

1.98 Private manufacturing industry and semi-State bodies have been the other main source of growth, particularly in the latter years of the decade. Building output in this sector more than doubled between 1977 and 1980. Together with housing, these two sectors account for over 50 per cent of building output. Growth in agricultural building has tapered off in recent years with the decline in farm incomes.

1.99 Increases in the price index of the industry outpaced the general level of price increases, reflecting mainly escalating land prices and the industry's high labour content. Building prices increased by 212 per cent between 1973 and 1979 inclusively as against an increase of 157 per cent in consumer prices. In housing, the data on prices indicate a certain degree of over-heating in the latter two years of the decade. Growth in new private house prices lagged behind the trend in house building costs during the period 1973- 77, but subsequently overtook the index.

Energy

1.100 Relatively high growth allied with the development of high technology industries has led to an average annual increase in energy consumption of 4 per cent during the past decade as shown in Table 1.19. Ireland has been dependent on imported fuel for approximately 80 per cent of her energy requirements.

Traditionally, oil has been the bulk of primary energy demand although its total input has moderated as conservation and diversification measures take effect. Ireland's oil import bill represents a growing share of GNP rising from 2.5 per cent in 1973 to an estimated 8.6 per cent in 1980. Indigenous energy production over the last decade has made a contribution varying from 18 per cent to 20 per cent of total energy demand. In 1980, however, a decline in oil and imported coal consumption together with a 13 per cent increase in indigenous energy consumption, mainly natural gas, saw this contribution increase to 23 per cent. With a resumption of economic growth the contribution is likely to fall back to about the average for the 1970s. The principal indigenous sources are peat (14 per cent in 1980), natural gas (6 per cent in 1980) and hydroelectricity (3 per cent in 1980).

1.101 Energy statistics by the main consuming sectors (i.e. domestic, commercial, industrial and transport) in terms of primary energy input (MTOE) over the period 1976-1980 indicate a slight fall over the period in the relative share in total consumption by the domestic sector while the share in consumption by the industrial and commercial sectors combined shows a corresponding increase. This trend is indicative of our expanding industrial base over the period coupled with high energy prices and more effective conservation. The relative shares in consumption by each sector are set out in Table 1.20.

Table 1.19

Energy Consumption 1970-1980

Year	1970	71	72	73	74	75	76	77	78	79	80
MTOE	5.7	6.8	6.8	7.0	7.2	6.8	7.0	7.5	7.7	8.6	8.3
% change	+7.5	+19.2	-	+2.9	+2.8	-5.5	+2.9	+7.1	+2.6	+11.7	-3.5%

Table 1.20

Sectoral Shares of Energy Consumption 1976-1980
(TOE)

	1976	%	1977	%	1978	%	1979	%	1980	%
Domestic ¹	2303	33	2446	33	2539	33	2683	31	2695	32
Commercial ²	860	12	913	12	924	12	1094	13	1076	13
Industrial ³	2323	33	2490	33	2462	32	2940	34	2694	33
Transport ⁴	1560	22	1663	22	1770	23	1941	22	1818	22
	7046	100	7512	100	7695	100	8658	100	8283	100

¹ This sector reflects consumption by households

² This sector roughly corresponds to the Services sector (excluding transport)

³ This sector roughly corresponds to Manufacturing plus Building and Construction

⁴ This sector includes all sea, air and road transport both private and commercial

Services

1.102 The shift of growth from agriculture to industry to services seems to be a worldwide trend. In Ireland, this is reflected in the growth of employment in services between 1971 and 1980 from 43.5 per cent to 49 per cent of total employment. The greater part of this expansion took place in the private sector services area. The performance of services compares with a decline in the same period agriculture from 26 per cent to 19 per cent and a marginal increase for industry from 31 per cent to 32 per cent. Given an anticipated average decline of about 3,000 a year in the agricultural labour force in the early 1980s and that the level of industrial employment creation taking place is well below national employment requirements for the same period, the services sector will have an increasingly important role to play in helping to provide employment opportunities between now and 1985.

Tourism

1.103 The Irish tourist industry is an important segment of economic activity. It is highly labour intensive, has a high export earnings potential and a low import content. Its benefits are spread throughout the community and it contributes to the development of remote and less developed areas through the distribution of income and the creation of demand for services which would not otherwise be available, thus improving the quality of life for local communities as well as serving the economy. The 1960s saw a steady growth in tourist numbers but this trend was reversed in the early 1970s, due mainly to the situation in

northern Ireland. Between 1969 and 1972 tourist numbers declined by almost 25 per cent and the peak figure of 1969 was not reached again until 1977. Growth was sustained in 1978 and 1979 and saw the attainment of a record number of out-of-State tourists, while numbers were down somewhat in 1980. The general deterioration in world economic conditions was the main explanation for this.

Social Policy

1.104 To complete this socio-economic analysis, the main developments in the area of social policy are discussed below. Of particular relevance to this Programme is the broad area of social investment notably capital investment. As pointed out earlier, the provision of social infrastructure is not only necessary in itself but is just as essential for the future development of the region as is investment in factories.

Housing

1.105 Between 1971 and 1979, a total of almost 215,800 houses were built and the housing stock rose from 726,400 to an estimated 967,000. As a result, by 1979 25.7 per cent of all houses had been built since 1971. Data on the housing stock for 1980 are not yet available. The increase in the housing stock more than kept pace with the population increase, so that the number of houses per 1,000 of the population rose from 244 in 1971 to an estimated 257 in 1979. Ireland traditionally has a very high percentage of owner-occupiers and this percentage rose in the period 1971 to 1979

from just 39 per cent to an estimated 76 per cent. During the period, considerable progress was also made in modernising the existing stock of houses. As an example, over 26 per cent of houses had no piped water supply in 1971. By 1979, it is estimated that this figure had been reduced to 10 per cent.

1.106 Despite the massive output of houses, however, little impact has been made on the demand for publicly subsidised housing due largely to the faster rate of growth of population and household formation. The number of approved applicants on local authority housing waiting lists rose from 16,577 in September 1976 to 27,708 in September 1980.

Health

1.107 Progress in the area of health over recent years is illustrated in Table 1.21. The most significant change in emphasis which has taken place in the health services in Ireland in recent years is the effort being made to move the delivery of health care toward the community rather than through hospitals. There also have been efforts to foster an increased awareness amongst the public of the value of preventive measures to maintain their health.

1.108 As far as capital spending is concerned, despite the revenue expenditure increases that flow from the building of new hospital accommodation, the Government have increased investment in this area in recent years to some extent. This investment was approved because of the age and quality of many hospital buildings in Ireland. Many hospitals are housed in buildings which, in the main, date back to early decades of this century; other hospitals were constructed in

Table 1.21Main Developments in Health AreaMaternity

	<u>1971</u>	<u>1979</u>
Number of Births	67,551	72,352
Birth rate (per 1,000 population)	22.7	21.5
Domiciliary births as a percent of all births	20.4(1961)	0.8(1977)
Percent of births in units with 1,500 or more births per annum	40(1966)	70(1977)

Mortality

	<u>1971</u>	<u>1979</u>
Total death	31,890	32,790
Death rate (per 1,000 population)	10.7	9.7
Infant mortality - number	1,214	898
- rate (per 1,000 live births)	18.0	12.4
Maternal deaths - number	17	10
- rate (per 100,000 live births)	25	14

Psychiatric Services

	<u>1970</u>	<u>1980</u>
Number of patients in mental hospitals at end of year	16,400	14,645
Number of admissions during year	20,342	27,663

Services for the Handicapped

	<u>1970</u>	<u>1979</u>
Number of places in special residential centres	4,195	5,070
Number attending services on day basis	3,000	8,123
Number of places in special training centres for the handicapped	1,788(1977)	2,094

General Hospitals

	<u>1970</u>	<u>1978</u>
Number of hospital beds	18,165	19,409
Number of hospital consultants (posts filled)	853(1975)	987(1980)
Number of patients treated	408,316	553,765
Average duration of stay (days)	13.4	10.2

19th Century and some of Dublin's major hospitals date back to the early part of the 18th century. The problem of old buildings is possibly more severe in the case of public psychiatric hospitals. Of the 22 public hospitals still in use, 17 were built in the mid-19th century. Buildings of this age have out-lived their usefulness and should be phased out and replaced by facilities which are in line with modern standards and current thinking. Some other hospitals built in later years are inadequate in terms of accommodation and facilities needed to meet modern standards and major reconstruction and development is required. The new investment sanctioned by the Government in recent years was designed to make a start on carrying out this programme of work.

Education

1.109 The number of children in primary education rose by 3.2 per cent from 550,100 in 1975/76 to an estimated 567,900 in 1980/81. At second level, the increase was 11.1 per cent from 271,000 in 1975/76 to 301,200 in 1980/81, while at third-level, the increase over the period was 25.1 per cent from 33,100 to 41,400. The increased numbers of pupils are due mainly to demographic factors; participation rates over the four years 1976/77 to 1979/80 have remained more or less steady as illustrated in Table 1.22. This relates to those over age 15, the age at which compulsory schooling ends. However, since 1977/78 there has been a small fall in the rate of participation in education of those aged over 16; this supports the evidence of the Labour Force Surveys that labour force activity rates for youth increased between 1977 and 1979.

Table 1.22

Participation Rates in Full Time Education by Age

Age	Percentage Participation			
	1976/77	1977/78	1978/79	1979/80
over 15 and under 16	84.4	87.0	88.0	87.4
over 16 and under 17	68.6	67.4	69.5	69.4
over 17 and under 18	49.8	50.3	48.3	48.4
over 18 and under 19	26.4	26.7	26.6	26.0
over 19 and under 20	14.8	16.1	15.4	15.3
20+	7.8	7.8	7.7	7.7

1.110 During the last five years considerable progress has been made in eliminating the large classes that exist particularly at primary level. In 1975/76, the number of classes with 40 or more pupils was 4,372 compared with 1,727 in 1980/81.

1.111 As regards the quality of school buildings, it is estimated that in the coming ten years about 4,000 class-rooms, out of a stock of about 20,000 at primary level, will have to be replaced. At second-level, it is estimated that about 55 per cent of the total of 64,000 extra places which will be required over the next ten years will be needed to replace existing inadequate structures.

1.112 During the past five years, the adaptation of the educational system at second-level to the needs of the economy was pursued. Table 1.23 illustrates the shift that has taken place.

Table 1.23

Subject Choice of Students for Leaving Certificate Examination

	1975/76		1979/80	
	%		%	
Subject	Boys	Girls	Boys	Girls
Biology	34.3	43.3	40.4	62.5
Accounting	18.9	21.6	24.1	23.4
Business Organisation	25.0	25.0	26.0	29.7
Economics	27.9	17.1	30.0	15.1
Engineering Theory and Practice	7.8	-	8.8	-
Technical Drawing	14.2	-	18.1	0.1

1.113 The same shift in subject is also occurring at third-level. The numbers of students in Regional Technical Colleges, Colleges of Technology and the National Institutes of Higher Education (NIHES) are increasing and all are pursuing courses which are relevant to the needs of a modernising economy. The same process is occurring in the bodies under the aegis of the Higher Education Authority (HEA) consisting of the universities for the most part, as illustrated in Table 1.24.

Table 1.24

Number of Students in Science, Engineering and Architecture

Faculties in the HEA Sector

Subject	1975/76*	1980/81
Science	2,833 (13.3%)	3,907 (15.4%)
Engineering	1,749 (8.2%)	3,184 (12.6%)
Architecture	230 (1.1%)	217 (0.9%)
Total Students (All Faculties)	21,273	24,202

* University colleges only

Social Welfare

1.114 As regards social welfare programmes, steady progress was made in the last five years in regard to the level of benefits available e.g. old age and widows pensions, disability/unemployment benefits, children's allowances etc. and a number of new schemes were introduced to assist the most needy. The social welfare code was updated particularly in regard to ensuring equal treatment for women. On the contribution side, a pay related system was introduced thus altering the tax from being regressive to being a largely progressive one.

Manpower

1.115 During the period since 1975, Ireland has invested heavily in the training of manpower for the rapidly industrialising economy. The numbers of persons trained by the Industrial Training Authority - AnCO - at its training centres rose from 10,727 in 1976 to 12,275 in 1980. The number of trade apprentices registered with AnCO increased from 15,412 in 1975 to 21,498 in 1980.

1.116 At the same time the Regional Technical Colleges were being expanded continually. The number of whole-time students in the Colleges rose from 3,234 in 1975/76 to 5,965 in 1980/81. The capacity to train personnel in science, engineering and other disciplines needed by a modern economy was further enhanced by the establishment of the National Institutes for Higher Education in Limerick and Dublin. The Limerick Institute was set up in 1972 and the Dublin one in 1980. In 1980/81, the number of fulltime students in both institutes was 1,785.

1.117 During the recovery from the first recession in the 1970s, skilled manpower shortages became evident. The shortages were at all levels including professional, mainly engineers, technicians and skilled craftsmen. The Manpower Consultative Committee set up by the Government under the chairmanship of the Minister for Labour for the purpose of advising on the role of manpower policy in economic and social development, coordinated the reactions of Government, trade unions and employers to this development. This body played a major part in drawing up the Manpower/Education Programme adopted by the Government in 1979. Under this programme, in which the universities, the Regional Technical Colleges and NIHE

timerick are participating, new courses were started, intake into existing courses was increased and conversion courses were undertaken with a view to increasing the output in short supply occupations, particularly engineering, between 1980 and 1983.

1.118 Despite the recent down-turn in the economy, the various components of manpower policy are being vigorously pursued to ensure that when economic recovery occurs, the shortages that appeared in 1978 and 1979 will not recur.

Public Social Expenditure

1.119 The progress in the area of social policy outlined above is reflected in the resources made available for social investment, both capital and current, over the last few years. Social capital spending (housing, education, health and industrial training) grew by 19.8 per cent in real terms over the period 1976 to 1980 although the proportion of the Public Capital Programme (PCP) being spent on social programmes dropped from 27 per cent in 1976 to 24 per cent in 1980. The increases over the various programmes varied considerably. Health spending increased by 74 per cent in real terms while education spending increased by 21 per cent. By far the largest component of social capital spending is housing and over the period in question expenditure on housing in the PCP increased by 4.7 per cent in real terms. This period corresponded with a very high level of output in the private housing sector as outlined earlier, and, consequently, there was not as great a need for support from the PCP in this as in other social areas. On the current side, social expenditure (health, education, social welfare, housing and industrial training) fell slightly as a proportion of total Exchequer current expenditure from 45.9 per cent in 1976 to 44.6 per cent in 1980. Total current expenditure rose by 16.6 per cent in real terms over the period.

Incomes Policy

1.120 Since 1970, pay increases for the vast bulk of employees in both public and private sectors have been negotiated centrally between the Irish Congress of Trade Unions and representatives of the employers. In these negotiations, Government have been represented solely in their capacity as an employer. A feature of most of the agreements negotiated in this manner has been the provision of minimum increases, a "floor", designed to benefit the lower-paid while some of the agreements also provided for a tapering off of benefits for those higher up the income scale. Under the various agreements, there has also been provision allowing the award of special increases under specific circumstances, such as increased productivity or restoration of established differentials. In the absence of adequate statistics, it is not possible to measure how effective the various agreements have been in improving the relative position of lower-paid workers.

Taxation and Fiscal Capacity

1.121 The overall level of tax revenue required in a country depends to a large extent on the range and extent of public services provided by the Government. There is a general tendency, however, for countries with low per capita incomes to have a lower tax revenue as a percentage of GDP, though there are of course some notable exceptions among the richer countries e.g. the United States and Japan, which have relatively low tax burdens.

1.122 The latest OECD statistics show that, in 1979, seven of the other nine Community Member States had a higher level of tax revenue as a proportion of GDP than Ireland with only Italy and Greece having lower levels. Notwithstanding the significant increase in tax revenue as a proportion of GDP in Ireland in 1980 (over four percentage points), the provisional 1980 figures show that Ireland still had a lower level of taxation as a proportion of GDP than five other States with Italy, Greece and the United Kingdom having lower levels, while Ireland was roughly on a par with Germany.

