Industrial Growth and Regional Development in the Republic of Ireland.

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SYNOPSIS.

This thesis sets out to examine the 'Irish Miracle' - the recent favourable economic performance exhibited by the Irish Republic, and more particularly the growth of the industrial sector, which has shown rapid and continuous development throughout the 1960's and '70's, which has been mainly export-led growth, and chiefly through foreign investment. It attempts to put this so-called 'miracle' into perspective, comparing the overall national economic trends with those of other 'western' economies, and, more importantly, looking at the extent of progress which has been made towards regional convergence within Ireland itself.

The first chapter outlines the general economic and industrial change which has taken place since 'Independence', and thus sets out the background against which more recent performance may be assessed. Particular attention is given to the reasons for, and the type of change which took place in the late 1950's, with the move from protection to industrial development under free trade. It further describes the country's short demographic history, which shows some links with economic performance, and which has been used as a barometer of national economic health.

Chapter two looks at the needs for both overall national economic growth, and for regional development to alleviate, in particular, the East-West differential in terms of economic and social wellbeing. Firstly, national performance is compared with that of other countries, chiefly in the E.E.C., showing the development gap which still has to be bridged, and thus outlining the case for national rather than a regional policy options to be pursued. The regional imbalance is also outlined, giving some idea of the regional planning problems to be faced. The discussion then focuses on the various development strategies which have been suggested, ranging from Buchanons growth centre strategy to the dispersed development advocated by the Government and by the Industrial Development Authority in the early 1970's. Those themes are further developed in chapter three which looks at the development of planning in Ireland at both the national and sub-national level. Emphasis in particular is given to the adequacies of regional planning to date, and to possible alternative mechanisms of enacting regional policies, which could loosen the administrative straight jacket imposed by central authorities.

The fourth, and main chapter, focuses attention on the Industrial Development Authority, which has a national responsibility to foster industrial development, and which has been largely responsible for the large volume of foreign investment which has been attracted to Ireland in recent years. The work of the Authority has influence beyong that of simply attracting industrial growth, and this has been recognised in its remit to foster national regional policy objectives. This, together with looking at the absolute volume of employment grôwth generated, and the main instruments behind this, overall performance will be looked at in terms of its compliance with regional development aims.

The main theme of the penultimate chapter is that of Ireland in the E.E.C. and in particular the benefits from Membership, as they relate to both industrial and regional development. More important is the future for Ireland within the E.E.C. which is highly dependent on the discretionary application of rules and regulations by the European Commission. Discussion in particular will centre on the Community's Competition Policy, mainly as it relates to State Aids to Industry, the continuation of which is vital to Ireland's future industrial prosperity. Consideration will be given to how the country has been affected by these Policy regulations to date, and possible implications for the future.

The concluding chapter looks at progress to date, and considers the possible repercussions of recent economic and demographic trends, and gives some tentative suggestions as to what the future might hold for Ireland. It will also consider any possible lessons which might be learned from recent experience in Ireland, relating both to industrial growth and to regional development.

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Introduction

The decade of the seventies has been marked by a general economic and industrial recession from which few developed economies escaped, and from which many have yet to fully recover. The general characteristics can be summarised as rapidly rising rates of unemployment, a decrease in the volume of productive investment and worsening balance of paymentsproblems. This latter factor can chiefly be attributed to substantial oil price rises, increasing the share of fuel in the import bill of most, if not all, Western nations, but even in the U.K. where expanding home production of oil provided some protection from these increases the overall picture has been one of almost total economic stagnation.

Throughout the above period, as in the decade before, many industrial sectors contracted severely in employment terms and underwent considerable structural change. The cushion of new foreign owned industry used in the sixties to soften the blow of resulting structural unemployment has, however, become a less realistic tool in offsetting the regional employment problems of the past decade. Acquisition for many of the traditional recipients has been restricted not simply due to a reduction in the available pool of mobile investment per se, but also as they have become less attractive locations in the face of increasing competition from developing countries offering more favourable financial inducements, lower wage levels and higher productivity.

In spite of the difficulties outlined already, one country in particular has attracted attention in Europe, exhibiting a much more favourable performance in the face of recession than most of its counterparts. Ireland, contrary to past experience, has confounded many critics by achieving quite substantial economic and industrial growth in recent years, but more significantly because of the rapid recovery made from the worst years of recession in the middle of the last decade. In both 1977 and 1978 it was the fastest growing economy in the O.E.C.D. (O.E.C.D. 1979, p.6), with the value of exports rising by about 60% over this two year period.

It is in the area of industrial performance, however, rather than overall economic achievements, that most attention will be devoted to in this thesis. Frequently referred to as the 'Irish miracle', one of the most notable aspects of development in recent years has been the rapid build-up of modern manufacturing activities in Ireland. Much interest, and indeed much anxiety has been expressed by fellow competitors at the phenomenal success experienced in attracting mobile investment in spite of fierce competition from elsewhere. Much of the credit for this must lie with the Industrial Development Authority (I.D.A.), a national organisation set up in 1949 to advise on and promote industrial growth, which is now acknowledged by many to be the foremost organisation of its type in Europe.

Ireland itself is a small, open and extremely centralised economy, but characterised also by internal problems of regional imbalance in terms of population distribution, income, employment structure and growth and social opportunity. From a regional planning point of view, the significance of recent events in Ireland lies in how growth policies at a national level have been combined with programmes for regional economic development. This is particularly demonstrated in the context of industrial development. With no statutory planning at a regional level, and very little power and even less resources in the hands of existing local authorities, it can be said that any regional planning which is carried out is largely the preserve of the I.D.A., being enacted through the Authority's 'Regional Industrial Plans'. Some issues which need to be investigated include the relationship between industrial and regional development, and the role of the I.D.A. in fostering national regional policy aims.

One of the most important developments in Ireland's history was entry into the European Economic Community in 1973. Many tangible benefits from membership can be highlighted, notably in the fields of job creation and regional development, aided in particular, by access to new sources of finance, including the European Regional Development Fund (E.R.D.F.) and the European Investment Bank (E.I.B.). However, an important issue which has not been given adequate attention to date concerns the legislative straight-jacket within which much of E.E.C. policy is confined. A major question mark hangs over the present operations of the I.D.A. in the light of regulations and recent statements concerning Competition Policy within the Community. Any decisions taken regarding the type of aids which may be given to assist the setting up of industrial concerns and to influence their location could have major implications for the success of both regional and national development in Ireland. They could also have repercussions throughout the Community, particularly if exception is taken to any measures which have become accepted tools for regional economic promotion.

Ireland's future would appear to lie as much at the hands of legislators outwith the country as well as those within, but one factor which cannot be ignored is the amazing demographic change in recent years, the repercussions of which will be immense in the not too distant future. Rapid population growth and high rates of immigration both nationally and regionally may be considered by some as an indication of a change in economic fortune, but the possible implications, particularly on the employment front, may be less beneficial.

It is suggested therefore, that while recent economic performance has been encouraging, the future is clouded in uncertainty. Some of the reasons for this will, hopefully, become clear from the ensuing chapters.

CHAPTER 1

NATIONAL DEVELOPMENT - A HISTORICAL PERSPECTIVE

In the strictest sense, the economic history of Ireland (26 counties) is short and relatively recent. Yet the development problems faced by successive Governments, and the policies adopted to tackle them can in large degree be said to have respectively stemmed from, and been a reaction to, the period of neo-colonial rule prior to Independence.