1.123 The low level of per capita incomes in Ireland, which is to a large extent a reflection of the high dependency ratio, limits the amount of tax revenue which can be raised without adverse effects. On the other hand, this low level of per capita income also creates the need for greater social and other expenditure, which must be financed from taxation. In addition the development needs of the economy require relatively high levels of public expenditure and/or tax incentives - this is reflected to some extent in the relatively low level of tax revenue imposed on manufacturing industry.

1.124 While the overall level of taxation in Ireland is relatively low by Community standards, the burden placed on the individual taxpayer is generally at least up to the average. OECD studies of the tax position of a typical worker show that, in 1979, the charge for income tax and social security contributions for a single person earning the average male industrial wage was higher in Ireland than in five of the other eight Community Member States, while the charge for a married couple with two children at the same income level was higher than in four of these States.

Supportive role of the European Community

1.125 The socio-economic analysis contained in this chapter has shown the underdeveloped level of the Irish economy compared with the level pertaining in general in the Community and has highlighted the main problems which require attention if Ireland is to aspire to narrowing the gap which exists between it and the rest of the Community. However, it will be clear that substantial investment will be required to overcome these problems. At the same time, the very high investment ratio which has been a feature of the economy for some years cannot be sustained indefinitely and, as already noted, investment activity remains sluggish following the sharp drop that occurred in 1980. As shown in the previous paragraph, the region simply lacks the fiscal capacity to support such high levels of investment. In such a situation the European Community, which has recognised the Irish Government's policy of industrialisation and economic development to be in its common interest¹, will be called on to play an increasing role in support of the measures adopted to implement this policy.

1.126 The Community has, of course, provided significant assistance since Ireland became a member. The Common Agricultural Policy, in particular, has played a major role as already discussed. However, the Community has also provided assistance through all its financial structural instruments as discussed briefly in the following paragraphs.

European Regional Development Fund

1.127 When the Regional Fund was established, the Irish Government

¹ Protocol 30 to the Treaty of Accession

decided that, in Ireland's case, the Fund could be most effectively used by being applied to part-finance the Public Capital Programme (PCP), which is an annual plan of investment by the State and by the other main bodies in the public sector (local authorities, State-sponsored bodies etc), drawn up as part of the national Budget. Ireland's receipts from the Fund expressed as a percentage of the total PCP rose from 1.56 per cent in 1976 (the first full year of operation of the Fund) to 3.65 per cent in 1980. If receipts are related to expenditure on the main categories of investment which attracted Fund aid over the same period, the corresponding figures are of the order of 4 per cent in 1976 and just under 9 per cent in 1980. However it would be misleading to identify these latter figures as representing the Fund's contribution to Ireland's development effort. Development demands capital expenditure on schools and hospitals as well as on industrial and other infrastructural projects.

1.128 Since Ireland is one of the Community's least prosperous regions, it is in a very different position from those Member States which have wealthy regions which can share the burden of developing their weaker regions. In order to sustain the necessary level of investment, Ireland has had to borrow heavily. Its position is similar to that which would obtain if the less prosperous regions of other States had to find the "national contribution" to Fund-aided measures themselves, without recourse to their respective Central Governments. A substantially increased Regional Fund would enable the Community to assist more effectively in developing the country and other less developed areas of the Community.

European Social Fund

1.129 In 1980, Ireland obtained 7.8 per cent of the Social Fund (compared with, at present, 5.94 per cent of the Quota Section of the Regional Fund) and the highest per capita share in the Community. About half of this aid is for operations in "regions which because they are less developed suffer a serious and prolonged imbalance in employment" while the remainder is for training of persons leaving agriculture, young persons, workers in clothing and textiles industries.

1.130 The region's capacity to claim from the Social Fund is limited by the amount the national Government can devote to training and other eligible programmes since the resources required to launch the programmes must first be made available from Government funds. A higher rate of Social Fund aid would obviously enable more investment in this important area. In view of Ireland's relatively low GNP and high level of structural unemployment, it is imperative that its status as a region of absolute priority for Social Fund purposes be maintained.

Community Loan Instruments

1.131 The European Investment Bank has made a valuable contribution to Ireland's economic development by financing projects in the energy, infrastructural and industrial areas to the extent of over IR£700 million (1,014 mECU). Irish borrowing from the EIB (including the New Community Instrument) are set out in Table 1.25.

Table 1.25

EIB Loans to Ireland

Year	Total Loans IRfm (mECU)		Total loans as proportion of EIB lending within the Community
			(%)
1973	11	(16)	3
1974	24	(35)	6
1975	22	(32)	4
1976	35	(51)	5
1977	52	(75)	6
1978	79	(114)	6
1979	266	(386)	13
1980	253	(367)	13
Total	702	(1,017)	

Of this total, IR£86.1 million (125 mECU) was in respect of NIC loans.

1.132 EIB operations in Ireland have increased dramatically since the establishment of the European Monetary System (EMS) in early 1979 because of the availability of subsidised loans from the EIB and NIC under the arrangements negotiated in the context of Ireland's membership of the EMS. In December 1978, the European Council decided that loans of up to 1,000 mECU (IR£690 million) per year should be made available to Ireland and Italy for a period of five years (1979 to 1983) to strengthen the economies of these States. These loans, which are concentrated on infrastructure projects, are eligible for 3 per cent interest subsidies. The

cost of these subsidies is 200 mECU (IR£138 million) per year over same five-year period. Ireland receives one third of these loans and subsidies i.e. up to IR£225 million (326 mECU) in loans and IR£45 million (65 mECU) in subsidies per year. In Ireland's case subsidies are paid on a capitalised basis with their full value being paid over as loans are borrowed.

1.133 EIB and NIC loans are given on a project basis and the loans are generally disbursed in instalments as the projects progress.

Loans are given for four different types of project:-

- infrastructure projects - mainly telecommunications, sanitary services, advance factories and roads - which are financed by the Exchequer under the PCP and for which the Exchequer borrows from the EIB/NIC
- projects undertaken by State-sponsored bodies - mainly the Electricity Supply Board and Bord na Mona (Peat Development Board) for which they borrow on their own behalf from the EIB without any exchange risk cover from the Exchequer
- global loans from the EIB to the Industrial Credit Company and the Agricultural Credit Corporation for on-lending to small and medium-sized enterprises for fixed asset investment projects. The Exchequer has provided exchange risk cover for these loans since 1978. The loans have been very successful - since 1978 over 600 sub-loans have been made. A variation on these global loans is a scheme operated by the IDA under which the EIB makes loans to larger enterprises. (No exchange risk cover is provided)

- direct loans for private sector industrial projects. Mainly because of exchange risk, there have been no direct loans to the private sector since 1975. However, it is expected that there will be some private sector loans in 1981 - including one to the Cork Gas Company to enable it to convert to natural gas.

1.134 The breakdown of EIB/NIC loans between these loans in 1979 and 1980 was as follows:-

	Exchequer- financed infrastructure	Semi-State- financed	Global loans for industry	Private Industry	Total
	IR£m (mECU)	IR£m (mECU)	IR£m (mECU)		IR£m (mECU)
1979	139 (201)	69 (100)	18 (26)	-	226 (328)
1980	156 (226)	46 (67)	51 (74)	-	252 (365)

National Development Objectives

General aims

2.1 A fundamental aim of Government policy is to promote the availability of secure and viable employment for all who actively seek work. The availability of this employment depends on a substantial and sustained growth and development of the economy. The conditions supportive of economic growth cannot be established by the Government alone. The cooperation and assistance of domestic interest groups and of the European Community are essential.

2.2 Supporting policy aims include:

- lowering inflation
- restoring balance to the public finances and
- reducing sharply the balance of payments deficit.

2.3 The Government are also concerned to ensure that the living standards of the weaker sections of the community are maintained and, where possible, raised. As well as requiring economic growth, this aim implies redistribution of resources between different social groups.

2.4 The Government's economic and social strategy attempts to strike a balance in present circumstances between these policy aims.

2.5 The economic element of this strategy must have regard to the imbalances in the budget - the current budget deficit in 1981 is expected to be 8 per cent of GNP - and in the external account - the 1981 external current deficit is likely to be about 14 per cent of GNP. These imbalances limit the Government's freedom of action to stimulate domestic demand and impose the main burden of achieving the required growth in the economy on exports.

Consequently, the Government's economic strategy essentially comprises encouraging export-led growth. Increasing the volume of exports depends ultimately on the ability to produce high quality goods and services at competitive prices and sell them in overseas markets.

2.6 The external environment in the period up to 1985 will not necessarily be favourable to managing the economy in the way that is called for. World trade and output are likely to be growing less quickly than in the 1960s and 1970s. The price and supply of oil and other fossil fuels may be vulnerable to economic and political uncertainties. The growth in economic activity is expected to be relatively slow in most Community and OECD countries and significant increases in unemployment are likely. These factors, which lie largely outside the State's control, will militate against efforts to raise employment and growth but they will not make the achievement of these objectives impossible.

2.7 On the basis of present trends and existing policies the outlook for agriculture, a significant sector in the Irish economy

compared with other Member States of the Community, is not bright. Farm output, is largely dependent on favourable Community price increases and a reduction in domestic cost pressures. Farmers' margins have been eroded by the gap which obtains between Community price rises and domestic cost increases and which has affected Irish farmers more severely than farmers in other Community countries. Real farm incomes are now set to fall for third consecutive year. Confidence in farming has been badly shaken and will take time to recover.

2.8 No significant expansion of the public services sector can be planned because of the need to restore balance to the public finances. This need also precludes a budgetary stimulus to the building and construction sector.

2.9 The prospects for agriculture, building and construction the public services sector thus impose a reliance on the manufacturing and private services sectors for the sustained growth and development required by the Government's employment aim. Most of manufacturing industry and a significant proportion of services must compete for markets, both at home and abroad, with suppliers from other countries. This highlights the need for competitiveness. Rapid growth in the industrial sector will depend on favourable movements in Irish production costs relative to those of foreign competitors, especially since the prospects are for relatively slow growth in both the foreign and domestic markets for Irish products. Unfavourable movements in relative costs will hamper the drive towards expanding employment by adversely affecting both the sustainability of existing employment

and the incentive for new investment from domestic and foreign sources. International competitiveness depends not only on domestic labour costs - which are not high by mainland European standards - but also on the efficiency and productivity of the economy. The Government believe that European regional policy could contribute significantly to the improvement of Irish competitiveness by further supporting the development of the economy.

Labour Force

2.10 Because of the many factors involved, it is difficult to be precise about projections of the growth in the labour force. The determinants of labour force growth to 1985 were reviewed in Chapter 1 on the basis of certain technical working assumptions. The outturn will depend on future migration patterns and participation rates. Assumptions regarding migration are subject to much uncertainty owing to the volatile nature and the scale of the flows involved.

2.11 The rate of output growth required to provide sufficient job opportunities to meet the prospective increase in the supply of labour (which would merely maintain the present level of unemployment) can vary with the sectoral composition of that growth rate. On the assumption that financial constraints will prevent significant growth in the numbers employed in the public sector, the overall growth rate in the context of the adjustments which have to be made in the current budgetary and external balances required for the lower end of the range would be of the order of 4 per cent per year which would be difficult to achieve.

2.12 Certain provisional theoretical working assumptions give annual job creation of about 8,000, equivalent to the figure for industry, with an expansion of about 3,000 per annum in services offset by an equivalent decline in agriculture. It is likely that these figures will be subject to substantial revision during the course of this Programme.

2.13 While recognising that future economic development cannot be forecast accurately, present calculations suggest the difficulty of reducing unemployment over the period, which will be the central objective of this Programme. This underlines the need for establishing conditions conducive to higher sustainable growth and for measures to relieve unemployment.

2.14 These figures do not take account of the Youth Employment Agency which the Government are setting up and which is expected to provide some 20,000 additional places for young people who would otherwise be unemployed. This will go some way towards offsetting any increase in unemployment to 1985. The Agency is discussed in greater detail in Chapter 3.

Sectoral development objectives

Agriculture

2.15 There is a considerable potential for expanding the output of the agricultural sector. The extent to which it can be realised over the period 1982-85 depends, for the most part, on

- the prices likely to prevail at farm gate level and how they relate to farming costs and
- improvements in productivity.

2.16 Prices for farm produce largely depend on the prices fixed annually under the Common Agricultural Policy and tend to reflect the cost increases experienced by farmers in the Community generally. If cost increases in Ireland were to be significantly higher, Irish farmers would have narrower profit margins and therefore less incentive to raise output and to invest in expanding their productive potential. Domestic cost increases that are at least no more rapid than in the other Member States of the Community are, therefore, a necessary condition for achieving even a modest agricultural growth rate.

2.17 Realisation of the output potential of the agricultural sector will also require:

- better farm management and more productive farm investment as part of a sustained effort at farm level to increase the efficiency of production
- the further development of effective marketing for agricultural produce
- improved farm structures through greater mobility in the land market - though the benefits of this are longer term.

Even if these requirements are met and domestic cost increases moderated at least to average Community levels, agricultural employment might be expected to fall by 3,000 a year up to 1985.

Manufacturing Industry

2.18 Manufacturing industry constitutes about 70 per cent of the industrial sector. Its role in generating growth in the Irish economy as a whole is crucial. Significant growth in manufacturing output can be attained only through the rapid expansion of exports, due to the small size and expected sluggishness of the domestic market.

2.19 Present expectations are for some recovery in the world economy in the course of 1982. Nevertheless, for the four year period to 1985, the growth in Irish export markets is likely to be moderate, probably of the order of 4 per cent a year on average. However, the rate of growth of export markets need not constrain the growth of Irish exports, which account for only a small proportion of the total imports of the countries with which the country trades. In the course of the 1970s, Irish manufactured exports (excluding processed agricultural products) grew at an average annual rate of $12\frac{1}{2}$ per cent compared with an annual average growth of 6 per cent in export markets. During 1982-1985 export performance would have to exceed the growth of export markets by an even greater margin. The relative competitiveness of Irish goods would therefore have to be at least maintained and considerable effort devoted to marketing them abroad. As in the past, a major contribution to the growth in exports must come from grant-aided firms established in Ireland

under the Government's industrial promotion programmes. Enhanced export performance by existing firms would also be necessary.

2.20 While the domestic market up to 1985 will be sluggish it is likely to show some expansion for goods required in building and construction and in catering for the needs of new firms. If the efforts of Irish manufacturers in this area are to be successful, their goods will have to be competitive and backed by strong marketing.

2.21 The Industrial Development Authority in its Industrial Development Plan 1978-82 disaggregates total job creation targets on a sub-national basis. The period of the current Plan extends only to the end of 1982 and targets have not, as yet, been established for the subsequent period. The Industrial Development Authority will, however, be preparing an Industrial Development Plan in due course for a period subsequent to 1982 and this will, as in the case of the present Plan, incorporate a sub-national dimension.

Building and Construction

2.22 Building and construction constitutes the second most important component of the industrial sector, accounting for about a quarter of the total. It is a very labour intensive industry, with a work force of about 100,000 and relies heavily on public financing. Over 50 per cent of the industry's activity is financed by the Public Capital Programme.

2.23 In view of the high rate of investment that is necessary to overcome the country's infrastructural deficiencies, to increase employment and to cater for the housing and other social needs of a rapidly expanding population, the medium-term prospects for the industry should be sound. Public finance constraints, however, will allow for only relatively modest growth in those elements of the industry financed by the public sector and, perhaps in the industry overall, in the earlier years of the Programme. However, the easing of these constraints and prospective improvements in the domestic and international economic outlook in subsequent years should allow the industry to meet adequately its demands and return to its historic growth path, although growth of the record levels achieved in some of the later years of the 1970s is not envisaged.

Services

2.24 The services sector is the largest in the economy. It is made up of a wide range of activities - distribution, commerce, banking and other financial activities, transport and communications, tourism, the professions and personal services, public administration, education, health, defence and security. Services employment now accounts for about half of total employment. Both public and private services have contributed to the growth of the sector. During the period April 1977 to April 1980 employment in each rose by 25,000, representing increases of 11 per cent in public sector services and 8 per cent in private services.

Public Services

2.25 The cost of public services is not being matched by current revenues and the resulting current budget deficit accounts for a significant part of the Exchequer borrowing requirement. Growth in public service pay is a major factor in this deficit. The need to reduce and ultimately eliminate the current budget deficit means that the rate of growth of public services and of employment in them will have to be sharply constrained.

Private Services

2.26 Private services are expected to show growth over the period 1982-85. This would be consistent with the projected growth of the economy and with the growing demand for new and more sophisticated services as new technologies are introduced. In addition, while the greater part of the output of the services sector is by its nature directed towards the domestic market, there is considerable potential for attracting more tourists to Ireland and for developing exports in some other service activities. Apart from tourism, a number of Irish organisations have been actively involved in the export of services for a number of years and work is being carried out to identify the further potential for the development of such activities.

Social Policy

2.27 In pursuit of its social policy aims, the Government's principal concern is to reduce the level of unemployment. Long-term unemployment, in particular, gives rise to considerable hardship for those affected by it.

2.28 The Government are also having examined in greater detail the distributive consequences of public expenditure, taxation and incomes policies. This analysis is being facilitated by a considerable improvement in the statistical information becoming available from the Central Statistics Office. In addition, more information is becoming available about the extent of inequality in Ireland and about the specific conditions of the more vulnerable groups in Irish society. This information will provide an improved basis for the ongoing review of the relevant public expenditure and taxation policies.

2.29 The Government also intend to reform the direct tax system in the coming years by, among other things, the substitution of tax credits for personal tax allowances, the payment of part of a married couple's tax credit direct to a spouse working full-time in the home and a reduction in the standard rate of tax. These changes will introduce a greater degree of progressiveness in the income tax code.

3.1 The maintenance and, preferably, the improvement of the international competitiveness of Irish traded goods and services have been identified in Chapter 2 as the key requirement for raising the numbers at work in the period up to 1985. This chapter outlines the measures that the Government will take to meet this requirement. Two broad categories of measures are involved: first, general measures applying to the economy as a whole, and second, measures specific to particular economic sectors. Both kinds of measures are complementary and are designed to give mutual support to each other.

General Measures

Incomes

3.2 It will be seen from Chapters 1 and 2 that, given the expected growth in the work force over the Programme period, the containment of unemployment requires a rate of economic growth which can be achieved only by a co-ordinated and determined approach to the problems and opportunities facing the economy. Moreover, the expectation that the population will continue to grow in the years ahead at a rate far exceeding that in other Community countries means that the conditions necessary for continued economic growth after the Programme period must be established during that period. The development of incomes will be crucial in this context.

3.3 Experience has shown that there is insufficient willingness to accept the implications of the relationship between income increases, particularly wage incomes, and the level of employment. As a result, the country's ability to create and safeguard jobs in a period of international recession has been seriously impaired. Wage developments have also directly added on to the burden on the Exchequer in recent years, as the public service bill grew faster than GNP.

3.4 Incomes developments over the period of the Programme must be compatible with the following requirements:

- The balance of payments deficit, which is currently at a level relative to GNP which cannot be sustained over the Programme period, must be reduced if it is not to bring economic growth to a halt. Economic growth will involve higher imports, notably of oil, investment goods and raw materials. If import growth is to be contained, imports of consumer goods, and hence the level of personal consumption, must be restrained. Achievement of the export growth required to balance the growth of essential imports will require, in a period when fast growth of international demand is unlikely, the maintenance or better still the improvement of our international competitiveness.

The public finances must be brought into greater balance by the elimination of the current budget deficit. This will require both expenditure restraint and increases in taxation.

Public service pay now constitutes 51 per cent of current public expenditure and the more slowly the public service pay bill grows over the Programme period, the less severe will be the required increases in taxation and/or curbs on other public expenditures, including social expenditures.

- The exchange rate vis-a-vis Ireland's other partners in the EMS must be maintained since devaluation, in an economy as small and open as Ireland's, is more likely to result in faster inflation than in any lasting correction to the balance of payments deficit.

Industrial Relations

3.5 It is essential that expansion of investment and output and safeguarding jobs are supported by an orderly industrial relations climate. The Minister for Labour intends to introduce, at an early date, legislation to extend to the public sector, the legal immunities which trade unions currently enjoy in the private sector. Following this legislation, the Minister intends to initiate wide-ranging discussions about the other aspects of industrial relations. These include the possibility of incorporating the existing State-provided industrial relations institution into a single Industrial Relations Bureau. The overall aim of the proposed discussions will be to improve efficiency and minimise delays and also to avoid disputes by tackling the root causes rather than the symptoms.

3.6 The Report of the Commission of Inquiry on Industrial Relations was published in October 1981 and account will be taken of the Commission's views in the further development of policy in this area.

Efficiency and Productivity

3.7 Even though productivity and efficiency levels in Ireland have risen consistently over the past two decades, output per person employed even in the smaller Member States of the Community is generally some twice the Irish level. The gap in productivity rates mainly accounts for the differences in living standards in Ireland and in these countries.

3.8. Both sides of industry have now been consulted on the importance of the national objective of raising the level of productivity and the practical measures whereby this can be done. The employer and industry organisations are undertaking a programme of studies of issues affecting productivity. As part of the Government's industrial planning and development arrangements, a Sectoral Development Committee has been established in agreement with the trade unions and employer/industry organisations. This Committee is overseeing sectoral evaluations which are the responsibility, largely, of individual Sectoral Consultative Committees. Initially, the evaluation will be of the electronics, beef and construction sectors while an evaluation of marketing will also be carried out by a separate consultative committee. The main purpose of the sectoral evaluations is to identify

- the opportunities for development and expansion in the sector
- the constraints to maintaining output and employment or to attaining the full development of the sector
- an action programme to remove obstacles and constraints and realise the opportunities identified.

3.9 These studies are expected to lead to recommendations for improving efficiency and performance generally in the sectors concerned which will have the support of employer and industry organisations and the trade unions. Government action will complement measures to improve sectoral performance by promoting a favourable environment conducive to productivity growth. In this regard the policy of directing, as far as practicable, an increased flow of resources to overcoming basic infrastructural deficiencies will continue and the Government intend to maintain a high level of public capital spending in this area during the period up to 1985. There is also a wide range of State incentives available which encourage productivity improvements in industry. These include the following

- grants towards fixed capital investment
- loans for working capital and other purposes, very often at attractive rates of interest
- manpower training grants and provision of direct training through AnCO, the industrial training authority
- various advisory services available from a wide range of State agencies

- grants towards the cost of R&D
- business consultancy service available through the Irish Productivity Centre
- management training courses by the Irish Management Institute.

Sectoral Measures

Primary Sector

Agriculture

Farming

3.10 Having been static for the last two years, agricultural output is expected to decline in 1981. The decline in net agricultural output could be as high as 5 per cent. Achievement of a positive growth rate over the period 1982-85 is conditional primarily on favourable Community prices and a reduction in domestic cost increases. The fulfilment of these conditions would accordingly slow down the outflow of workers from agriculture, raise farm incomes and ease the balance of payments constraint through higher exports. The future evolution of the CAP will continue to play a vital part in determining growth prospects and the Government will make every effort to ensure that such evolution favours the development of Irish agriculture.

3.11 Growth in agricultural productivity is also a requirement. Experimental results have demonstrated that quite substantial production increases can be achieved under Irish conditions. However, the attainment of these increases at farm level would require a significant raising of the standard of farm management as well as substantial investment. More widespread use of the education, training and advisory facilities provided by An Comhairle Oiliuna Talmhaiochta (ACOT- Council for Development in Agriculture) would contribute to achieving better farm management. This, together with greater investment and a vigorous and professional approach to marketing, would assist in realising the full potential of the agricultural sector.

3.12 In the Programme period, increases in farm output will continue to be actively encouraged through the following schemes, with Community aid in certain cases:

- provision of grants for capital investment under the farm modernisation scheme (including western measures)
- the support of agricultural education, advice and training by ACOT and the universities
- the arterial drainage programme
- An Foras Taluntais research programmes
- eradication of disease

- improvement of quality of livestock and livestock products through national livestock improvement schemes and the raising of current standards
- improvement of quality of crops and potatoes and control and eradication of plant diseases.

Food Industries

3.13 The prospects for the food processing industry are dependent on the development of output of primary agricultural products which was considered earlier. Policy in relation to the food processing industry is concerned with increasing value-added to basic raw material inputs, developing new commercial products and creating additional jobs in the processing factories. The main activities, depending on increases in agricultural output, are the manufacture of dairy products and beef cattle processing. Major studies of the prospects and problems associated with modernising and diversifying the processing of beef and dairy products have been carried out and their recommendations are being implemented. In the beef sector, following consultations with the interests concerned, particular efforts are being directed towards improving efficiency and diversifying into vacuum-packed and portion-controlled cuts, and frozen and canned products. It will be necessary to take account, in due course, of the outcome of the evaluation of the sector being undertaken by the Sectoral Development Committee.

Diversification in the dairy sector is aimed at reducing reliance on EEC intervention products and expanding exports. Progress has been made in both areas but processors have been affected by falls in farm outputs, of milk in 1980 and of beef in 1981.

3.14. The IDA promotes development in both the milk and beef processing sectors. The Authority provides individually tailored packages of aid to investing companies and co-operatives. These include capital grants, grants for product and process development, training grants, interest subsidies and contributions to share capital. The development of food processing is also assisted by loans from the Agricultural Credit Corporation and the Industrial Credit Company, marketing advice and promotional help from CTT, Coras Beostoic agus Feola (the Meat and Livestock Board), product quality research by An Foras Taluntais (Agricultural Research Institute) as well as the advisory services already outlined.

Forestry

Afforestation

3.15 The State afforestation programme will be continued with a view to ensuring that, as far as possible, (a) future domestic demand for timber will be met from home resources and (b) the forest labour force of 2,750 will be maintained.

Market growth

3.16 The prospects for forestry are good.. Recent international studies indicate a world shortfall of timber of 8 per cent by the year 2000 and of 32 per cent by 2025. Europe as a whole will need to increase its annual timber imports from 45 million cubic metres in 1969-71 to 115 million cubic metres by the year 2000. The Community, at present only 50 per cent self-sufficient, expects demand to rise twice as fast as supply to the end of the century. Production from Irish State forests, projected at about 3 million cubic metres by the year 2000, will constitute only a small proportion of European demand and should be capable of ready absorption by the market. In addition, a significant domestic substitution market (estimated at IR£30 million or 43m ECU) for properly presented sawn timber also exists. Estimates of future wood prices by international agencies made in 1979 suggest real price increases for soft wood timber of 2 per cent to 3 per cent per annum between 1977 and 2000.

Supply

3.17 Relative to 1980, forecasts show that the volume of timber available will have increased by half by 1985 and doubled by 1993. In order that sufficient sawmilling capacity would be available to deal with increased supplies, the Government have made grants available for the development of the industry. Under this provision, 29 sawmilling projects have been approved involving an investment of IR£4 million (6m ECU) and creating 600 new jobs, apart from ancillary

employment in felling and extracting timber. Despite recent difficulties, the outlook for the pulpwood industry is good and it is expected that there will be a satisfactory outlet for all pulpwood production for many years to come.

3.18 Private forestry is being encouraged to make a greater contribution than heretofore to the national afforestation programme in harmony with State forestry. The stimulus provided through the existing scheme of planting grants and the free advisory service has received a major boost through the Community measures for forestry in the West of Ireland which have recently come into operation. As a result, private planting could, by 1985, represent 10 per cent or more of the overall national forestry programme.

Fisheries and Aquaculture

3.19 The study of the Irish sea fishing industry which was commissioned jointly by the Government and the Commission of the European Communities in June 1978 was completed in 1980. The study contains much information and makes valuable recommendations relating to the expansion and development of the industry. The study on the restructuring of the Irish fishing fleet include proposals for the addition of new vessels and improvement and conversion of existing vessels and gear, expansion into larger vessels in order to exploit areas and stocks not previously fished by Irish vessels and a corresponding increase in investment in training, improved marketing and on-shore processing and cold storage facilities. The need for substantial improvement in the major fishery harbours to cater for larger vessels and increased activity are, along with many other

recommendations put forward, being examined as part of the preparat of a comprehensive fisheries development programme. Completion of t programme, however, must await agreement within the Community on a revised Common Fisheries Policy. In the meantime, on the basis of t Community's commitment to operate the Common Fisheries Policy in a manner which will allow Ireland to increase its annual fish catch, loans and grants through the Public Capital Programme will continue to facilitate investment by fishermen in fleet modernisati and expansion and the improvement or replacement of unsuitable or o of-date landing facilities.

3.20 The Programme for the Fishing Sector and Related Industries which was drawn up under the Common Measures for Marketing and Processing of Agricultural Products (Sectoral Programme prepared to meet the requirements of Article 2 of Council Regulation (EEC) No. 355/77) has been adopted by the Commission. The Programme sets out targets for investment in fleet development and in the shore processing industry. It is expected that about 100 new fishing vessels under 50 feet (15 metres) in length and 43 vessels over 50 feet (15 metres) will be added to the fleet and the productivity of the fleet as a whole will be substantially improved. Total fixed asset investment in the fish processing sector for the period to 1985 (at 1979 prices) is estimated to amount to IR£37 million (54m ECU) (including approximately IR£12 million (17m ECU) in State grants).

Aquaculture

3.21 The development of marine aquaculture (mariculture) and fresh-water aquaculture has gained impetus in recent years through an increasing national awareness of the potential of these

activities. New legislation, shortly to come into effect, is intended to rationalise the licensing of fish-farms and to provide a better system of central control and development of this important resource. Over the period to 1985, the output from mariculture can be expected to increase by over 100 per cent with an associated increase of over 300 in the number of people directly and indirectly employed in the industry. On the inland fisheries (freshwater side) ten fish farms for the cultivation of salmon and rainbow trout in sea cages have been set up. It is expected that the number of applications will be increased in the next few years provided that suitable sites are available. At this early stage, however, the pace of progress depends heavily on investment in research and development. The National Board for Science and Technology, in consultation with the Department of Fisheries and Forestry, recently produced a draft of a National Aquaculture Development Programme entitled "Science/Technology and Aquaculture Development". This Report contains much valuable data on existing and future aspects of aquaculture. Its text and recommendations are currently being studied.

Secondary Sector

Manufacturing Industry

3.22 The manufacturing sector has encountered severe trading difficulties over the past couple of years largely because of the effects of the international recession. The sector has, however, considerable basic strengths which have resulted from the

rationalisation of existing industry and the substantial growth of n industry in the course of the 1970s. The potential, accordingly, exists for rapid growth in the 1980s. The following paragraphs outline where the main emphasis of Government industrial policy will be from 1981 onwards. In this regard, the National Economic and Soci Council are currently completing a wide ranging and fundamental revi of industrial policy in Ireland. The objective of the review is to ensure that the Government's industrial policy is appropriate to the creation of an internationally competitive industrial base in Ireelan which will support increased employment and higher living standards. When the results of this review are available, the Government will consider whether any changes in existing policy are warranted.

3.23 At present about 50 per cent of manufacturing output is exported, although Ireland's share of world trade still amounts to only half of one per cent of the total. Much of the recent growth i exports reflects the large number of new projects established in rapidly growing sectors such as electronics and healthcare equipment. With greater competitiveness and efficiency in production, there are good grounds for expecting even greater export growth in the future, leading to an increase in the share of manufacturing output exported over 60 per cent by 1985 and enlargement of Ireland's share of world trade.

3.24 There has been a significant increase in the number of first-time new jobs (both in completely new firms and major expansions of existing firms) in the course of the 1970s. IDA job approvals rose 12,000 in 1972 to 18,000 in 1976 to reach an all-time high of 35,300 1980. The objective will be to maintain a high level of new project

approvals in future years. New manufacturing job approvals by the IDA, SFADCo and Udaras na Gaeltachta are expected at an annual average level of about 35,000 over the period 1982-1985. The associated number of first-time new jobs, resulting from those and past job approvals, is expected to be up to 20,000 a year on average. The number of projected job approvals for 1982-1985 is somewhat lower than the record achievement of the promotion agencies in 1979-80, which was influenced by increased grant applications in anticipation of impending changes in taxation incentives.