In its early years the country comprised of a dominant central city (Dublin) - the core of a successful, but small industrial enclave, existing within a predominantly agrarian economy. Potential for development was seriously impaired by the Partition agreement leading to the setting up of 'Two Irelands' in 1922, which appeared more favourable to 'the North', in terms of both urban development and structure of employment. Whereas 32% of the 26 county population were classed as 'urban' in 1926, the equivalent figure for Northern Ireland was 52% ('Ireland, Commission on Emigration', 1955, p.10). In 1921 the proportion of population living in centres of 100,000 or more was 38% and 15% respectively in North and South (O'Neill, H.B., 1971, p.33). The structure of employment in both areas demonstrates similar differences: 36% of the Northern Ireland labour force was engaged in industry in 1926 compared with only 13.5% in the Republic. A further measure of structural imbalance is given by the fact that in the same year the proportion of the workforce in agriculture in the Republic (53%) was double that of the 'North' (27%) (O'Neill, H.B., 1971, p.35).

It is against this background - one akin to that of many Third World countries today, and one which, due to lack of resources (financial and other) necessitated a high degree of economic dependence on the U.K. for a considerable period - that the success or otherwise of economic development policies to date must be gauged.

1.1 General Economic Trends and Industrial Development

Assuming a decrease in the proportion of the workforce employed in the Primary sector to be a positive indication of economic development, then it can be seen from Table 1, that there has been a marked improvement in the level of economic development of Ireland, particularly during the past two decades. Major policy initiatives have been directed throughout the period, at Secondary (industrial) employment growth in particular. Prior to the 1960's, this was done primarily through a very restrictive protectionist import substitution policy.

TABLE 1. Change in Employment Structure

Sector	1926	1936	1951	1961	1971	1977
Primary	53.5	49.6	40.9	36.1	25.9	20.8
Secondary	13.3	16.3	23.0	24.4	30.6	31.2
Tertiary	33.2	34.1	36.1	39.5	43.5	50.0

Source: Census of Population and Labour Force Surveys.

Two main phases of this early policy can be identified, both with strikingly different results. In the initial period, perhaps lasting into the late 1940's, manufacturing employment rose quite substantially compared with previous trends. Although starting from a low base - 4.6% of total employment - manufacturing employment increased by 67% in 1926-'36, and a further 43% in 1936-'51. Almost 80,000 jobs were created in this sector over the period. 'Domestic' industrial growth was fostered by the imposition of high tariffs on imports and, additionally, by a ban on the foreign ownership of industrial concerns, enacted through the Control of Manufacturers Act. A substantial reduction in imports resulted: between 1931 and 1935 imports of sugar fell from 78% to 31% of home market supplies, linen piece goods, 88% to 26%, and glass bottles and jars, 100% to 32% (Flynn, 1972, p.52).

However, a number of less positive responses resulted from the above policy. Lack of competition led to fragmentation of production units, and enabled numerous small scale and low productivity establishments to flourish. Due to a heavy reliance on 'home' materials most of the growth occurred in the food, drink and tobacco, and clothing and textiles sectors. Indeed, out of the ten most important Irish industries (as measured in terms of value of net output) in 1936, only two were outside these sectors, and only three ten years later (O'Neill, H.B., 1971, p.85). Overall, the industrial sector emerged as uncompetitive, poorly diversified in a sectoral sense, and overdiversified in terms of product range.

A policy of import substitution can only be successful as long as there are opportunities to substitute imported goods on the home market. Due to the small size of the domestic market, and as a consequence of the rapid expansion of manufacturing industry already outlined, these opportunities were soon exhausted. With little expansion into the export field - the only possible area for expansion under a continuation of existing policies - there was relative stagnation of manufacturing industry throughout the 1950's. From 1950 to 1959 employment rose by only 5.2% (7,000 jobs), (Census of Industrial Production). Total industrial employment in fact fell by over 23,000 in this same period, in spite of the fact that the industrial sector actually increased its proportionate share of national employment. Export-led expansion was made difficult for three main reasons:- (1) low productivity and small plant size did not permit economies of scale, (2) there was a lack of entrepreneurial skills, and (3) industry suffered from overdiversification. This latter point was perhaps the most important - the Committee on Industrial Organisation (C.I.O.) reporting in 1965 suggested that -

> "Overdiversification of production is perhaps the most common problem in Irish industry ..... (resulting) in short production runs with consequential high production costs." (Pr. 8082, 1965, p.20).

Thus by the end of the 1950's Irish industry was poorly equipped to meet any new challenge. Although the consequences of industrial decline had been somewhat offset by massive out-migration, this factor, and the realisation that previous policies had failed, was an important psychological blow. A new, and more radical policy approach to development was thus urgently required.

The publication of the White Paper, "First Programme for Economic Expansion" in 1958, heralded the beginning of a new era characterised by free trade, and export-led growth through foreign investment. In a complete reversal of existing policy it was announced that 'Government will welcome foreign participation in the drive for expansion in industry where it is likely to result in new industrial activity or an increase in our industrial exports' (1958 White Paper, Part 5). With the long term aim of joining the European Community, and competing on equal terms in Europe it was essential that tariffs be reduced, but it could be argued that the dismantling of tariff barriers was carried out far too quickly, resulting in the closure of many domestic manufacturers. The incentives available to foreign investors in effect subsidised competition with inefficient home producers. The long-term effect of the rapid change over to free-trade in the 1960's has been that -

> "..... existing Irish industry, before it has managed to build up at least a compensatory momentum of export-based expansion, has become increasingly exposed to tougher competition in its traditional home markets." (Flynn, 1972, p.55).

However, significant advances were made throughout the 1960's both in terms of industrial employment creation, and export growth. Table 1 shows a significant reorientation in the relative importance to employment of the various sectors of the economy. From 1961 to 1971 industrial employment expanded by 71,000 jobs, of which 44,200 were in manufacturing (Johnson, J.H., 1975, p.221). Manufacturing exports, which comprised 6% of the total in 1950, and 18% in 1961, reached 41% of total merchandise exports by 1972. In 1969 industrial exports exceeded those from agriculture for the first time (Kennedy and Bruton, 1975, pp.52-53). Much of the growth can be attributed to incoming foreign investment. Schaffer (1977, p.239) notes that 74% of industrial development in 1960-70 came from overseas. By 1974, 60% of 'New Industry' (NI)[1] was in overseas firms (McAleese, D., 1977, p.62). A further indication of economic expansion is given by performance of G.N.P. - at constant prices it rose by 47% in 1961-'71, compared with 22% in the previous decade (McCarthy and Walker, 1977, p.10). This performance, must however, be put into perspective: in

[1]Refers to Industrial Development Authority's New Industry Programme, dealt with in detail in Ch. 4.

1973 G.N.P. in Ireland was only 50% of that of its European counterparts (Geary and Dempsey, 1977, p.19). The relative performance of Ireland will be looked at in greater detail in Chapter 2.