3.25 One of the main industrial policy objectives will be to ensure the maximum involvement of Irish entrepreneurs in the industrial development drive. Increasing emphasis is being put on the promotion of small industry, most of which is of domestic origin. In 1980, job approvals in small firms accounted for 10,000 or some 30 per cent of total IDA job approvals. An additional 1,600 jobs in small firms were approved by SFADCo, which has been intensively promoting indigenous small industry in the Mid-West planning region since 1978, while job approvals (mainly small firms) by Udaras na Gaeltachta amounted to almost 1,000. Small firms have advantages for Ireland in that they tend to be labour-intensive, have a lower investment cost per job than larger firms and are particularly well-suited to promoting employment in less developed areas with low population density. They have a particular role in meeting the material and component needs of larger firms. Some 80 per cent of their output substitutes for products which would otherwise be imported.

3.26 Over the period of the Programme, the objective of the industrial promotion agencies will be to promote a total of 13,000 job approvals a year or 35 per cent of total job approvals in small industry.

Domestic Market

3.27 The domestic market absorbs about half of manufacturing output. For many of the older-established sectors such as food, drink and tobacco, wood and furniture and paper and printing, the share is even higher and future growth largely depends on how the domestic market develops. The growth of these and other sectors will also be affected by action to reduce or, at least, slow down the rate of penetration of the domestic market by imported goods. Competing imports amount at present to over 30 per cent of domestic sales. Realisation of the potential for import substitution could add some 1 per cent a year overall to the growth in output in manufacturing in the period to 1985. It will depend on accommodating product development to the changing tastes of the market place, improving production efficiency and competitive pricing of the final product.

New Industries

3.28 The main programmes for the development of new industry which will be planned for over the period of the Programme include the following:-

- IDA New Industry Programme
- Small Industries Programme (including measures operated by IDA, SFADCo, Udaras na Gaeltachta)
- IDA Enterprise Development Programme
- Product and Process Development Grants Scheme
- Feasibility Study Grants Scheme
- Provision of Project Services to Domestic Industry (including those of the Project Identification Unit, the Construction Goods and Services Unit and the Construction Advisory Service for major projects)
- Advance Factory Programme
- Export Development Schemes (including the provision of market intelligence information, export promotion, marketing and promotional advice and assistance, organisation of trade missions, etc.)

In addition, the work of the Sectoral Development Committee in relation to the evaluation of individual sectors of industry is expected to identify the potential for growth and to lead to recommendations to improve performance in these sectors.

3.29 In implementing these programmes and schemes, emphasis will be placed on

- maximising the contribution of natural resources (e.g. beef, dairying, timber, minerals) to the national economy, particularly through increasing the value added in Ireland

- promotion of sectors with particularly good long-term growth prospects (e.g. electronics, healthcare/chemicals, sports and leisure equipment)
- promotion of small firms, most of which tend to be of domestic origin
- maximum contribution of native enterprise to the development drive
- promotion of greater public sector participation where opportunities are identified (under the aegis of existing State-sponsored bodies, the National Enterprise Agency or the proposed National Development Corporation)
- continued promotion of projects from overseas
- identification of new projects based on import substitution opportunities.

3.30 The Government have as one of their priorities the establishment of a National Development Corporation which would, inter alia,

- identify, initiate/exploit commercial investment opportunities and
- ensure more effective supervision over State commercial enterprises.

Detailed proposals for the establishment of the Corporation and how it would relate to the National Enterprise Agency are being formulated at present.

Attraction of overseas projects

3.31 The extent of employment creation needed in the 1980s will necessitate continued promotion of projects from overseas. Such projects already contribute and are expected to continue to contribute significantly to the growth of employment, to expanding output and exports and to technological development in Ireland. Many of the projects also have ready access through their parent firms to international markets so that their external sales are, to some extent, insulated from the adverse effects of slowdowns in world trade. Projects from overseas accounted for some 40 per cent of total job approvals by the industrial promotion agencies in 1980. A correspondingly high contribution is expected in the period 1981-1985. It will depend on further enhancing the attractiveness of Ireland as an industrial base by the introduction of a method to limit the cumulation of regional and other aids in the Community as many of the projects that the IDA and other promotion agencies wish to bring to Ireland are also strongly competed for by developed and developing countries.

3.32 In the past, much of the innovative thrust in Irish industry has come from the transfer of technology associated with the establishment of new overseas firms. It is essential that the domestic capacity for innovation be strengthened so as to improve the dynamism and competitive position of native enterprise and also to add further to this country's attraction as a location for mobile international investment. The main impetus to innovation must come from the firms directly involved in production. The Government's role in enhancing the performance of

industry in this respect will focus on

- promoting the application of science and technology in individual firms through schemes such as the IDA product and process development grants scheme and
- providing the necessary support for increased use of science and technology by the productive sectors through investment in scientific and technological training, research and development, scientific and technical information and other support services.

3.33 In this regard the study by the National Board for Science and Technology of the impact of microelectronic technology, which was published in the course of 1981 and which was jointly funded by the Irish Government and the Commission of the European Communities, will help to identify what measures are necessary to gear the economy towards coping with both the opportunities and challenges presented by this new technology.

Existing industry

3.34 Existing industry comprises both older firms and firms of more recent origin that have been established with or without grant assistance from the industrial promotion bodies. Many new projects being approved for grant assistance represent investment to replace or expand production facilities by existing firms. Nevertheless, older firms, particularly those that have not sufficiently rationalised and re-equipped to face free-trading conditions, are exceptionally vulnerable to competition. Even more recently established firms are also becoming vulnerable to the intense competition that now prevails as

their technology, range of products and methods of operation become more obsolete.

3.35 The high level of job losses in existing firms has offset a large proportion of jobs provided by new projects. Over the five-year period 1976-1980, the average annual number of gross job losses was 19,000 compared with an annual level of gross job gains of 22,500. The future progress of existing industry and the extent to which job losses are reduced will depend on the steps taken by firms to:

- improve efficiency
- maintain price competitiveness
- avail of import substitution opportunities identified in the home market
- respond to the State's encouragement to diversify into export markets.

In the past many of the longer-established firms have been found lacking in effective management, marketing and operational flexibility needed to cope with rapid changes in market conditions. In addition, the level of product development activity has not been sufficiently high to enable such firms to compete effectively with foreign producers and to capitalise on development opportunities arising from changes in the market. The fault lies to a great extent in management reluctance to avail of the wide range of State services and incentives in these areas.

3.36 A number of State agencies - mainly Foir Teo and the IDA - are equipped to provide assistance to firms experiencing difficulties. Their services have enabled many viable firms to overcome short-term problems in the past. In a number of instances, takeovers have been negotiated which have ensured the continuation of manufacturing activity.

3.37 The rescue services provided by State agencies will be continued. Firms will be encouraged to plan ahead and to avail of the wide range of incentives for improving efficiency, but the primary responsibility for management and other improvements necessary to compete successfully in present day trading conditions rests with the firms themselves.

3.38 The main programmes and promotion activities relating to existing industry which will be implemented over the period of the Programme are as follows:-

- Provision of consultancy services to improve productivity in Irish industry
- Provision of advice and assistance relating to industrial design
- Energy efficiency programmes
- Foir Teo - rescue finance for firms in difficulty (supported by joint action by inter-agency group representative of Departments of Industry and Energy, Agriculture and Labour and IDA, ICC, Foir Teo, CTT).

In addition, existing industry may also benefit from some of the schemes available to new industry listed earlier.

3.39 The main emphasis of these programmes will be on ensuring that Irish firms improve competitiveness and efficiency. The work of the Sectoral Development Committee will help to guide how they are deployed but particular attention will be devoted to promoting greater involvement in export markets by existing Irish firms. In this regard, much of the resources of CTT over the period of the Programme will be directed at the significant number of new small firms established in recent years. Many of these firms have concentrated on the domestic market hitherto but their prospects for continued growth will depend on how far they can now identify and exploit export opportunities.

Building and Construction

3.40 The building and construction industry in 1981 is expected to show a modest recovery following its downturn in 1980. This recovery will be largely due to the strong stimulus provided through the Public Capital Programme, particularly in the areas of housing and telecommunications.

3.41 The Public Capital Programme has always had a big impact on the building and construction industry, financing over 50 per cent of total output in the last five years. The extent to which this support can be increased over the

coming years will be influenced considerably by the manner in which the greater constraints on public finances now existing are managed and also by the level of funding available from Community sources. A continued high level of funding is envisaged to support the industry, through for example, the road development programme for the 1980s and the accelerated telecommunications programme 1979 to 1984. Further spending will be required in other forms of infrastructure, schools and hospital buildings and industrial development. The Government will continue to provide very strong incentives to private building and to create the planning framework and economic climate in which industrial and commercial interests can invest with confidence.

Tertiary Sector

Public Sector Services

3.42 At the beginning of 1981, some 248,000 were employed in the public sector services, that is, the area in the services sector of the economy which is wholly or partly funded by the State. This accounts for about one in every five in the total labour force.

The average increase in the number of these employees has been about 7,000 (3 per cent) a year over the four years since the beginning of 1977, mainly in the health and education areas and in the civil service. The percentage rate of increase in numbers was a little less than the growth rate in GNP over approximately the same period. Within this overall category, the public sector pay bill, which covers the pay and pensions of some 205,000 employees in the civil service, police and defence forces, the health and education sectors and the non-commercial State-sponsored bodies increased from 14 per cent of GNP in 1977 to an estimated 19 per cent in 1981. The relative costs of public services have thus become very much greater than they were in 1977. The extent to which expenditure on public services has to be financed by borrowing indicates that the present costs of these services are either at or have gone beyond the limit of what the economy is capable of supporting.

3.43 In view of the magnitude of expenditure arising on the total public sector, the Government announced on 21 July this year that the numbers employed in the public sector would not be allowed to grow beyond the numbers employed on that date, apart from an exception made for productive employment where the cost of additional staff was recoverable from charges made to the public for the additional goods or services provided. The Government also subsequently agreed to a further small number of exceptions, notably in respect of teachers and certain key posts. In addition to stabilising the numbers employed, real reductions in pay rates would be required to contribute to the elimination of the current budget deficit by 1985. To the extent that the required reductions in pay rates were not to take place, overall numbers employed in the public sector would have to be reduced below their present level.

3.44 The main emphasis of management in the public service will be on improving the efficiency of existing services, reviewing present organisational structures and adapting working methods to modern techniques of administration and management. Improvements in certain services are not precluded but, insofar as they involve additional staff, these will have to be offset, in most cases, by reductions in staff resources elsewhere in the public service.

Private Sector Services

3.45 About 318,000 people were employed in the private services sector at end-1980. Private services embrace a highly diverse and dynamic range of services and the changes the sector has undergone reflect changes in the Irish economy in general. For instance employment in insurance, banking and finance and other business services has grown even faster than the sector as a whole, reflecting growth in the volume and complexity of industry, the development of agriculture and the increase in the number of people with bank accounts. Employment in financial services can be expected to increase further in the medium term as the introduction of microtechnology reduces costs which at present tend to inhibit expansion of services. Increases in personal disposable incomes have meant increased employment associated with the sale and repair of motor vehicles, in wholesale and retail distribution and in professional services. Employment in hotels and catering has reflected the varying fortunes of tourism. The increasing domination of the food retail trade by large concerns has meant that employment in this activity has fallen and employment in private domestic services has also contracted dramatically.

3.46 The need to reduce the balance of payments deficit implies that growth in final domestic demand over the next few years is likely to be more limited than in the recent past. However, the potential intermediate demand both from existing industries and from new and sophisticated industries for a range of competitive financial, technical, communications and software services will be substantial and will provide opportunities for development of this sector. With over 50,000 students completing the senior cycle of second-level education each year and over 5,000 graduates a year leaving the universities, this potential for growth will not be impeded by any shortage of young, educated and adaptable people.

Policy Measures

3.47 Although the private services sector operates independently of direct State assistance for the most part, a new scheme specifically aimed at the development of the sector has been introduced recently. Service industries normally have a low investment in fixed assets and a high labour content. The main instrument for stimulating job creation in industry i.e. grants towards capital assets, is therefore not suitable for this sector. Instead, the Employment Incentive Scheme for Service Industries, administered by the IDA, provides grants to assist promoters in meeting part of their payroll cost, which is the main operating cost for a service industry during the first, critical year of the project. 50 per cent of the grant approved is paid on receipt of an auditor's certificate that the job has been created and the balance is paid one year later upon confirmation that the job still exists.

3.48 The scheme is expected to result in some 5,000 job approvals a year by 1985. It is also expected that more than half the jobs supported by these grants will be of a graduate, professional and technical nature or of a similarly high quality. The IDA will concentrate its marketing activities on an initial list of target sectors which are considered to have the greatest potential for job creation and to be strategically important to future economic and industrial development. This initial list comprises:-

- Data Processing
- Software Development
- Technical and Consulting Services
- Commercial laboratories
- Administrative Headquarters
- Research and Development
- Media Recording
- Training Services
- Publishing Services
- International Financial Services
- Healthcare

3.49 Most of the growth in private services has been directed to the requirements of the domestic market. However, in recent years there has been a marked increase in the involvement of Irish service organisations in consultancy work overseas. These developments are being examined so as to identify if measures

need to be taken to maximise the return to this country from such activities, in terms of foreign earnings and the creation of additional jobs.

Tourism

3.50 In 1980, there was an actual reduction in out-of-State tourist numbers and a fall of 9 per cent in real revenue. Despite this decline, foreign tourism accounts for about 8 per cent of all exports of goods and services and total tourism revenue represented 6 per cent of GNP in 1980 or 9 per cent when allowing for the multiplier effect. It is estimated that tourism provides direct employment for 45,000 people and sustains the equivalent of a further 45,000 jobs in the economy.

3.51 One of the difficulties inherent in planning for tourism is that the industry is extremely sensitive to events, both domestic and foreign, which are outside of its control. Apart from the unfavourable impact of the Northern Ireland situation, domestic events such as strikes in tourism related services damage Ireland's image as a tourist destination and affect the ability of the tourist industry to provide what visitors require. Domestic prices are a critical element determining the performance of tourism. Loss of competitiveness is, in part, responsible for the fact that in the last decade expenditure on tourism and travel abroad by Irish people has been growing at a faster rate than either domestic tourism or expenditure by foreign visitors to Ireland.

3.52 Bord Failte, the Irish Tourist Board, annually produces a detailed marketing and development strategy for the year ahead, within the framework of a four-year period. This combines the advantages of flexibility to respond to changing market conditions and opportunities, and a fundamental commitment to a product policy based on Ireland's strength as a tourist destination.

3.53 The Bord Failte forecasts for 1982 to 1985 are broadly based on the findings of the European Travel Commission regarding "Prospects for Tourism in and to Europe 1980-90". These were, in summary, that:

- Growth would be between 5 per cent and 7 per cent a year
- Europe would maintain its share of world tourism, with leisure travel growing faster than business travel
- North American originating traffic would be lower than in the 1970s, but rapid growth would be recorded from other 'long haul' destinations
- High intra-European growth is expected - over 6 1/2 per cent a year from Germany, France, Scandinavia and the Netherlands
- Changes in the market composition are forecast with above average growth arising at each end of the age scale
- Faster growth outside of peak season is likely
- Significant changes are expected in the marketing of tourism, greater recourse to direct selling together with an increase in financing of travel on credit.

Policy Measures

3.56 The development of tourism by private enterprise is supported by means of investment grants and funds for tourist amenities such as angling and inland cruising, and through Exchequer-financed promotion. Future Government policy in relation to capital grants and promotion:

expenditure will be determined in the light of a detailed and comprehensive review being undertaken of the operations of Bord Failte, and of a Report on Tourism Policy by the National Economic and Social Council. The objective of the review will be to establish policies which will achieve, at the least possible cost to the State, the maximum contribution to the economy from tourism.

Youth Employment

Youth Employment Agency

3.55 The problem of youth unemployment is one of the most important and difficult problems facing the country. It is a problem not confined to Ireland. Other Member States of the Community are also attempting to combat this employment situation with all its unacceptable social implications. There are unfortunately relatively few exceptions to this depressing picture. In 1980 in the seven largest OECD countries, youth unemployment accounted for a staggering 42 per cent of total unemployment.

3.56 The Government believe that a radical new approach to the problem of youth unemployment is required and have proposed the establishment of a Youth Employment Agency. The Government decided that existing and proposed employment creation measures would have to be supplemented by special provisions to deal with the acute problem of youth unemployment. To this end, the Agency will integrate and radically extend those schemes that exist at present under the separate auspices of a number of State agencies.

3.57 The new Agency will have authority to move rapidly to the point where up to 20,000 young people who are without employment for six months will qualify for one or other of the following:

- Training in AnCO
- Participation in Work Experience Programme
- Employment in Environmental Improvement Scheme
- Employment in community and youth work
- Employment by voluntary social or community organisations.

Taken with the other general measures to encourage employment, this combination is designed to ensure that no young person is left without some combination of training or work during the period after they complete their education.

3.58 The above numbers are additional to the numbers of youth catered for by existing training, work experience and job creation schemes. The total number catered for in 1982 is, therefore, expected to be about 40,000. Legislation at present before the Dail (Parliament) (viz. the Youth Employment Agency Bill, 1981) covers the funding of the Agency and its structure. It is intended to finance the Agency by means of a 1 per cent levy on all incomes, with some minor exceptions. In addition addition, there will be assistance from the European Social Fund.

3.59 The Agency will take the form of a limited company and will be controlled by a board of management comprising representatives of Government Departments, employers and trade unions as well as youth representatives. It will have broad terms of reference viz to improve the ability of Government aided

programmes to provide real assistance to those young people who have difficulty in finding jobs. The Agency will concentrate on disadvantaged youth.

Infrastructure

Productive Infrastructure

3.60 Reference has been made in Chapter 1 to the considerable demands that have been placed on Ireland's infrastructural capacity over the last decade and the main infrastructural deficiencies were mentioned briefly. These deficiencies and the main Government programmes aimed at reducing and eventually eliminating them are discussed below.

Energy

3.61 The extent of the country's reliance on imported oil and the level and trend of energy consumption during the past decade were discussed in Chapter 1. The 1981-85 energy investment programme is part of a comprehensive set of policies aimed at promoting Ireland's three principal energy policy objectives and reducing the kind of exposure to which excessive reliance on imported oil gives rise. These objectives may be summarised as follows:-

- to enhance security of supply by diversification of sources of energy
- to optimise the contribution of native energy sources and
- to promote rational energy use and fuel switching.

The policies fall into two categories - the development of supply options for energy and strategies relating to energy demand. Four major initiatives have been taken on the supply side. First, there is the encouragement of the use of coal, including low grade indigenous coal. While this coal is for the most part imported, it will serve simultaneously to diversify the national fuel mix away from oil and will reduce the dependence of the electricity system on oil-based generating units. The main investments are being undertaken by the Electricity Supply Board. Second, steps have been taken to further encourage indigenous peat production by both the State-owned Bord na Mona (Peat Development Board) and the private sector. Third, co-ordinated programmes are being launched to explore and exploit the possibility of an energy contribution from wood, biomass, wind, small hydro, solar and geothermal sources. Fourth, a programme is underway to extend natural gas to capture the main premium loads. This will greatly enhance flexibility in response to oil supply difficulties. On the demand side, a number of programmes have been developed to encourage users in the more efficient use of energy. Financial incentives and technical assistance and audit programmes have been or will be made available on a sectoral basis over the period of the Programme. The isolation of the country's electricity and gas systems is a disadvantage which the Government are anxious to overcome. Studies are being undertaken in conjunction with the British Government with a view to interlinking electricity systems and extending the natural gas network to Northern Ireland.

Telecommunications

3.62 Telephone density in Ireland is far lower than in any other Member State of the Community, being 172 per thousand of population compared with 266 in Greece, the next lowest, and 569 in Denmark, the highest. Deficiencies in the telecommunications service are a serious impediment to the efficient operation of the existing industrial sector and must be seen as a possible deterrent to potential overseas investors, despite the considerable achievements to date of the industrial promotion programme. The problem is compounded by the emphasis in the industrial promotion programme on encouraging investment in the less developed areas. Recognizing this, the Government undertook an accelerated telecommunications programme in July 1979 with the objective of providing by 1984 telephone, telex and data services on a level comparable with those in other Member States.

3.63 The main aims of the programme, which involves very heavy demands for capital, are broadly as follows:

- to raise the quality of the telephone, telex and data services for subscribers to the average level in other Community countries
- to increase the rate of connections so that applications can generally be met on demand.

Meeting these objectives involves an expansion in the annual rate of telephone connections to meet annual demand estimated to be in the range of 100,000 to 120,000 by 1984, the elimination of manual

exchanges, the construction of 500 buildings and the trebling of capacity on trunk circuits. There are plans to install some 480,000 telephones by 1984. Automatic ISD (International Subscriber Dialling) and STD (Subscriber Trunk Dialling) facilities are to be provided for all subscribers. Some 429,000 digital exchange lines will be installed to represent about one third of the total capacity. The cost of the programme is estimated at about IR£850 million (1,232 mECU) in 1980 prices. Progress in the implementation of the programme, thanks in part to Regional Fund aid, has been satisfactory to date. In 1980, for example, the target of installing over 60,000 telephone connections was achieved and in 1981 it is expected that over 70,000 connections will be achieved. New exchange and trunk circuits are in course of installation or on order, which will greatly improve the quality of the trunk service to existing subscribers.

3.64 The report of the Post Office Review Group, published in May 1979, highlighted the crisis in the telephone network. The Government accepted in principle the main recommendation i.e. that the telecommunications service be entrusted to a State-sponsored body. Bord Telecom (The Telecommunications Board) was established on an interim basis to prepare for a takeover by the proposed statutory body. Discussion and Policy papers have been published and legislation may be expected in the reasonably near future.

Roads

3.65 To a region like Ireland - a small island on the periphery of the Community - an adequate transport infrastructure is clearly a vital pre-requisite to realizing the benefits of the common market and achieving general economic growth. The geographic

distribution of population, characterised by exceptionally high dispersion in rural areas and low density urban sprawls, makes the provision of transport infrastructure particularly costly.

3.66 Some 95 per cent of internal passenger traffic and 85 per cent of freight in Ireland is carried on the public road system. This is higher than in most European countries. During the 1970s the mileage travelled on public roads more than doubled, the total number of registered vehicles almost doubled, approaching 1 million, while the number of heavy goods vehicles trebled. As a result the capacity of Irish roads to cater for the volume of traffic has deteriorated sharply despite the investment made during the decade. An inventory of the National Road network in the early 1970s, carried out by An Foras Forbartha (National Institute for Physical Planning and Construction Research) at the request of the Department of the Environment, indicated that approximately 35 per cent of the National Primary Roads and 24 per cent of the National Secondary Roads were below a satisfactory standard for the traffic using them in terms of their capacity to accomodate the traffic volume, the condition of the road pavement and their safety record. The position has deteriorated in the meantime as indicated above. The 3 per cent of total road mileage accounted for by National Primary Roads accounts for about 25 per cent of total road traffic and a much higher proportion of road freight. It is estimated that commercial vehicles can average only 40 kilometres per hour on national primary routes in Ireland, compared with about 65 kilometres per hour on the primary routes in other Community regions. Traffic congestion on inadequate national primary routes, especially in the vicinity of the main cities, is a severe constraint on the efficient operation of industry.

3.69 It was with a view to progressively alleviating the most serious deficiencies in the road network that the Government published the "Road Development Plan for the 1980s" in 1979. The

Plan outlined a ten-year strategy estimated to cost a total of over IR£1,000 million (1,450 mECU) (in 1979 prices) and designed to improve significantly the country's National Route network and the principal urban road systems. The main activities involved include normal improvement works which will bring all National Primary and certain National Secondary Routes up to a minimum standard two-lane road level (i.e. 7.3 metres wide with a 2-3 metre hard shoulder on both sides and capable of taking axle-weights up to 9 tonnes). In addition, there is a programme of special improvement and construction works on roads, by-passes and bridges in Dublin and other urban areas. The Government's intention is to achieve significant progress on the implementation of the Road Plan during the course of this Programme.

Transport

Internal Transport

3.68 Investment in Coras Iompair Eireann (CIE) - the State Transport Authority - has had to be increased significantly in recent years to replace obsolete rolling stock and to modernise equipment and premises. CIE is currently engaged in a major programme involving the electrification of the commuter railway in Dublin and the replacement of over-age buses. The replacement of some mainline rolling stock in 1982 is also envisaged. Future investment in other rail electrification schemes may prove impossible, despite the growth of major new settlements at a distance of 15-20 miles (25-30 kms) from the city.

3.69 A major element in this regard is the fact that the company's financial position has been worsening (a problem shared by public transport companies world-wide). Losses by CIE have gone

up from IR£28 million (41 mECU) in 1975 to IR£74.5 million (108 mECU) in 1980, IR£49.7 million (72 mECU) of which was incurred by the railways. In 1979, the Government engaged a team of international consultants to undertake a critical assessment of CIE's financial situation. The consultants' report, which was published in February 1981, is being examined and decisions on future policy in relation to CIE are expected to be made shortly.

3.70 Legislation will be introduced early in 1982 providing for the establishment of a Dublin Transport Authority which will have overall responsibility for ensuring the integrated planning and operation of transportation in the Dublin area. In the meantime, a specially appointed Task Force is implementing a traffic management strategy designed to reduce congestion by encouraging greater use of public transport.

3.71 In July 1981, the Transport Consultative Commission's second report was published in which the road freight haulage industry is considered. The report which, inter alia, suggests moves towards liberalising the licensing system is at present being evaluated.

Access Transport

3.72 The State plays an important role in access transport through the shipping companies, B&I and Irish Shipping Ltd, and through Aer Lingus. With the bringing into service of a new car ferry in September, B&I has completed a major programme involving the purchase of new craft and ancillary equipment and is not expected to make any further heavy investment in the medium-term. Irish Shipping Ltd have ordered a new bulk carrier and expect to take delivery in 1983. In mid-1982, the company plans to replace one of

its car ferries on the continental service and has also placed a contract for lengthening another, on the same route, by the addition of a new mid-section. Work is expected to be completed early in 1982.

Airports and Aviation Services

3.73 Through investment in Aer Lingus (the State Airline Company), in the three State airports, which are managed by Aer Rianta (Airport Management Authority), and in some local airports the Government have assumed a major role in the provision of air transport infrastructure. Public capital expenditure on airports has been steady since 1975 and was undertaken mainly on the extension of facilities at Dublin, Cork and Shannon and the acquisition of land and buildings. In 1979, more substantial projects were undertaken and, in 1980, new refuelling facilities were constructed at Shannon, the apron at Dublin was extended and a helicopter landing pad constructed at Cork. In 1981, a tarmacadam overlay was laid on the main runway at Shannon. The operations of Aer Lingus will require very heavy investment in the coming years if the company is to effect the replacement of its current fleet and maintain the level of its services to North America, Europe and the United Kingdom.

3.74 The programme of improvement at the three State airports at Dublin, Cork and Shannon will be continued. Exports in electronic goods through the airports are expected to continue to increase. The needs of tourists from North America and continental Europe will have to be catered for as well as those of the considerable proportion of tourists from the United Kingdom who travel to Ireland by air.

3.75 Local air services have assumed an increasingly important role in social and economic life in Ireland. Air links have been established with Northern Ireland. Regional airports at Waterford and Sligo will be opened later this year.

Harbours and Shipping Services

3.76 As an island nation, Ireland's ports and harbours are critical factors in the growth of trade and tourism. Ports are expected to operate without State or private equity but grant assistance for capital developments is given by the State. In volume terms some 99 per cent of trade passes through the ports and over the last decade trade through the ports has grown at between 1.1 and 1.3 times faster than growth in GNP. Since the mid 1970s a programme of improvements has been carried out mainly at Dublin, Cork, Waterford and Arklow. Other investment at Killybegs and Castletownbere, for example, will help to develop the fishing industry, which forms an important component of the economy. Impetus was given to port improvement in 1976 when the Government gave approval to the Cork Harbour Development Scheme, including new roll-on/roll-off (RO/RO) facilities, which has been undertaken with Regional Fund assistance. The RO/RO ferry terminal at Cork, intended to relieve congestion in the upper harbour, will be completed in 1982. Projects at Rosslare and New Ross have been carried out to expand capacity and potential through-put. Improvements currently being carried out at Foynes are intended to

increase capacity because of increased through-put in oil, barytes , coal, fertiliser and grain. At Dublin, the programme covers general developments, including a new administrative headquarters for the Dublin Port and Docks Board (completed in 1981) and construction of a deep water RO/RO berth. Future developments proposed for Dublin include land reclamation for a cross channel load-on/load-off (LO/LO) vessel, provision of transit areas and new quays for deep-sea LO/LO.

Water and Sewerage Services

3.77 As with the other main productive infrastructural services, there has been great pressure of demand for expanded water supply, drainage and sewerage service over the last decade. Deficiencies in these services not only impede further investment in industry, housing etc., but, by failing to increase adequately the supply of serviced land, add considerably to the costs of new investment that goes ahead. This is particularly true in the case of housing.

3.78 An adequate increase in the supply of serviced land is vital to the Government's overall investment programme, as failure to provide such an increase would inevitably lead to major constraints and escalating land costs in other investment areas. The rapid pace of population growth and urbanization alone will put considerable demands on these services, as will the need to maintain and improve Ireland's attractiveness as a base for industrial investment.

3.79 The sanitary services programme currently being implemented seeks to ensure that industrial, agricultural and social, particularly housing, development is not impeded by deficiencies in these services. It also has to cater for the increased sewerage and environmental control needs that arise directly from this development. The programme comprises two main elements:-

- public water supply and sewerage schemes undertaken by local authorities
- private group schemes (mainly water but also sewerage schemes) undertaken on a co-operative basis.

Financial allocations to local authorities to implement this programme have been geared towards the following priorities:-

- schemes to serve new housing and new industry
- schemes designed to make good deficiencies in existing sanitary services
- schemes of headworks, trunk mains etc. to enable development of private group water schemes for agricultural development, particularly in less developed areas
- schemes designed primarily for the prevention and abatement of pollution.

This programme received a considerable stimulus in 1981 when IR£75 million (109 mECU) was provided for these services, representing an increase of 50 per cent on the 1980 provision, of which over IR£20 million (29 mECU) was earmarked for commencement of major

new public schemes. These new schemes, as well as many of those already in progress, will carry over heavy financial commitments beyond 1981.

3.80 Among the major projects included in the water and sewerage services programme during the period will be the final stages of the Greater Dublin Drainage Scheme, the Cork City and Harbour water supply scheme, the Kerry Central Regional water supply scheme and the West Clare Regional water supply scheme which, among other benefits, will provide water for the ESB coal burning power station at Moneypoint, Co. Clare. In addition, rural group water supply schemes will be undertaken to increase agricultural capacity.

Social Infrastructure

Health

3.81 Capital investment at IR£44.5 million (64 mECU) represents only a small fraction of total Exchequer spending on health i.e. IR£785 million (1,138m ECU) in the current year. The pattern of capital spending is strongly influenced by the policy of encouraging, as far as possible, out-patient treatment and community care for the old, the mentally ill and the mentally and physically handicapped. In the case of these four categories of

patients, policy is directed to maintaining them in their home environment, where possible, with the assistance of community care services, day centres and, in the case of the mentally and physically handicapped, training for open employment or employment in sheltered workshops. It is only where these types of provisions are not adequate for the care of patients that resort is had to residential care. When providing new residential accommodation the emphasis is on small units. In Ireland, both community based and residential care for many of these groups is provided to a significant extent by voluntary bodies, assisted by the Exchequer. There is a need to undertake some large-scale capital works to replace or modernise public psychiatric hospitals. Some centres for the care of the mentally handicapped are now very old and do not meet modern standards.