The expansion of industrial and export capacity has not been without its problems. The demand for raw materials by the industrial sector increased substantially, resulting in a rise in the value of industrial imports from 54 to 69% of the total in 1961-'72 (Kennedy and Bruton, 1975, p.126). This inevitably led to a 'widening of the current deficit in the balance of payments' (Durkan, 1978, p.33), particularly in the 1970's due to rising world oil prices, which was a major contributory factor to the mid-1970's economic recession. Of most interest, however, is Ireland's performance post-recession. This will be returned to in Chapter 2, when it can be studied in comparison with that of some of its competitors.

Suffice it to say at present that, under new policy direction, the 1960's and 70's have been a period of almost uninterrupted growth for Ireland in terms of overall economic and industrial performance. Significant advances have been made towards the objective of dragging the country from the status of a peasant nation to that of a modern, twentieth century economy.

1.2 Demographic Change and Economic Performance

Until relatively recently, the single most important indicator of economic prosperity in Ireland has without doubt been the pattern of demographic change, in particular as it is affected by migration. For the most part the demographic history of Ireland makes for depressing reading. The first major turning point can be attributed to the famine of the 1840's. In the ten years from 1841 to 1851 the population decreased by more than 20%, from 6.5 million to 5.1 million (excluding Northern Ireland). The 1926 Census was the first to record a population below 3.0 million. With the exception of a very short post-war boom in the late 1940's, the pattern of population loss continued unabated until the 1960's. Emigration was the chief cause of the losses throughout the entire period, reaching a peak rate of 42,400 per annum in 1956-'61. The decade of the 1950's as a whole saw the biggest intercensal decrease in population in the country's short history. Total population fell by 142,000, but this conceals the fact that a staggering 400,000 people emigrated in the same period. It was this factor perhaps more than any other which forced a change in development policy in the late 1950's.

The crisis of the 1950's showed without doubt that while Ireland had achieved political independence, there was a long way to go before economic independence became a reality. Johnson (1975, p.215) suggests that the high rates of out-migration recorded during this period of economic crisis were largely a consequence of post-war economic recovery in Britain. Geary and Dempsey (1977, p.31) also suggest that in terms of emigration, in its reaction to unemployment, the non-agricultural unemployed behave as if Ireland were a region of Britain. From this it can be argued that the pattern of out-migration exhibited by Ireland is a reflection of the relative economic strength of that country's economy in comparison with that of receiving nations, in this case, chiefly Britain. This is an important factor to bear in mind when considering recent demographic performance.

The 1960's saw a marked slow-down in the rate of out-migration, to -16,121 per annum in 1961-'66 and -10,781 in 1966-'71. Due to a higher rate of natural increase, the population decline was actually reversed in this period. Over the entire decade there was a net increase of almost 160,000 to the national population. However, if the figures are to be believed, the 1970's has been the most remarkable period to date in the Republic's demographic history. The 1979 Census shows a net increase since 1971 of 386,633 persons, a rise of 13%. In addition, there appears to have been a complete reversal in migration trends: from a pattern of continual net migration loss, the population increased by 106,800 through an inward flow of migrants, giving an annual increase of 13,350 attributable to migration.

These figures are quite astonishing in the light of projections for the 1970's. Figures presented by Durkan (1978, p.46) indicate a net migration loss of 8,000 from April 1971 to April 1978. Ross and Walsh (1979, p.17) quote Keating as estimating an annual loss through migration of 5,330 from 1971 to 1977. Bearing in mind that these figures were derived from indices such as external passenger movements and trends indicated by previous Census data, there seems every reason to question the accuracy of either or both of the 1971 and 1979 Census figures. The huge discrepancy between the apparent and expected population trends would seem to suggest a substantial under-enumeration of the population in the 1971 Census.

Whatever the case, accepting the 1979 Census as fact, Ireland now faces new, but no less critical problems than those experienced in the past. Far from being an accurate reflection of the improved economic health of Ireland, it is suggested that the population growth and the in-migration of the 1970's reflects the poor state of the international economy as a whole. In particular, the recession in Britain has reduced the attractiveness of that country to Irish migrants. It is perhaps also the case that improved social welfare benefits in Ireland have attracted back many unemployed Irish from Britain. The present population structure in Ireland is an increasingly dependent one. Part of the reason for this is in a lowering of the average age at marriage and higher birth rates, but Keenan (1978, p.194) also suggests that the composition of the immigrant population may also be a contributory factor: for 1971-'76 he suggests a net outflow of 15,000 in the over 14 age group being more than offset by a net inflow of 26,000 in the 0-14 age group. Without the safety-valve of out-migration this puts serious pressure onto social finance, and has serious implications for the size of the potential workforce in the not too distant future, putting a considerable premium on job creation programmes. The ability of these programmes to keep pace with population increase will be the most crucial issue facing Ireland in the very near future.

CHAPTER 2

NATIONAL DEVELOPMENT versus REGIONAL EQUALISATION

In any discussion of development policy the regional imbalance in the distribution of population, employment and social capital, features as prominantly as the problems of the national economy as a whole. Yet early policy initiatives did little to alleviate these regional problems - overall national development was the paramount objective of both the protectionist era, and of the 1958 Plan for Expansion. This latter plan was based largely on a document - "Economic Development" - by T.K. Whitaker, the then Head of the Civil Service, published earlier in the same year. He laid particular emphasis on the need to regard the country, for development purposes, as a single economic unit, arguing against the practicality of any policy which tried to ensure an even growth of employment opportunities throughout the country.

In the Irish political arena, however, with a very strong and vocal rural vote, any policy which discriminates against the less developed areas is likely to meet with strong opposition. Stressing national development above all else actively fosters the idea of two nations - a few prosperous urban areas versus the rest - a situation which is anathema to most politicians. Some of the arguments for and against such a policy will be discussed below, but beforehand the relative strengths of the national economy, and of the various regions will first be outlined.

2.1 National Performance in a Wider Perspective

In spite of substantial growth in both output and employment in the 1960's, most indices of development show Ireland still lagging well behind the recognised 'developed' nations in terms of aggregate economic performance. Membership of the European Economic Community (E.E.C.) since 1973 has not only exposed the country to increased competition in both industry and agriculture, but has also revealed the quite considerable gap which has to be bridged before Ireland can be considered on a par with the other Member States in terms of overall development status.

TABLE 2. Trends in Per Capita G.D.P.

	1970		1975		Average
	G.D.P. (u.a.)	%E.E.C.	G.D.P.	%E.E.C.	Annual Increase
Belg.	2619	106.6	4757	121.8	12.7
Den.	3160	128.7	5397	138.2	11.3
Ger.	3058	124.5	5149	131.9	11.0
Fra.	2776	113.0	4728	121.1	11.2
Irl.	1317	53.6	1902	48.7	7.6
It.	1727	70.3	2330	59.7	6.2
Lux.	3129	127.4	4538	116.2	7.7
Neth.	2429	98.9	4444	113.8	12.8
U.K.	2182	88.8	3020	77.4	6.7
E.E.C.	2456	100	3904	100	9.7

Source: Bull. of the E.C., Supplement 7, 1976: E.R.D.F. First Annual Report.

TABLE 3. Index of Unit Wage Costs

	Irl.		U.K.		Ger.		Fra.		It.		Jap.	
1971	110	10.0	109	9.0	107	7.0	106	6.0	111	11.0	111	11.0
1972	122	10.9	113	3.7	109	1.9	109	2.8	113	1.8	118	6.3
1973	134	9.8	121	7.1	114	4.6	117	7.3	124	9.7	126	6.8
1974	156	16.4	150	23.9	123	7.9	125	15.4	147	18.5	163	29.4
1975	198	26.9	196	30.7	127	3.3	163	20.7	196	33.3	194	19.0
1976	213	7.6	221	12.7	126	-0.8	169	3.7	218	11.2	186	-4.1
1977	239	12.2	246	11.3	132	4.8	185	9.5	263	20.6	192	3.2
1978	261	8.4	279	13.4	135	2.3	203	9.7	295	12.5	194	1.0

Source: Programme for National Development, 1978-81, p.104.

Table 2, showing per capita G.D.P. for the nine E.E.C. States, clearly indicates the extent of the problem facing Ireland. In 1970 the gap between Irish G.D.P. and the E.E.C. average was 46.4 percentage points. By 1975 the position had worsened further, the difference then being 51.3 percentage points. The gap between Ireland, the lowest, and Denmark, the highest, also widened substantially, from 75.1 percentage points in 1970 to 89.5 in 1975. On a more restricted geographical scale, the highest per capita G.D.P. recorded in 1975 was in Hamburg, followed by Paris, these being respectively 5 and 4 times that of the worst area - the West of Ireland (Bull, E.C., Supplement 7, 1976, pp.6-8).

The dominance of the primary sector in Ireland's employment structure also suggests economic backwardness. In 1971, only Italy with 19.5% of its workforce in agriculture came close to Ireland's figure of 26.5%, and even here there was a substantial gap; and compares unfavourably with an E.E.C. average of around 11.0% (Kennedy and Bruton, 1975, p.12). Similarly, the industrial sector was the least developed amongst the nine Member States, employing only 30.8% of the workforce, compared with 44.1% in Italy and 49.5% in Germany. While the agricultural sector has continued to contract, and manufacturing employment has shown little net gain throughout the 1970's, being badly affected by the mid-70's recession, tertiary sector employment has expanded right through the period. This is in accord with an N.E.S.C. Report on tertiary sector employment (No. 28, 1977, Pr. 5841, p.10), which suggested that 'service type' employment would expand by 118,000 jobs in the period 1974-'80. An interesting point is a suggestion in the Report that 30% of manufacturing employment, and 25% of the entire industrial workforce were employed in industrial services in 1971. The growth of this type of employment could have considerable implications for the success of employment policies pursued, which at present would seem to rely heavily on promoting manufacturing employment growth, almost to the exclusion of the services sector.

An interesting hypothesis is suggested by the above employment, and by urbanisation trends in recent years. Most policies to date seem to stem from the assumption that the course of development must follow that of the other industrialised nations. This implies that a dominant secondary employment base, and a high level of urbanisation are prerequisites to economic advancement. It may be the case, however, that such a course is not entirely suited to an Ireland developing out of phase with the other developed nations. Walsh and Ross (1978, p.311) for example, argue for -

> "..... consideration of a wider range of employment than is customary in regional policy and also for the exploration of the possibility of the regions of Ireland jumping the manufacturing stage."

Looking at the pattern of urbanisation and internal migration, it has been further commented that -

> "The remarkable feature of the renewal of population growth in much of the rural area of Ireland is the fact that it occurred at such an early stage in the process of urbanisation, and in the face of a continuing decline in the numbers engaged in agriculture." (Ross, 1979, p.28).

The 15 Urban Districts (U.D.'s) in excess of 10,000 inhabitants, contained 41.5% of the national population in 1979, an increase of only 0.7 percentage points in 1971, and this in the face of a 13% increase in the national population during the same period.[1] In fact, the proportion of the population described as 'urban' only surpassed 50% in 1971, compared with 73.5% in the U.S.[2] It is surprising therefore, that Ireland, at a significantly lower level of urbanisation should exhibit the same internal migration trends as those of the more 'highly developed' United States, at almost the same time. This seems to lend credence, therefore, to the suggestion that Irish development is following a distinctly different path than those of other 'Western' countries.

Ireland also exhibited a markedly different response to the world economic recession of 1974-'75, suffering less severely, and recovering more rapidly than most. G.N.P. performance in the few years prior to the recession was consistently below the O.E.C.D. average - a growth of 4.3% as against 5.5% in the years 1959/60 to 1972/73.

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[1]derived from Census of Population Ireland, 1979.

[2]1970 figure, U.S. Statistical Abstracts, 1971, p.16.

In 1974 real G.N.P. grew by 1.5% in Ireland, while that of the O.E.C.D. increased by only 0.3%. The figures for 1975 show the full impact of recession, but the decline in G.N.P. in Ireland, at -0.2% was only a fifth of the O.E.C.D. average (Durkan, 1978, p.45). A much stronger performance was evident in the post-recession years. In both 1977 and 1978 Ireland was the fastest growing economy in the O.E.C.D., with real G.D.P. expanding by 5½% and 7% respectively. Gross fixed capital investment also made a remarkable recovery: from a net decrease of 5.7% in 1975, it grew by 8.4% in 1977 and by a further 15% in 1978 (O.E.C.D. 1979, pp.6-7). By this date output had also recovered to pre-recession levels, but not so employment - in the Third Quarter of 1977 it was still almost 5 percentage points below the pre-depression level (Kennedy and Foley, 1978, p.89).

With a more rapid increase in output and productivity and a decrease in the rate of wage inflation (Table 3) compared with that of many of its competitors, Ireland, post-recession, became increasingly attractive to overseas investors. An increase of 161% in unit wage costs in Ireland during 1971-78 compares quite favourably with the other countries listed, especially since (a) wage rates in Ireland were relatively low to start with, and (b) as the figures are expressed as national as opposed to notional currency changes, the actual increases in Ireland were lower than in most other countries, due to exchange rate differences. More impressive perhaps is the decrease in wage inflation after 1975, particularly in comparison with near neighbour, and at that time 'currency equal', U.K.. In fact, performance before and after 1975 would seem to support the view that the recession was neither so prolonged, nor as severe in Ireland as in many of its counterparts.

This view is further enhanced by a look at recent export performance. The value of exports rose by 35.5% in 1977, and a further 17.5% in 1978, (Table 4). The total volume of exports grew by about 13% in this period. Although overall there was a marked decrease in the rate of export expansion in 1978 compared with the previous year -

> "..... when set against the volume growth of O.E.C.D. imports of about 5% in 1978, Irish export performance was extremely strong and reflected a continuation of the coming-on-stream of new export based industry." (O.E.C.D., 1979, p.16).

The increase in industrial output and exports, without any significant accompanying increase in employment, would suggest that there has been a structural shift in the make-up of industrial output. Indeed the recession forced many manufacturers in traditional product lines to modernise, rationalise, or in many cases, to cease production. Kennedy and Foley (1978, p.89) suggest a high "... degree of outright closure of marginal firms and the entry of more new firms with high productivity levels". This in part could explain the performance of the other component of external trade. From 1976 to 1978 (Table 4) imports rose at an even faster rate than exports, the largest components of which were in general, producers capital goods and

TABLE 4. Growth in External Trade, 1976-78(%)

	1976	1977	1978
Exports	28.4	35.5	17.5
- of which Industrial	41.1	40.6	17.1
Agricultural	12.0	26.8	18.6
Imports	37.2	32.0	20.0
- of which Producers Capital Goods	30.9	27.9	30.8
Consumer Goods	37.5	13.5	28.3
Materials for further production	38.5	41.6	14.5
Trade Deficit (£m)	451.0	611.0	734.0

Source: O.E.C.D. Economic Surveys, Ireland (1979) p.17.

materials for further production - chiefly, therefore, the result of the demands of an increasingly modern industrial sector. This is the continuation of a trend evident for a considerable period, indicating a strong relationship between industrial expansion and spiralling imports - from a sample of 25 countries, from 1972 to 1977, Ireland ranks fifth in the rate of increase of imports. The effects on the trade balance are only too obvious, and spell considerable danger for the economy in the future unless a larger proportion of new industry needs can be supplied from the home market.