3.82 Mention has already been made in Chapter 1 of the age and condition of many general and psychiatric hospitals. During the early 1970s, an examination of how acute hospital services were being delivered and particularly of how they should be delivered in the future was carried out and a hospital development programme was drawn up. The following are the principal factors which were taken into account in drawing up the programme:

- Increasing population: the birth rate continues to be high by European standards and therefore a high level of demand for services for the young can be anticipated. Likewise at the other end of the age scale, people are living longer and this also has a significant effect on the demand for hospital services.
- Population movement: this has a very significant influence on planning, particularly in Dublin. The

population of the old Borough has remained static, while massive population increase is continuing in the new townships in county Dublin. These new population concentrations, however, continue to be served by the existing general hospitals, virtually all of which are located in the inner city. If the present and future population of Dublin is to be adequately catered for, there must be a radical revision of the existing hospital system for the area, which will involve both the building of new hospitals in the suburbs and the closing down of old out-of-date hospitals in the inner city area.

- Development in the practice of medicine in hospitals has necessitated a fundamental rethink of what a modern general hospital should provide and how it should operate. Advances in medical techniques require the introduction of sophisticated facilities, together with highly skilled staff. There are minimum standards in which these staff can work effectively.
- The location of acute hospitals: rather than setting down guide-lines which would be applicable nationwide on such matters as minimum distances which the population would be expected to have to travel to hospital, the minimum size of hospitals, the range of services in hospitals, it was decided that a more logical approach in the Irish context was to examine each area as a separate entity and decide, in the context of the nature of each area, how best it could be provided with a

general hospital service. The plan has been prepared on this basis.

- The age and quality of existing hospital buildings: this matter has already been discussed in Chapter 1.

3.83 When examining the development needs of the psychiatric services, the following factors need to be borne in mind.

- Due to admission and discharge policies in the past, Ireland will require a significant amount of medium and long-stay accommodation for the foreseeable future. As already mentioned, the age of the hospitals concerned presents serious problems in maintaining the standards of accommodation required by modern psychiatric medicine. Therefore much of this accommodation needs to be modernised or replaced.
- There is also a need to invest considerable sums of money in developing a full range of community-based facilities which will serve as an alternative to expensive in-patient care. Such facilities would include out-patient clinics, day hospitals, day-care centres, workshops, hostels and group homes.

3.84 The Government are concerned to ensure that hospitals yield a significant return in health terms. During the last 20 years, hospital admissions have almost doubled. Reasons for this increased demand have been mentioned already. There are also factors such as the rapid advance of medical science and the

increasing expectations of the public. The Minister for Health has, however, started an inquiry into the factors behind the increase in admission rates. Referral, admission and discharge procedures will be examined and the scope for further substitution of alternative forms of treatment to hospitalisation will be examined.

3.85 There is, of course, world-wide concern at the escalation in the cost of providing health services in recent decades. As already indicated a particular focus for this concern in Ireland is the provision of hospital services. This is because of the escalating cost of continuing to provide the current level of hospital services and because of the increment to current costs that follows from the building of new hospital capacity. In Ireland, due to the method of financing hospitals, these increased costs fall to be met by the Exchequer.

3.86 Under the general hospitals programme, three major projects are currently in hands. These are at Beaumont in Dublin; Tralee, Co. Kerry and Letterkenny, Co. Donegal. In all, these new hospitals will provide 1,400 beds. Two major projects to help the mentally handicapped, both of which are in Dublin, are also under way at present. At current prices, the total cost of building for these five schemes will come to IR£58 million or 84m ECU. The overall cost of the projects, after furnishing and equipping, will come to IR£80 million or 116m ECU.

3.87 Three major general hospital projects are at various stages of development for Dublin. Work on phase 1 of one of these has begun and the planning of later phases is being finalised. This

hospital will replace a number of existing smaller hospitals in the inner city and will have about 720 acute beds and 300 geriatric beds when finished. Work has started on the first phase of the second hospital. This hospital will have 730 beds most of which will replace beds in an existing hospital, which is obsolete. It is estimated that the building costs of the two hospitals will cost IR£29.5 million (43m ECU) and IR£47.5 million (69m ECU) respectively. Preliminary planning has commenced on the third hospital in the Dublin area. It will provide in total approximately 750 beds.

3.88 Other major schemes in Waterford, Castlebar, Mullingar, Cavan and Sligo will start when the financial situation allows. The planning of these projects is nearing completion. Their combined cost will be of the order of IR£115 million or 167m ECU.

Education and Training

3.89 Plans for this sector are determined by four principal considerations:

- expected changes in the numbers of children in the country
- migratory movements in the country
- the condition of the stock of educational buildings and
- the expected manpower needs of the economy.

3.92 Expected changes in the numbers of children in first and second-level education compared with the position in 1975-76 are shown in Table 3.1.

Table 3.1

Expected changes in Numbers of Children in First and
Second-level Education

	<u>First-level</u>	<u>Second-level</u>	<u>Total</u>
	(000s)	(000s)	(000s)
1975/76	550.1	271.0	821.0
1980/81	567.9	301.2	869.1
1985/86	577.9	331.8	909.7
1990/91	602.5	336.1	938.6

3.91 Since the rate of population increase of Irish towns is greater than for the country as a whole and, particularly, having regard to the rapid growth in the new suburbs around Dublin, the above figures do not reflect the full extent of the need for new school buildings and school places. While the numbers attending schools in rural and inner-city areas have in general tended to decline, this has been more than offset by the demand for new schools in centres of expanding population. The need for new places indicated by the above figures is, therefore, an underestimate.

3.92 As pointed out in Chapter 1 of this Programme, there is a very considerable backlog of sub-standard school accommodation at first and second level which will have to be replaced in the coming decade. The same is true at third level where it is expected that

one third of all space provided in the 1980s will be needed to replace sub-standard accommodation.

3.93 The manpower needs of the economy affect the education and training systems in a number of ways. First, at second-level, there is a need to further redress the traditional academic bias in the curriculum in the "secondary schools". Significant steps in this direction have already been taken but further progress is necessary. This shift of emphasis will increase the capital cost of providing school places as well as increasing subsequent current costs. Second, manpower considerations strongly influence planning for the third-level sector. The capital that will be available for this sector will have to be devoted principally to faculties and institutions engaged in equipping students for employment in an industrialising economy. In addition to the 12,200 new places which it is estimated will be provided at third level in the 1980s, accommodation for about 6,000 students in existing third-level institutions, mainly universities, has to be modernised or replaced. Third, manpower policy requires the continued expansion of the training capacity of AnCO - the Industrial Training Authority. The overall aim of AnCO activities is to promote and provide training, including apprenticeship training, with the goal of raising the skills of the Irish workforce at all levels in commerce and industry to the highest international levels.

3.94 As already indicated, a formidable amount of building is required in the primary education sector to cater for a growing population, changing migration patterns and accumulated obsolescence of existing buildings. In all, it is planned to provide 600,000 sq. metres of space in the period up to 1990 of

which 365,000 sq. metres will be required to replace existing class-rooms. Between 90 per cent and 95 per cent of the capital cost of new places will be borne by the Exchequer.

3.95 While school attendance has ceased to be compulsory for those over 15 years of age, it is Government policy to provide school places for all children wishing to complete second-level education which usually ends at age 17/18. This policy, coupled with the decision in 1968 to provide free second-level education for all children and taking into account the rapidly growing population, led to a very rapid increase in numbers attending second-level schools. For instance, in 1966/67, there were 152,000 pupils in second-level schools, whereas in 1980/81, the number of pupils is estimated at 301,200. By 1990, it is estimated that numbers will have risen to 336,100. In the present decade it is estimated that a total of 550,000 sq. metres of school space will have to be provided and of this about 55 per cent will be for replacement of existing obsolete accommodation. As in the case of the primary sector, the vast bulk of the capital required for this building programme will have to be raised by the Exchequer.

3.96 There is an urgent need to continue the adaptation of the second-level curriculum so that pupils leaving school will be better equipped for working life. Among the initiatives which are to be taken to achieve this end, perhaps the most important is the Government decision to set up an independent Curriculum Council. This Council, which will be representative of educational, cultural, commercial and agricultural interests, will advise the Minister for Education on the planning and implementation of the necessary changes in the curriculum and syllabi.

3.97 At third level, it is envisaged that the number of places will be increased by 12,200 during the present decade. These additional places will be provided mainly in institutions and faculties equipping students for employment in an industrialising economy. Of the 12,200 places, it is intended that 3,000 will be in the National Institute for Higher Education in Dublin; a further 2,000 will be in the National Institute for Higher Education in Limerick; 3,000 more will be in new Regional Technical Colleges to be built in the Dublin suburbs, while a further 1,000 will be provided in existing Regional Technical Colleges. The remaining 3,200 places will be provided in existing universities. In addition, a further 6,000 places will have to be provided mainly in the universities, to replace existing obsolete accommodation.

3.98 In 1980, 12,275 people were trained by AnCO - the Industrial Training Authority - at its training centres throughout the country. Of all adults who completed mainstream courses in 1980, 70 per cent were immediately placed in employment. The Government consider that the further development of AnCO is necessary to cater for the training needs of industry and commerce. In 1980, the number of training places available at AnCO training centres was 4,077. The Authority envisages having 6,130 training places available at its centres by 1983. In addition, it estimates that it will have the use of at least 1,800 training places in industry so that, by 1983, it would have an overall total of 7,930 training places available.

3.99 In recent years, the number of craft apprentices registered with AnCO has increased from 15,400 in 1975 to 21,500 in December,

1980. The Authority is doing all it can to maintain the number of apprentices and to add to it where possible despite the current recession and in this it is receiving the whole-hearted cooperation of trade unions and employers.

3.100 The Government's plans in the manpower area are to increase the output of skilled people at all levels, including craft, technician, and professional, as quickly as possible so that when the upturn from the current recession occurs, the manpower shortages that appeared during the recovery from the last recession will not be repeated. Ireland receives valued assistance from the Social Fund in this area of vocational training and looks forward to additional resources being made available over the period of the Programme, not only for training but also to help alleviate youth unemployment.

Housing

3.101 As indicated in Chapter 1, the record level of new houses constructed in the last decade has made very little impact in reducing the pressure of demand for housing, due largely to demographic factors. Thus, while the average annual rate of completions in the 1970s of 22,281 was more than double that recorded in the 1960s i.e. 9,270, it is now estimated that for the coming five years the national housing programme will have to be geared to providing annual completions in excess of the 25,000 benchmark adopted in the later years of the 1970s. This is in marked contrast to the position in most other Member States of the Community where there has been very little growth and even decline in the rate of house completions in recent years. The Minister

for the Environment has undertaken to publish a comprehensive housing programme in 1982.

3.102 Other main objectives of the housing programme, apart from the aggregate completion targets, will be the continuation of the encouragement of owner occupation, an improvement in the quality of the existing stock, a reduction in the proportion of investment in housing financed from public funds coupled with an increase in private sector investment and the encouragement of investment in private rented accommodation. This latter is a matter for serious concern in view of the decline in the provision of such accommodation over the last few decades and the age structure and increasing mobility of the country's population.

3.103 The housing programme offers a wide range of direct aids and incentives. These include capital grants to finance direct investment in local authority housing, local authority loan finance to assist those who would not be in a position to borrow from private lending institutions, direct purchase grants of IR£1,000 (1,449 ECU), a three-year mortgage subsidy of IR£3,000 (4,348 ECU) for first time purchasers of new houses, introduced in 1981, and income tax relief for mortgage interest payments.

3.104 Among the further measures which the Government will introduce will be the establishment of a Housing Finance Agency which will be designed to tap further private institutional funds and thereby encourage additional investment in housing. Legislation

establishing the Agency has been passed by both Houses of the Oireachtas (Parliament) and is due to come into effect early in 1982.

Socio-Cultural Amenities

3.105 When the Government introduced the first scheme of direct assistance to the National Bodies of Sport in Ireland in 1970, it was hoped that this investment would have the effects of increasing the number of persons taking part in regular physical recreation as well as improving the standards of performance in each sport. This policy has been very successful and, at present, Ireland is witnessing a dramatic increase in the numbers of people involved in sport, as well as a steady improvement in standards.

3.106 In 1980, the Government sanctioned a major programme for the provision of sports recreation centres throughout the country. One third of the funds came from local sources, one third from the Employment Guarantee Fund set up under the First National Understanding and one third from Government. Sixty projects were approved costing about IR£9 million (13m ECU). A further allocation from the Employment Guarantee Fund set up under the second National Understanding has been approved and together with local contributions, total expenditure under the second phase will come to about IR£7 million (10m ECU). Further resources for the continuation of the programme will be allocated as and when financial circumstances permit.

Environment and Physical Planning Policy

3.107 Since 1978, each Minister has been given specific responsibility to ensure that the environmental effects and

implications of policies, programmes and projects undertaken by his Department and agencies for which he is responsible are fully considered before decisions are taken and that such decisions take due account of environmental considerations, including national environment policy. The Minister for the Environment has general responsibility to promote the protection and improvement of the physical environment, in addition to specific environmental functions, and the Environment Council provides advice to him in relation to his environmental functions. The Inter-departmental Environment Committee promotes communication and co-ordination between Departments on environmental matters. In addition, the Government have an on-going programme of review of environmental legislation to ensure that it is adequate to meet the needs of a developing economy.

3.108 The Government's intention is that there should be a comprehensive plan which will ensure that economic development does not injure the environment or the country's cultural heritage. Such a plan will comprise a number of policy and practical elements but will rest essentially on the proper operation of the physical planning and pollution control systems. The operation of the systems is being examined to see how they might be improved and made more effective and what additional controls are needed. The possible need for a national strategy for development is to be considered in conjunction with the review of regional policy which is currently taking place.

3.109 It is recognised that certain development carries with it a risk to the environment whether it be by way of visual intrusion,

topographical degradation or the emission of pollutants or nuisances. Accordingly, controls on development are exercised in the first instance by the application at local level of the physical planning code whereby the eighty-seven planning authorities in the State determine, in their development plans, the land use to be permitted in their areas. Furthermore, development in any of the determined areas can be undertaken only after permission is obtained from the relevant planning authority or by way of appeal to a central appeals board (An Bord Pleanála) against a refusal of permission by the planning authority. Where permission is sought in respect of development for the purposes of trade or industry the cost of which may be IR£5 million (7 mECU) or more and which has a propensity to emit pollutants, the developer is required to submit an environmental impact study with his application for permission.

3.110 There may be additional requirements arising from any Community directive in relation to Environmental Impact Assessment (EIA). A draft directive relating to EIA has been proposed by the Commission to the Council and is currently under discussion. The physical planning legislation has been up-dated and a Water Pollution Act was passed in 1976. A programme for dealing with the problems of the control and supervision of waste, including toxic and dangerous wastes, was published earlier this year. New regulations on waste have been introduced. Environmental legislation in other areas is being examined with a view to improvement and modernisation.

Investment

The Public Capital Programme

4.1 The Public Capital Programme (PCP) comprises the investment expenditure of the State itself, local authorities and State-sponsored bodies and other State agencies. In 1981, the value of the PCP increased by 41 per cent and accounted for an estimated 56 per cent of projected gross fixed capital formation, a level which had been achieved only once before since 1960. In drawing up the Public Capital Programme, a distinction is drawn between three broad categories of investment:

- directly productive investments: In 1982, approximately IR£418 million (606 mECU) has been allocated for expenditure on this category
- productive infrastructural investments which provide essential services such as energy, water supplies, roads and telecommunications: approximately IR£ 830 million (1,203 mECU) has been allocated in 1982 for expenditure on productive infrastructure
- social infrastructural investments in dwellings, health, education and the social services and in public amenities,

which are a prerequisite for economic development as well as essential for the welfare of the Community: IR£467 million (677mECU) has been allocated to this category in 1982.

4.2 In line with previous trends, the requirements for publicly funded investment will be considerable. However, the increase in the volume of the PCP in 1981 cannot be repeated. The Government are committed to the concentration of borrowing on productive investment and to the restoration of balance in the public finances. Investment needs must be met within the framework of this overall budgetary objective. Debt service charges accounted for 21.4 per cent of current spending in 1980. Investment expenditures, which do not remunerate their capital, add to the burden of debt servicing and to the difficulty of eliminating the current budget deficit. Therefore, new proposals for capital expenditures will be subjected to rigorous evaluation as to whether they are of the appropriate order of priority and will yield good value for money.

4.3 This evaluation will be applied equally to investments undertaken for economic and social reasons. Not all desirable investments can be made simultaneously and, over the period of this Programme, primary emphasis will have to be given to directly productive and related infrastructural investment, in order to promote self sustaining employment.

4.4 About 25 per cent of the Public Capital Programme is accounted for by social investments which are not undertaken primarily for the contribution they can make to economic performance though, in fact, they are in many cases an absolute

prerequisite to economic development. These investments do not remunerate the capital employed. However, aside from social policy considerations, failure to provide adequate housing and health-care facilities can give rise to serious and expensive problems. They therefore cannot be foregone but, because of the need to restore balance to the current budget, proposals for investment expenditure within the social category will have to be stringently related to the requirements of social justice and equity.

4.5 A very high proportion - some 30 per cent in 1980 - of investment expenditure is spent on imports. This is the inevitable consequence of the limited capacity of the country's manufacturing sector to produce capital goods. In this regard, receipts from the Regional Fund act to ease the constraint of the balance of external payments on investment expenditure thus making possible some worthwhile investment projects which otherwise would have to be deferred because of reasons of external balance.

4.6 Estimates for the capital investment programme on the three broad categories of investment, set out above, are based on the preliminary programme envisaged by the Government for 1982 and are outlined in Tables 4.1, 4.3 and 4.4. The estimates for the succeeding years are essentially very tentative and an extrapolation from the 1982 base taking into account possible trends in expenditure. The outcome of the consultations and decisions on the National Plan influences the actual investment possible in the light of the available resources including resources to be made available through Community instruments.

Directly productive investment

4.7 The extent and timing of private sector investment in the expansion and modernisation of the productive base of the economy will largely determine the programme of supporting expenditure in the Public Capital Programme. In this regard, the Government will endeavour to ensure that sustainable growth is not constrained by any lack of public sector support. This will include provision for related current expenditure on industrial promotion and development, including export promotion. The major agencies concerned are the IDA and SFADCo, the two main industrial promotion agencies, and the ICC which supplements the activities of the commercial banks in providing loan finance. As regards public sector enterprises, the role of the proposed National Development Corporation and the National Enterprise Agency in the promotion of greater public sector enterprise has already been referred to in Chapter 3.

4.8 Tourism is an important industry in its own right and a significant export earner. As stated in Chapter 3, Government policy in relation to expenditure on tourism is being reviewed. The level of financing after 1982 will depend on the outcome of this review.

4.9 A profile of Public Capital Programme expenditure on the principal categories of directly productive investment is set out in Table 4.1.

Productive Infrastructure

4.10 In recent years, there have been major increases in the volume of investment in productive infrastructure, particularly in

Table 4.1

Public Capital Expenditure on Directly Productive Investment

Category	IR£ million (mECU) ¹ (1981 Prices)				
	1981 ²	1982	1983 ³	1984 ³	1985 ³
Industrial Credit and Promotion ⁴	330 (478)	350 (507)	361 (523)	376 (545)	399 (578)
Other Investment Industry	33 (48)	24 (35)	32 (46)	31 (45)	32 (46)
Services and Industry	26 (38)	31 (45)	28 (41)	29 (42)	29 (42)
Material Investment	7 (10)	8 (12)	9 (13)	9 (13)	9 (13)
Tourism (includ- ing SFADCo.)	5 (7)	5 (7)	see paragraph 4.8		
Total	403.33(585)				

telecommunications, energy, roads and sanitary services. Government investment in these four areas in 1981 was estimated to be 100 per cent higher in real terms than in 1978. The scale of the increases is illustrated in Table 4.2. The investment programme is intended to

Figures have been rounded

Expected outturn (1981 prices)

Estimates (see paragraph 4.6)

No provision has been made for the National Development Corporation (NDC) in this table as no specific decisions have been taken about its operations. The NDC may also have implications for the infrastructural investment profile set out in Table 4.3.

Table 4.2

Public Capital Expenditure on Main
Infrastructure Programmes

Programme	IR£ million ¹ (mECU)							
	1978		1979		1980		1981	est. outturn
Energy	83	(120)	93	(134)	155	(224)	240	(348)
Telecommunications (excl. RTE)	54	(78)	78	(113)	123	(179)	220	(319)
Roads	23	(33)	30	(43)	36	(52)	60	(87)
Harbours	3	(4)	7	(10)	13	(18)	13	(18)
Internal Transport (CIE)	12	(17)	15	(22)	23	(33)	45	(65)
Access Transport (Air and Shipping Companies)	15	(22)	23	(33)	31	(45)	37	(53)
Sanitary services	33	(48)	40	(58)	51	(74)	70	(101)

¹ rounded

overcome the existing deficiencies in infrastructural services, outline previously, particularly in the case of telecommunications and to meet future requirements. With the support of the Community, including that of the Regional Fund, the Government intend to continue a high level of investment in these services. However, because the present level of overall infrastructural investment is so high, no increase in that level is envisaged, though some changes in its composition will take place. Public Capital Programme investment in this category is expected to follow the broad pattern set out in Table 4.3.

Table 4.3
Infrastructural Programmes* 1981-85

Category	IR£million ¹ (mECU) (1982 prices)									
	1981 ²		1982		1983 ³		1984 ³		1985 ²	
Energy	240	(348)	320	(464)	314	(455)	321	(465)	327	(474)
Telecommunications (excl. RTE).	220	(319)	220	(319)	196	(284)	191	(277)	185	(268)
Roads	60	(87)	70	(101)	71	(103)	76	(110)	78	(113)
Harbours	13	(19)	12	(17)	9	(13)	9	(13)	9	(13)
Internal transport	46	(67)	56	(81)	38	(55)	22	(32)	22	(32)
Access transport	37	(54)	29	(42)	30	(43)	30	(43)	30	(43)
Sanitary services	70	(101)	80	(116)	90	(130)	91	(132)	93	(135)
Government direct construction works	26	(38)	34	(49)	39	(57)	33	(48)	33	(48)
Other productive infrastructure	7	(10)	9	(13)	9	(13)	5	(7)	4	(6)

¹ Figures have been rounded

² Expected Outturn (1981 prices)

³ Estimates (see paragraph 4.6)

Energy

4.11 The bulk of investment over the period will be by the Electricity Supply Board whose expenditure (at 1982 prices) is expected to increase from IR£228 million (330 mECU) in 1982 to IR£256 million (371 mECU) in 1985. Expenditure by Bord Gais will be about IR£51million (74 mECU) in 1982 and IR£22 million (32 mECU) in 1985 (both in 1982 prices) and by Bord na Mona IR£35 million (51 mECU) in 1982 and IR£42 million (61 mECU) in 1985 (both in 1982 prices).

Telecommunications

4.12 Meeting the targets of the accelerated telecommunications programme, discussed in Chapter 3, will require a high level of investment. Expenditure on telephones is planned to reach a peak this year. It should then gradually decrease towards the middle of the decade. As the network is rebuilt and extended, future growth will be catered for so that other services can be provided eventually e.g. facsimile transmission, public mobile radio telephones etc.

Roads

4.13 The Government intend, over the period to 1985, to increase the level of investment on roads. The provision in 1981 of IR£60 million (87 mECU) represented a 40 per cent real increase on the previous year's allocation.

Transport

Internal transport

4.14 As already pointed out earlier, the cost of replacement of rolling stock on the mainline rail service is expensive and provision has not been made for it in the investment profile beyond 1982. Furthermore, provision for future electrification schemes has not been made in Table 4.3. The investment figures to 1985 relate to the completion of the Howth/Bray electrification project, which has been possible only because of Regional Fund aid. The purchase of new buses is also included.

Access Transport

4.15 Meeting the requirements of Aer Lingus and of Irish Shipping Ltd, as discussed in Chapter 3, would require high investment in coming years.

Harbours

4.16 Expenditure in 1981 was concentrated on projects at Dublin, Cork and Foynes and estimated to be approximately IR£13 million (19 mECU). As major development schemes are completed, expenditure is expected to decline slightly and then stabilise.

Water and Sewerage Services

4.17 The level of investment in water and sewerage services, which has been stepped up very considerably in the recent past, should increase further in the period up to 1985. It is also envisaged that there will be expansion in investment in rural group water supply schemes, facilitated by Government grants and availability of FEOGA funds under the Western Drainage Scheme.

Social and other Investments

4.18 Finally, public sector investment in housing, health, and education at over IR£400 million (580 mECU) in 1981, constituted a very necessary but substantial draw on resources. As mentioned previously, social investment is not undertaken primarily for the contribution it can make to economic performance and it is not expected to generate the resources required either to remunerate the investment or to meet the current costs of running the schools, hospitals and other buildings provided. Such costs have to be met from current public revenue as they arise. Consequently, notwithstanding the urgency of many social needs, therefore, it will be possible for the public finances to support only a small increase in real terms in social investment before 1985, unless additional funds for this purpose were to become available through Ireland's membership of the European Community. Given planned progress in reducing the current budget deficit outlined below, the Government

would propose to provide annual allocation's for this category of investment slightly above the 1981 level. Careful apportionment of these allocations among the various social and other investment proposals will continue to be required on a year to year basis.

4.19 Table 4.4 shows the estimated level of social infrastructural investment over the period of the Programme.

Table 4.4

Social Infrastructural Programmes

	IR£million (mECU) ¹ (1982 Prices)				
	1981 ²	1982	1983 ³	1984 ³	1985 ³
Housing	270 (391)	290 (420)	314 ⁴ (455)	316 ⁴ (458)	317 ⁴ (459)
Health	45 (65)	49 (71)	49 (71)	49 (71)	49 (71)
Education & Training	90 (130)	110 (159)	96 (139)	103 (149)	107(155)
Other Social	17 (25)	18 (26)	18 (26)	18 (26)	19 (28)

¹ Figures have been rounded

² Expected outturn (1981 prices)

³ Estimates (see paragraph 4.6)

⁴ This does not take account of non-Exchequer financed investment in housing by the Housing Finance Agency which is due to be established in 1982 (see paragraph 4.20).

4.20 In 1981, Government capital outlay on housing, estimated at about IR£270 million (391 mECU), showed an increase of 25 per cent on the 1980 outturn of IR£216 million (313 mECU). There was a considerable expansion of local authority loan financing, while an injection of IR£30 million (43 mECU) in July 1981 into the local authority housing programme helped maintain the level of activity in that sector and, to a certain extent, offset the effects of the recession in the private housing market. In general, it is expected that this high level of Government investment in housing, will be maintained in the period up to 1985 and perhaps even increase modestly in the later years. In addition, the establishment of the Housing Finance Agency in 1982 will provide an important new source of investment in housing. The Agency will be a public body which will provide loan finance for prospective home purchasers who might not be in a position to acquire loans from private lending institutions. It will be financed exclusively by the issue of Exchequer guaranteed bonds to pension and life funds and loan repayments. In 1982, the Agency is expected to finance investment of IR£50 million (72mECU) in housing, increasing thereafter. (This expenditure is not included in Table 4.4). There will be a statutory limit of IR£200 million (290mECU) on the Agency's borrowings. The establishment of the Agency should facilitate a decline in the proportion of total investment in housing financed by the Government as will the anticipated recovery by the private sector from the effects of the recent recession, scarcity of funds and historically very high interest rates.

Role of Community Instruments

4.21 As already outlined, the development needs of the economy require massive levels of investment beyond the capacity of the

country to sustain on its own. Community participation is therefore absolutely essential. The projected expenditure patterns set out in Tables 4.1, 4.3 and 4.4 are based on a realistic assessment of the level of development which the country will be able to sustain, with the support of Community transfers, but which is significantly less than what would be desirable for maximum growth were the finance to be available. In drawing up these projections, therefore, account has been taken of estimated Community resource transfers, particularly through the Regional Fund and the Community lending instruments.

4.22 As far as the Regional Fund is concerned, it is essential that recent trends in the growth of the Fund should continue and that its efforts be concentrated in the areas of greatest need in the Community. This would enable the Fund to play a more important role in the country's development, than has been possible in the past, as outlined in Chapter 1. The Community lending instruments, on the other hand, are expected to continue to provide financing at about the present level during the Programme period. The projected public expenditure estimates set out in Tables 4.1, 4.3 and 4.4 were based on the estimates of resources expected to be made available by the Community set out in Table 4.5.

Table 4.5

Estimated Community Receipts 1981-85

	IR £ million (mECU) (1981 Prices)				
	1981	1982	1983	1984	1985
Regional Fund Receipts	55(80)	62(90)	72(104)	90(130)	110(159)
EIB/NIC Loans	253(367)	235(34)	235(341)	200(290)	200(290)

Introduction

5.1 The progress of this Programme will be carefully monitored and the impact of the strategy contained therein will be reviewed at the end of each year. Immediate prospects for the following year will be assessed and investment and budgetary measures settled that will maximise progress for that year. At the same time the medium-term perspective will be rolled forward by one year, account will be taken of progress in the realisation of conditions for securing higher employment and any necessary modifications made in the overall strategy.

5.2 Successful implementation of the policies set out in this Programme depends on co-operation between the Government and the social partners. The application of measures in the area of the Government's direct responsibility alone will not be enough. It needs to be flanked by private sector initiative and trade union readiness to participate in raising efficiency, output per worker and competitiveness. The procedures followed in arriving at the First and Second National Understandings, together with the Sectoral Development Committee, the National Development Cooperation/National Enterprise Agency, the NESC and regular direct consultations with Government provide a ready means for the social partners to influence policy, help in formulating measures to give it effect and to contribute to their operation. The Government will make use of all these arrangements to enable the social partners to make their full

contribution to strengthening the economy and bringing it through a period of considerable difficulty. In the absence of that co-operation, the possibilities of progress will be less certain and its likely extent more limited and liable to fall short of what is required to meet national aspirations for higher employment and better living standards.

Responsible Bodies

5.3 The main Departments of State/State Agencies involved in the preparation and implementation of the Programme are set out in Table 5.1.

5.4 Overall responsibility for the implementation of the Programme rests with the Department of Finance. While the primary function of the Department is the administration and business generally of the public finances of Ireland and of all powers, duties and functions connected with the same, it also has amongst its statutory functions the promotion and co-ordination of economic and social planning, the identification of appropriate policies for economic and social development and overall responsibility to review the implementation of plans. It has responsibility for pursuing these functions at national, regional and sectoral levels. It therefore has responsibility for reviewing the implementation of this Programme and for ensuring consistency between its different parts.

5.5 A number of changes in the structure of Government was announced in July 1981. A new Department of Industry and Energy has been established to which have been transferred the functions of the Minister for Energy and of the Minister for Industry,

Commerce and Tourism in regard to industry. The new Department of Industry and Energy is concerned with national policy in relation to all aspects of industry and to the supply and use of energy in all its forms and to the exploration and development of minerals and petroleum. It also has responsibility for coordinating the activities of the State-sponsored bodies entrusted with the development of industry and indigenous natural resources viz the Industrial Development Authority (IDA), Shannon Free Airport Development Company (SFADCo), Electricity Supply Board (ESB), Bord Gais (Gas Board), Nuclear Energy Board (which was set up to advise the Government on all aspects of nuclear energy).

5.6 The Department of Trade, Commerce, and Tourism is responsible inter alia, for the formulation of national policies connected with all aspects of trade and tourism and for functions in the services area. It coordinates the activities of Bord Failte Eireann (State Tourist Board) which has the function of developing and promoting tourism in Ireland and which is assisted in this task by eight Regional Tourism Organisations (RTOs). Also operating under the aegis of this Department is Coras Trachtala Teo (CTT) - the Irish Exports Board - whose function is to promote and develop exports.

5.7 Roinn na Gaeltachta (the Department of the Gaeltacht - Irish speaking areas) has as one of its functions the promotion of the cultural, social and economic welfare of the Gaeltacht. Udaras na Gaeltachta (The Gaeltacht Authority), a State Agency which operates under the aegis of the Department, is concerned with

establishing, developing and maintaining industries and productive schemes of employment in the Gaeltacht and may be given additional powers for the purpose of promoting the linguistic, cultural, social, physical and economic development of the Gaeltacht.