Having outlined a picture of rapid economic growth and expansion in Ireland, particularly in the latter half of the 1970's, it should be noted that this presents a rather misleading impression as to the economic health of the country today. Many of the high growth rates achieved were only possible because of the low base level from which expansion occurred, and would be virtually impossible to attain in a more developed economy. Those who support the view that national development demands far greater priority than righting internal imbalances will still argue that in spite of recent promising economic performance, Ireland's development status remains virtually unaltered. Comparisons with other nations in, for example, the E.E.C. would provide strong support for this view, but whether it is a realistic view in political, and more particularly, social equity terms may be judged from the following section.

2.2 Regional Imbalance - the East-West Problem

A Report by the European Commission (E.C.) on the regional problems of the enlarged community (COM(73), 550 final, 1973) stated the following -

> "The fundamental cause of regional imbalances stems from the absence of modern economic activity or the over-dependence of a region on backward agricultural or declining industrial activities, which are therefore unable to guarantee a satisfactory rate of productivity, employment and income; and where there are no compensatory factors in terms of alternative expanding sources of employment." (p.9).

The above statement could be applied equally to the regional problems of Ireland as to those of the E.E.C. as a whole. The same Report, outlining the moral justification for a regional policy, also argued that -

> "..... it is unthinkable that the Community should only lead to an increase in the process whereby wealth is principally attracted to places where it exists already." (p.1).

Both these points should be borne in mind in any consideration of the case for or against priority attention to regional as opposed to national development strategies in Ireland.

fig.2. IRELAND:
Designated Areas

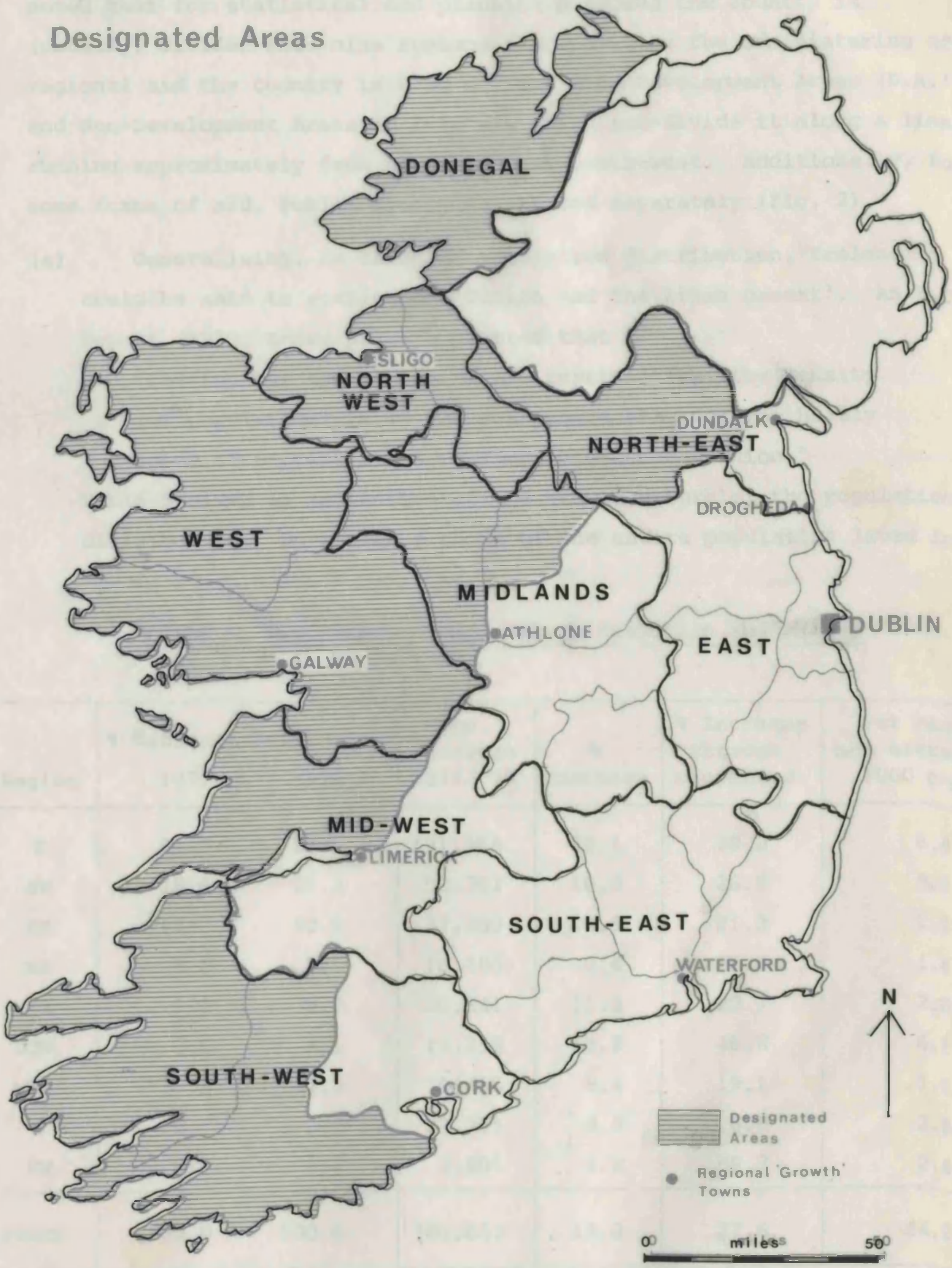
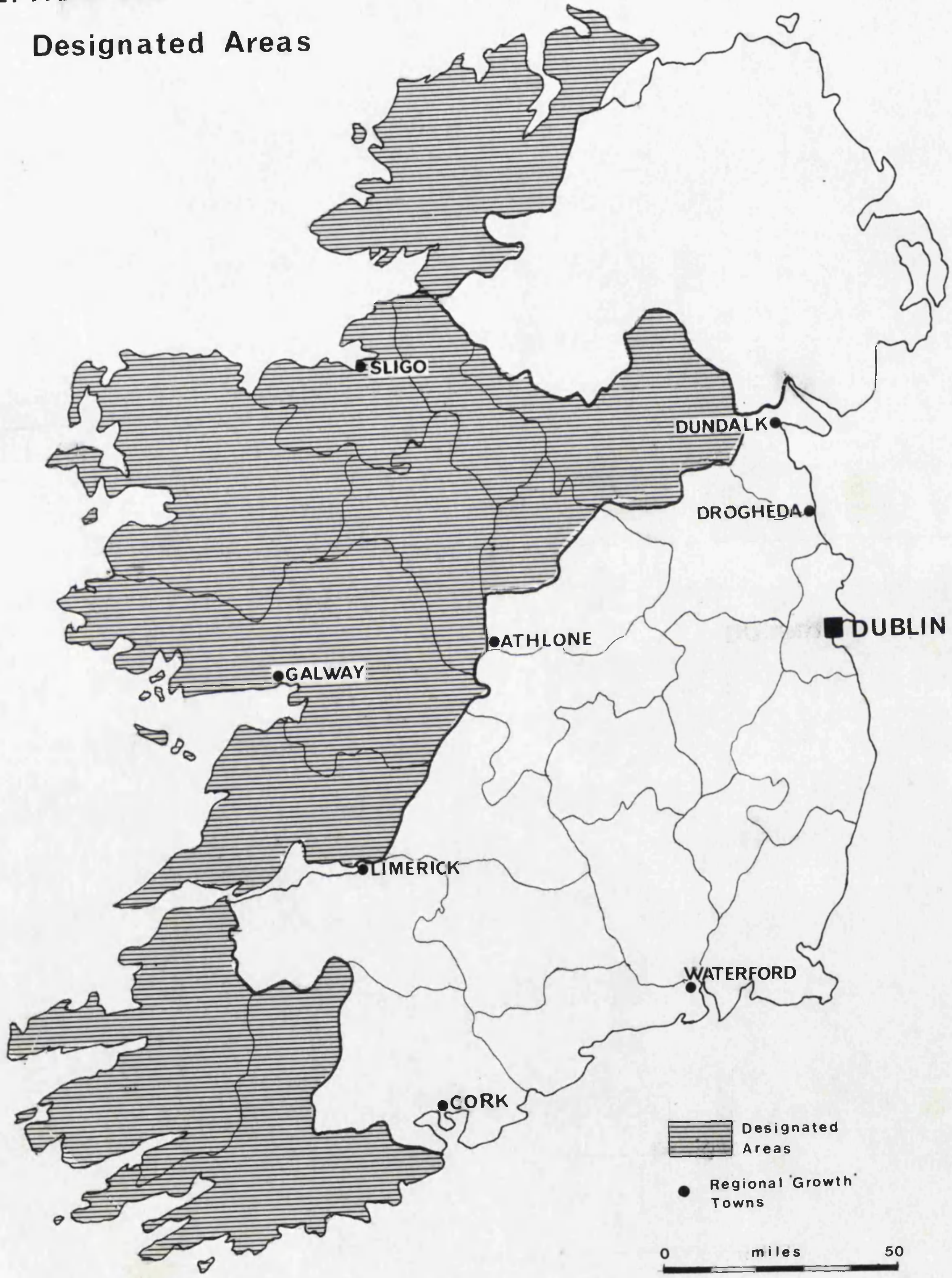


fig.1. IRELAND: Planning Regions.

fig.2. IRELAND:
Designated Areas



In the discussion below, regional imbalance will be considered under the following headings: (a) population distribution, (b) regional variation in income, and (c) distribution of employment. It should be noted that for statistical and planning purposes the country is (usually) divided into nine regions (Fig. 1). In the administering of regional aid the country is also divided into Development Areas (D.A.'s) and Non-Development Areas (N.D.A.'s), which sub-divide it along a line running approximately from north-east to south-west. Additionally, for some forms of aid, Dublin County is treated separately (Fig. 2).

(a) Generalising, in terms of population distribution, Ireland could be said to consist of 'Dublin and the Irish Desert'. An E.C. Report (1973, Annex p.23) suggested that -

> "Leaving out the region of the capital city, the density (of population) is so low everywhere that one can hardly speak of concentration or increased concentration."

Table 5 gives an indication of the skewed nature of the population distribution. More than a third of the entire population lived in

TABLE 5. Population: Regional Distribution and Change

Region	% National Population 1971	% National Population 1979	Popn. Increase 1971 - 79	% Increase	% Increase through migration	Per annum net migration/ 1000 popn.
E	35.7	37.3	191,964	18.1	30.8	6.4
SW	15.6	15.3	50,361	10.8	26.9	3.5
SE	11.0	10.9	37,880	11.5	21.3	2.9
NE	5.8	5.7	16,280	9.4	12.5	1.4
MW	9.1	8.9	30,841	11.4	20.7	2.8
DON.	3.6	3.6	13,255	12.2	46.8	6.7
MIDS.	7.8	7.5	19,450	8.4	19.1	1.9
W	8.7	8.4	22,795	8.8	26.8	2.8
NW	2.6	2.4	3,801	4.8	58.7	2.4
STATE	100.0	100.0	386,633	13.0	27.6	14.2

Source: National Census, 1979.

the East region in 1971, and by 1979 its dominance had been strengthened even further, due to the magnetism of the city of Dublin. The East region alone accounted for almost 50% of the increase in the national population in the inter-Censal period from 1971-'79. With the exception of Donegal, which maintained its position, every other region, excluding the East, experienced a decrease in proportionate share of the national population in this period, and this in spite of the stated aim to restrict the expansion of Dublin.

However, outside of the East region, a definite pattern seems to be emerging which gives some cause for optimism. In the relatively prosperous regions, such as the South East, South West, North East and Mid-West, the largest proportion of the population increase can be explained by natural growth rather than migration. This can also be said for the East region, but the absolute growth involved in this case still gives cause for concern. In contrast the depressed regions of Donegal and the North West experienced very heavy in-migration, accounting for almost 60% of the increase in the North West. Excluding the East, the highest percentage increase in regional population was attained in Donegal (+12.2%). One possible explanation for these increases might be the attraction of new employment created in these regions through the efforts of the Industrial Development Authority, but at the same time the proviso concerning the reliability of the Census data should also be considered. (*N.B.* Industrial performance will be studied in greater detail in Chapter 4.)

At the county level, two distinct trends can be observed in the 70's. The first, which has already been referred to in the case of Donegal, is the reversal of migration trends in the counties of the D.A.'s. Sligo, for example, changed from a net decrease of 6.1% in 1961-'71 to a net increase of 8.6% in 1971-'79. Similar figures for Longford and Mayo are -7.8% to +8.9% and -11.2% to +3.9% respectively. Only one county continued to show a decrease - Lectrim - but even here a rate of -15.3% was reduced to -1.9% in the above periods.

A second, and perhaps more disturbing trend in the light of regional policy objectives is the very large rate of increase in the counties surrounding Dublin, ranging from +26.4% in Wicklow, to +34.9% in Kildare, these being explained almost entirely by an extension of commuting from the capital.

One of the perceived major drawbacks to development outside the East region is the poorly developed network of sizeable urban centres. In 1979 thirteen of the twenty-six counties had no town in excess of 10,000 inhabitants, and six of these could not even boast a settlement of 5,000 people. At a regional level, two of the nine planning regions did not have a focal centre of 10,000 people, and a further three only had one. However, even in the South East region, with five sizeable urban centres (10,000+), no single dominant centre had emerged by 1979. Each serves its own relatively local hinterland, the attraction of Dublin apparently being too great to warrant a strengthening of intra-regional linkages between these centres. A study by O'Farrell (1978, p.173) indicated that town size had a significant influence on the attractiveness of a region to investors. He concluded that -

> "..... a modest degree of urbanisation was a necessary pre-requisite for generating substantial manufacturing growth in the regions."