5.8 The Department of Agriculture is responsible for the development of the agricultural industry and it is aided in this task by the activities of ACOT (An Comhairle Oiliuna Talmhaiochta - Council for Development in Agriculture) which was set up to further the development of agriculture through the provision of education, training and advisory services. An Foras Taluntais (The Agricultural Institute) undertakes, promotes and coordinates agricultural research in Ireland.

5.9 The Forest and Wildlife Service of the Department of Fisheries and Forestry is charged with the development of afforestation and the Fisheries Division of the Department with the conservation, improvement and development of the country's sea and inland fisheries. It channels State funds to a number of other bodies concerned.

5.10 The Department of Posts and Telegraphs' main function is the operation of the public postal, telephone and telegraph services of the State. In 1980 two interim boards - An Bord Telecom (The Telecommunications Board) and An Bord Poist (The Postal Board) - were established in order to give effect to a Government decision to set up two separate State-sponsored companies for the postal and telecommunications services.

5.11 The Department of Transport is concerned with the formulation of national policies connected with aviation, shipping and harbours, and rail and road transport. Included among the State-sponsored bodies which come under the aegis of this Department and which are charged with the implementation of these policies are Coras Iompar Eireann (State Transport Company) Aer Lingus (State Airline) and B+I Shipping.

5.12 The Department of the Environment guides and coordinates at national level the activities of local authorities who in turn are responsible within their own defined areas for such diverse matters as planning development, environmental services, pollution control, fire services, housing, water and sewerage schemes and building and maintaining roads. The National Building Agency undertakes the provision of houses on an agency basis for local authorities.

5.13 The administration of public education in Ireland is the concern of the Department of Education. The Higher Education Authority (HEA) was established to further the development of higher education. The National Council for Educational Awards (NCEA) is the State Agency responsible for the development and promotion of technical, industrial, scientific, technological and commercial education and education in art and design outside the universities.

5.14 The Department of Health has overall control of the services provided by the health authorities throughout the country. Eight Regional Health Boards were set up in 1970 to administer the country's health services.

5.15 The Departments of Labour and the Public Service have responsibility for industrial relations generally. The Department of Labour is also concerned with manpower policy, including the training and retraining of workers, and the operation of placement and guidance functions through the National Manpower Service. AnCO's (the Industrial Training Authority) primary function is to raise to the highest international standards the skills of the Irish workforce at all levels in industrial and commercial activities. CERT (Council for the Education, Recruitment and Training of staff for the Hotel, Catering and Tourism Industries) is the national body responsible for coordinating the education, recruitment and training of staff for the hotel, catering and tourism industries.

Table 5.1

Main Departments of State/State Agencies involved
in preparation and implementation of the Programme

Tasks	Main Department (s)	Other State Agencies ¹
Overall economic and social policy; national, sectoral and regional planning; regional policy; budgetary and monetary policy	Finance	County Development Teams; Central Bank; National Enterprise Agency
Industrial development; Energy and Mining	Industry and Energy, Gaeltacht, Trade Commerce and Tourism	Industrial Development Authority (IDA); Shannon Free Airport Development Company (SFADCo); Industrial Credit Company (ICC); Foir Teoranta; Coras Trachtala Teo (CTT) (Irish Export Board); Udaras na Gaeltachta (The Gaeltacht Authority); Electricity Supply Board; Bord Gais (Gas Board); Bord na Mona (Peat Development Board); Nuclear Energy Board
Tourism	Trade, Commerce and Tourism	Bord Failte (Irish Tourist Board)
Agriculture, land, forestry, fisheries	Agriculture, Fisheries and Forestry	An Comhairle Oiliuna Talmhaiochta (AnCO) (Council for Development in Agriculture); An Foras Taluntais (Agricultural Institute); An Bord Iascaigh Mhara (Sea Fisheries Board)
Telecommunications	Posts and Telegraphs	An Bord Telecom (Telecommunications Board); An Bord Poist (Postal Board).
Transport	Transport	CIE (State Transport Authority); Aer Lingus (State Airline); B+I; Irish Shipping.

¹ Arrangements are also being made for the establishment of a National Development Corporation the responsibilities of which will include the promotion of enterprise and development in the public sector.

Tasks	Main Department(s)	Other State Agencies
Infrastructure Investment (physical planning, sanitary services, roads, housing, harbours, airports, tourism, education and health)	Environment, Transport (for investments in harbours and airports), Trade, Commerce and Tourism (for investments in tourism), Fisheries and Forestry (for fishing harbours), Gaeltacht (for investment in Gaeltacht areas), tional infrastructure), Health (for health infrastructure).	Local Authorities; An Bord Pleanála (The Planning Board); National Building Agency; An Foras Forbartha (National Institute for Physical Planning and Construction Research); Harbour Authorities; Bord Fáilte (Irish Tourist Board) HEA (Higher Education Authority); NCEA (National Council for Educational Awards;) Regional Health Boards
Incomes Policy	Finance and Public Service	Labour Court
Industrial Relations	Labour and Public Service	Labour Court
Manpower Policy	Labour	National Manpower Service; AnCO (Industrial Training Authority); CERT (Council for the Education, Recruitment and Training of staff for the Hotel, Catering and Tourism Industries).
Science Policy	Taoiseach (Prime Minister)	National Board for Science and Technology

INCENTIVES FOR DEVELOPMENT

1. This Annex provides additional information on industrial incentives.

INDUSTRIAL AIDS AND INCENTIVES

2. One of the primary aims of the Government's investment strategy is to accelerate the annual rate of investment in manufacturing and service industry, which will provide the bulk of the increases in employment over the Programme period. The main aids and incentives provided at present to encourage industrial investment are described below.

Capital Grants for New Industries (including major expansions)

3. Industrial grants are provided, mainly by the Industrial Development Authority (IDA), towards the cost of fixed assets (including sites, site development, buildings, machinery and equipment) for approved new industry. The administration of these grants is flexible within the strict constraints imposed by the Authority's governing legislation. In order to qualify for a grant, an industrial undertaking must satisfy the following criteria:

- contribute to employment creation or maintenance
- require financial aid
- be of a reasonably permanent and efficient nature.

The rates of grant are up to 40 per cent of the investment cost in the designated areas (see Map 1.2) and up to 25 per cent in other areas.

4. An additional grant of up to 20 per cent of the fixed asset investment cost can be given in all areas, if the criteria listed below are fulfilled:

- the significance and character of the employment likely to be provided warrants the further grant
- the undertaking will result in the development or utilisation of local resources or will achieve significant linkages with existing firms or potential new enterprises
- a high technological or scientific content or
- exceptional growth potential.

5. The legal maxima are therefore 60 per cent in the designated areas and 45 per cent in the other areas. The grants are subject to a limit of IR£2.5 million (3.6 mECU) per company, which may be exceeded with the specific agreement of the Government. In such cases, the maximum rates must be respected.

Other Aids and Incentives for New Industries

6. In addition to making available capital grants, the IDA may also encourage investment by providing in certain cases

- interest subsidies
- loan guarantees
- equity participation
- rent subsidies
- training grants

7. Infrequent use is made of interest subsidies and loan guarantees. The capitalised value of any rent subsidies together with the amount of the capital grants towards fixed assets may not exceed the percentage limit laid down for such capital grants (see above).

Grants for Small Industries

8. The IDA provides assistance for the development of existing small industries and for the establishment of new ones. Projects assisted are normally those employing less than 50 people with a fixed asset investment of less than IR£0.4 million (0.6 mECU). Grants towards fixed assets costs (including sites, new buildings, extension or reconstruction of existing buildings and new machinery and equipment) are negotiable up to 60 per cent in the designated areas; in other areas the grant rate is up to 45 per cent.

Enterprise Development Programme

9. Under this programme which is designed to encourage "first-time" entrepreneurs to set up their own businesses, the normal financial assistance provided by the IDA for new projects can be supplemented by IDA guarantees for loans raised towards working capital and grants towards the reduction of interest payable on loans raised to provide working capital.

Research Grants

10. Research or development projects which create or perfect industrial processes, methods or products in the country, particularly through the use of local resources, or offer prospects of expansion to existing industries or of promotion to new industries are eligible for grants up to 50 per cent or IR£0.25 million (0.36 mECU) per project, whichever is the lesser.

Employment Grants for Service Industries

11. Since September 1981, the IDA is empowered to provide employment grants towards the employment of persons in international growth-oriented service sectors, such as computer software services, research and development centres, technical and consulting services, etc. The maximum amount of such grants is fixed under the terms of the Commission Communication on the Principles for Regional Aid Systems.

Grants from Other Sources

12. The Shannon Free Airport Development Company (SFADCo) provides grants of up to 50 per cent of the cost of machinery and equipment in the case of industry locating in the Shannon Free Airport Development Zone. In addition SFADCo rents or leases industrial buildings in the zone and to small industries in the Mid-West planning region generally on the basis of cost price. In exceptional cases, the rent may be subsidised. SFADCo has special responsibility for the intensive development of small indigenous industry in the Mid-West planning region and south west Offaly.

13. Udaras na Gaeltachta is charged with providing gainful employment for Irish speakers in the Gaeltacht (Irish-speaking) areas. It may provide grants of up to two-thirds of fixed assets of enterprises and may also take shares in companies. Additional incentives for industrialists include training grants and factories for letting.

Fiscal Incentives

14. On 1 January 1981, a standard rate of corporation tax of 10 per cent was introduced for all manufacturing firms. Firms previously availing of complete tax relief under the former Export Sales Relief Scheme can continue to do so until 1990 or alternatively may choose to opt for the new rate. A similar scheme involving a 10 per cent tax rate applies from 1 January 1981 to service companies in the Shannon Free Airport Development Zone.

15. Free depreciation is available for investment in new plant and machinery. Free depreciation is also available for industrial building on a net cost basis i.e. after deduction of State grants payable. In the 1981 Budget, a scheme of capital allowance on industrial buildings was introduced in order to encourage private sector financing. Under this scheme, an initial allowance of 50 per cent will be available on expenditure incurred after 28 January 1981 on industrial buildings leased to State-sponsored industrial promotion agencies for sub-leasing to industrial occupants.

16. The system of stock relief introduced in 1975 as a temporary measure to counteract the effects of inflation on the liquidity of firms was extended for a further year in the 1981 Budget.

Rates Remission

17. In the designated areas, a reduction of two-thirds on rates (a form of annual tax on land and buildings levied by local authorities) may be allowed for ten years in respect of grant-aided industrial premises.

Tourism Incentives

18. The Tourism Traffic Acts empower Bord Failte Eireann (the State Tourist Board) to make grants in the interests of tourist development. The Board has administrative discretion in the operation of its grants schemes but the principles of all but minor schemes require Ministerial approval. Accommodation grant schemes provide incentives for the provision and upgrading of accommodation. A self-catering accommodation scheme has recently been introduced, directed mainly towards the less-developed areas. Other schemes encourage commercial tourism activities such as cabin cruising, angling, sailing, equestrian activities and promote the development of general amenities and facilities. The Board's funds are provided almost entirely from the Exchequer. The activities of CERT (the organisation responsible for training in the tourist industry) are being expanded to meet the expected demand for trained personnel.

19. The National Manpower Service provides a placement and guidance service which assists employers to find suitable workers at all levels from unskilled to professional and management and to help people looking for jobs to find suitable employment. It provides information about training and careers and a special occupational guidance back-up service is available for persons referred to it by the placement service. The Service also collects and coordinates information on the labour market and operates a scheme of resettlement assistance. It is involved in the administration of the various youth job creation schemes referred to in Table 1.11.

Manpower-Training

20. Industrial training is carried out by the Industrial Training Authority (AnCO), CERT, and the Irish Management Institute (IMI).

AnCO

21. AnCO's operations may be described under four main headings:

- direct training at special training centres
- the regulation of apprentice training
- the organisation of company-based training
- technical assistance grants scheme.

The State grant for AnCO (exclusive of capital) for 1980 was IR£17.55 million (25.43 mECU) for current expenditure and IR£6 million (8.7 mECU) for capital expenditure. It is estimated that this expenditure of IR£23.55 million (34.13 mECU) should attract IR£18.31 million (26.5 mECU) in ESF aid.

Direct Training

22. AnCO has rapidly expanded its training capacity in recent years in line with the target (proposed by the ORCD Report on Manpower Policy in Ireland) of having a training capacity of up to 1 per cent of the labour force and this pattern of expansion continued in 1980. Training for 12,275 adults and apprentices was provided in AnCO's fourteen permanent training centres and two temporary centres during 1980 as well as on Community Youth Training Programmes and Workshops projects operated through the centres. By the end of 1981, AnCO envisage that they will have 900 additional training places available in their own training centres. AnCO also utilises acceptable training facilities located in companies, State-sponsored bodies and educational institutions to provide a wide range of training courses.

Apprentice training

23. Statutory apprenticeship schemes are administered by AnCO to cover apprentices in certain designated trade groups. The trade groups designated by AnCO are Construction, Engineering/Metal, Electrical, Motor, Furniture, Printing and Dental Crafts. Suitable employers, having received the consent of AnCO, offer apprenticeships to young persons who, if they are qualified as regards age and education, are then registered by AnCO. AnCO may also sponsor apprentices directly to avoid any under-supply of key skills. The education and training of the apprentices are in both instances organised and supervised by AnCO.

Company-Based Training

24. By means of levy/grant schemes devised by industrial training committees which are representative of trade union and employer interests, industry is encouraged and assisted to define its own training needs and to prepare and implement programmes to meet those needs. In general the schemes provide that every firm above a certain size must pay a levy of between 1 per cent and 1.25 per cent of its total payroll into a specific fund from which grants of up to 90 per cent of the levy paid can be repaid in respect of specified training activities. There are levy/grant schemes operating at present in the following industrial sectors:- Textiles, Clothing and Footwear, Food, Drink and Tobacco, Engineering, Construction, Printing and Paper, Chemical and Allied Products.

Technical Assistance Grants Scheme

25. This scheme which is administered by AnCO is designed to promote training at management supervisory level and provides for the payment of up to 50 per cent of the cost of attendance at approved training courses by management and supervisory personnel in the manufacturing and distributive industries. In 1980, assistance was given to nearly 10,900 participants in courses and grants totalling approximately IR£0.9 million (1.3 mECU) were paid.

CERT

26. The main functions of CERT are the recruitment, training and placement of staff for the hotel, catering and tourism

industries. It is financed, in the main, by the State and the ESF but the industry itself also makes an annual contribution. Grants from the ESF amounted to IR£0.74 million (1.07 mECU) in respect of 1980.

Irish Management Institute

27. The Irish Management Institute (IMI) is an independent non-profit making organisation the objective of which is to raise the standard of management in Ireland. For this purpose, it provides a comprehensive programme of management development and training in which 5,000 participate annually. The IMI receives an annual grant from the State which amounted to IR£0.44 million (0.64 mECU) in 1980. Its training activities are eligible for assistance from the ESF which approved grants of IR£0.32 million (0.46 mECU) for 1980.

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The first regional development programme was prepared by the Irish Government and submitted to the Commission in 1977. It was published by the Commission in 1978 (Programmes collection, Regional policy series — 1978 — No 7).

The present (second generation) programme was submitted to the Commission in 1981. The Commission is publishing it for the purposes of information and does not take any responsibility for it.

Ireland, the population of which is 3.44 million, has a level of economic development well below the Community average. The country is facing in the present difficult general economic situation particularly severe employment problems due to the decline of agricultural employment, job losses in manufacturing, the growth of the active population.

The Irish programme covers the period 1981 to 1985. It contains a detailed statement of the economic and social situation and the development of the country as a whole. Disparities and regional problems at subnational level are also described. The declared central objective of the programme is to reduce unemployment, achievement of which is constrained in the short run by other policies (in particular the need to lower inflation and to restore equilibrium to the balance of payments and to public finance). However, job creation targets are not indicated at the subregional level. The section on measures in the programme deals particularly with general (incomes, industrial relations, efficiency and productivity) and sectoral measures, youth unemployment, productive and social infrastructure. For the first time there is a multiannual forecast of public capital expenditure by main expenditure categories. The programme underlines the important role of Community resources, in particular from the ERDF, for the development of the country.

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