Thus it could be concluded that the existing urban structure of most of the regions to some extent hinders regional economic development.

(b) An important indication of the relative strengths of the various regions, in economic terms at least, is given by changes which have occurred in per capita personal income (Table 6). Once again, the income in the East region is far in excess of that elsewhere, but some narrowing of the gap between the best and worst regions has taken place; decreasing from about 40 percentage points in 1969 to 32 by 1977. An important point to note, however, is that difference between the top and bottom within Ireland, is far less than that between Ireland as a whole and the most prosperous Member States in the E.E.C.. Neverthe-

TABLE 6. Regional Per Capita Personal Income (£).
Expressed as % of East Region

Region	1969 £	1969 %	1973 £	1973 %	1977 £	1977 %	% Change 1969-73	% Change 1973-77
E	517	100.0	653	100.0	691	100	26.3	5.8
SE	380	73.5	529	81.0	556	80.5	39.2	5.1
SW	409	79.1	551	84.4	593	85.8	34.7	7.6
MW	391	75.6	535	81.9	559	80.9	36.8	4.4
W	324	62.7	459	70.3	517	74.8	41.4	12.6
NW	316	61.1	435	66.6	470	68.0		8.0
DON	305	59.0						
MIDS	325	62.7	463	70.9	480	69.5	42.5	3.6
NE	380	73.5	508	77.8	535	77.4	33.7	5.3
STATE	420	81.2						

Source: Schaffer, B. (1979), p.247, and Fraser of Allander Institute, Strathclyde Univ. (unpublished).

less the income range within Ireland gives no cause for complacency, in spite of improvements which have taken place. These shifts may be an indication of some measure of success in dispersing new development away from Dublin, but another major contributory factor could be additional income derived, not from national regional policy initiatives, but rather through the operation of the E.E.C. agricultural policy, which would tend to favour the already prosperous agricultural regions - in the S.E. and S.W. regions, for example, the proportion of the regional income derived through the agricultural sector actually increased between 1973 and 1977,[1] in spite of decreasing numbers involved in agriculture.

(c) A further two factors used in assessing the need for a strong regional element to any national development programme are the

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[1]unpublished data supplied to author by Fraser of Allander Institute, Strathclyde University.

TABLE 7. Structure of Employment (Expressed as % of Regional Labour Force)

Region	Primary 1971	Primary 1977	Secondary 1971	Secondary 1977	Tertiary 1971	Tertiary 1977	Unemployment 1971	Unemployment 1977
E	5.9	4.3	36.2	30.8	53.0	55.6	4.8	9.5
SE	30.7	26.5	25.7	27.8	35.3	36.5	5.1	9.3
SW	27.5	24.1	28.4	28.9	38.2	38.3	5.9	8.7
MW	32.2	22.3	25.7	27.9	35.6	39.1	6.5	10.6
W	47.4	37.1	15.3	19.9	29.2	31.4	8.1	11.6
NW/DON	40.4	30.4	18.9	23.1	28.9	30.2	12.2	16.2
MIDS	40.6	33.9	22.0	23.9	31.3	33.4	6.1	8.7
NE	30.6	25.9	31.1	30.1	30.8	33.4	7.0	10.7

Source: Fraser of Allander Institute, Strathclyde University (unpublished).

TABLE 8. Regional Distribution of Employment

Region	Total 1975	Total 1977	Industrial 1975	Industrial 1977	Manufacturing 1977	1981 (ests.)[1] Total Employment	1981 (ests.)[1] Manufacturing
E	37.8	38.9	42.2	42.5	43.8	39.6	41.2
SE	10.9	10.4	10.9	10.2	10.4	10.4	10.4
SW	15.6	15.2	16.7	15.5	15.4	15.0	15.5
MW	8.6	10.4	8.6	9.0	9.3	8.9	9.3
W	8.3	8.5	5.0	6.1	5.5	8.3	6.1
NW/DON	5.5	5.4	4.0	4.8	4.7	5.5	5.6
MIDS	7.3	6.9	6.3	5.8	4.0	6.8	4.7
NE	5.9	5.7	6.2	6.1	6.9	5.9	7.1

[1]Assumes all employment targets achieved.

Source: European Commission?

structure of employment in the individual regions, and the regional distribution of industrial/manufacturing employment (Tables 7 and 8). Here too, there is a marked contrast between the East region and 'the rest'. The former appears to have an over-representation of tertiary sector employment and a striking under-representation of primary sector employed, when compared with the other regions. In this respect it exhibits a pattern which is perhaps more characteristic of a well developed urban industrial society, such as that of the U.K., than of the 'transition' economy which is characteristic of the remainder of the country.

The employment figures in Table 8 give little comfort to those living outside the East region, which continued to increase its share of total national employment. Its share of industrial employment also increased in 1975-'77, in spite of considerable manufacturing employment losses as a result of the recession. More heartening from the regional development viewpoint, however, is the increase in the share of industrial employment attributed to the less prosperous North West/Donegal and West regions (these trends will be examined in greater detail in Chapter 4).

In view of the regional disparities outlined above a major dilemma faces policy planners. A policy of national interest first and regional interests second might heighten the regional imbalances, at least in the short-run. Indeed, the long-term consequences for some of the already depressed regions could be disasterous, by depriving them of the resources to maintain minimum standards now, sufficient to provide a secure base on which to expand in a future period of prosperity. Alternatively, if regional equality is to over-ride national prosperity as an objective, what model should development policies aim at? Is the employment structure of the East region the most suitable for the other regions, or can a compromise be reached which will satisfy the demands of the other regions?

The following section will outline more fully some of the arguments of the regional policy debate, particularly over the last two decades.

2.3 Regional Policy - A Case of Positive Evasion?

Although the subject of considerable academic and political discussion beforehand, the publication of the Buchanan Report in 1968 (An Foras Forbartha, 1968) was an important landmark in Irish regional policy debate. The Consultant recommended that, in the interests of overall national growth, investment and population should be highly concentrated on nine urban focal points, including the capital. The prime objective of national growth was to be articulated through joint planning authorities operating in each of eight delineated regions. For its apparent emphasis on the need for a growth pole policy the Report received much academic acclaim, but slightly more reserved approval in political circles (Fig. 2).

Nevertheless, many of the recommendations were incorporated into the 'Third Programme for Economic and Social Development', published the following year, although at times the policy and objective seemed somewhat contradictory. It was stated, for example, that -

> "With the development of industry through growth centres ..... and the application of local and regional development plans, a better balance between agricultural and non-agricultural activities will enable present levels of population to be maintained in many rural areas."

Surely, though, the main effect of a growth centre policy would be to attract people away from the rural areas, altering the balance of population in favour of the expanding urban settlements, and largely at the expense of the rural areas, in population terms at least!

Inconsistency continued to be the key word with the simultaneous publication three years later of the Government's statement on regional policy, and the Regional Industrial Plans of the I.D.A., for the period 1973-'77. In an about-turn in its attitude towards growth centres, the Government policy statement argued the need to opt for -

> "..... the maximum spread of development through all the regions, giving an increased and wider range of economic and social opportunities, and so minimising population dislocation through internal migration."

Contrary to most academic opinion, Ross and Walsh give some support to such a dispersal policy, arguing that -

> "It is possible that a policy of dispersal has more economic justification than is generally acknowledged by academic economists, and that this justification will grow in the future." (1979, p.9).

The I.D.A. Industrial Plans, which Ross suggests "..... came closest to formulating a national settlement strategy" (1978, p.308), and which were fully endorsed in the Government's 1972 statement, do not, on the other hand, accord with the 'maximum dispersal' aim -

> "A policy of complete dispersal would require a job distribution pattern which brought jobs as near to each man's door as he required. Clearly such a policy would not be feasible." (I.D.A., 1972, Pt. I, p.i).

What was suggested was a compromise along the concentration dispersal continuum -

> "..... a balanced development of the whole country which recognised both the value of some concentration at industrial estates in the major towns as well as the needs of small communities." (Ross, 1978, p.308).

The main criticism of Buchanan's growth centre strategy was that the arguements used to support it were empirically weak. The policy of concentration was based largely on an assumption that the level of job creation would vary indirectly with the number of development centres. Work by O'Neill (1971) would, however, seem to support this viewpoint. From a study of industrial closures she concludes that -

> "..... the process of industrialisation in an economy like Ireland, and thus the process of economic development itself in such a country, would be more assured of success if industrial establishments were arranged in groups of similar or related firms, within the large industrial clusters of the urban agglomerations." (p.117).

She further suggests that -

"..... the only sound policy of industrial location is one based on selected centres, small in number and large in size." (p.118).

O'Neill in fact appears to advocate a policy of even greater concentration than Buchanan, based on the view that only Dublin and Cork are of a size sufficient to offer significant agglomeration economies, and also on the evidence of very high industrial failure rates in Buchanan's 'regional' growth centres, in the period 1946-'66 (p.151). To date no study has conclusively proved that dispersal has not been detrimental in terms of job losses. O'Farrell's work (1975, p.39) indicating little variation in New Industry failure rate by town size, is inconclusive, since no account is taken of variation in plant size.

In terms of population distribution, the official Government estimates of the 9 'growth centres' in 1991 seem to correlate strongly with the trends suggested by Buchanan to 1986 (Table 9), and thus by implication would appear to support or recognise as inevitable, the

TABLE 9. Population of Urban Growth Centres, 1971-91 (000's)

	1971	1986[1]	1991[2]
Dublin	850	1125	1125-1200
Cork	175	250	300-360
Limerick/Shannon/Ennis	79	190	165-175
Waterford	33	55	50-60
Galway	29	47	55-65
Dundalk	24	44	40-45
Droghoda	20	35	36-40
Sligo	14	25-30	30-35
Athlone	11	18	16-20
Total	1235	1789-1794	1817-2000
State	2971	3498	3600-3800

[1]Estimates from Buchanan Report

[2]Government 'Review of Regional Policy', 4th May, 1972

Source: The Irish Times, May 1972.

emergence of growth centres. Buchanan's estimate for the population in these centres was 51.3% of the total by 1986. The Government statement bears a strong resemblance to this, with 50.5-52.6% being in these nine towns by 1991. The incompatibility of the Government's population strategy with its stated regional policy objectives is further revealed in an article appearing in the 'Irish Times' shortly after publication of the Statement, which suggested that -

> "..... the implications for rural areas under this (the Government's) strategy may be even less promising than the scenario depicted in the controversial Buchanan Report ..... The conclusion must be (from estimates of population growth in centres of 5000+ inhabitants in 1966, excluding the growth centres) that the population residing in rural areas and towns of less than 5,000 inhabitants will decline by 33-50,000 persons."

The matter is confused still further by the fact that the I.D.A. was expected to promote industrial development to accord spatially with the Government's population projections, a course which clearly could not be carried out without dispensing with the dispersal aim. The fact that emphasis has not been put so strongly on the growth centres, is, however, perhaps vindicated by the recent internal migration trends already discussed, which suggest a less concentrated population pattern as being likely in the future. From 1971 to 1979 the proportion of the total population contained in Buchanan's growth centres increased only very slightly, from 41.6% to 42.0%,[1] much of this being accounted for by Dublin, and to a lesser extent the Cork Area, and Galway.

Moving away from statistical debate, which has perhaps presented much discussion of the real planning issues, a boost to regional development was given with the creation of a new Government Department of Economic Planning and Development in 1977. In a speech in the Dail (10th May, 1979) the Minister for Economic Planning and Development outlined three main principles which guided the development of regional policy:-

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[1]Author's estimate, derived from 1979 Census of Population.

1. equity demands a fair distribution of development throughout the regions;
2. national development can be maximised only if the special development potential of each region is realised;
3. legitimate regional interests should be given an effective voice in regional development.

For a time then, it appeared as if some of the needs and aspirations of the regions were being recognised by Central Government. The recognition that national development could not be divorced from that of the regions, and that the regions themselves should have a role in determining their own directions in the future was indeed a major step in such a centralist country as Ireland. As it turns out it was too big a step - the recent demise of the newly created Department (above) under a Government reshuffle earlier this year, once again shows a lack of clear commitment by the central authorities to regional planning as a legitimate policy process.

As can be seen from the preceding pages it is virtually impossible to point to any clear-cut policy aimed specifically at regional development. Most Government statements on the matter have been both superficial, and at the same time contradictory. To many observers, the fact that some regions have actually improved their development status over the years, is fortuitous rather than the result of a positive development policy. The following chapter will look in greater detail at the extent to which regional and more local needs are being catered for within the present national planning framework.

CHAPTER 3

THE DEVELOPMENT OF PLANNING

Two distinctive, but not necessarily mutually exclusive levels of planning are considered here in the Irish context. The first, at the national level, is by definition economic planning and is well developed in Ireland, drawing particularly from the French experience of National Plan formulation. The second, at the regional level, concerned more with the achievement of desired social objectives, than with economic targets, is very much in its infancy. While the idea of regional planning has been nominally supported in political circles, evidence to this author would suggest that, with a few exceptions, its further development on the ground has yet to be actively encouraged. This point will become clearer in the ensuing discussion on the Regional Development Organisations. It is intended, firstly, however, to look at national level planning, and to comment on the success or otherwise of the development programmes to date. Attention will then focus on regional planning - the initiatives which have been taken to date, and possible future directions.

3.1 National Planning Programmes

(a) Programmes for Economic Expansion

In reaction to the period of 'non-plan' which in part led to the disasterous economic stagnation of the 1950's, the Government published a White Paper - The First Programme for Economic Expansion, in 1958, which was to guide the country towards a period of economic prosperity in the 1960's. This was to be achieved by a switch of resources from social to 'productive' investment, the aim being to generate growth by stimulating greater private investment, leading to a considerable expansion in exports. Following on from earlier legislation - The Industrial Development (Encouragement of External Investment) Act, 1958 - considerable emphasis was put on the attraction of foreign investment -

> "..... we must be prepared to welcome foreign participation, financial and technical, in new industrial activities aimed at exports."

A slight upturn in economic fortune did take place during the period of the First Programme. The only target which was set was a real growth rate of 2% for the duration of the Programme - 1958 to 1963. This in fact was easily surpassed, with an annual average growth rate of about 4½% (Kennedy and Bruton, 1975, p.153) over the period. How much this was directly attributable to the Programme is, however, difficult to ascertain.

Spurred on by the apparent success of the First Programme, the Government launched a slightly more ambitious Second Programme for Economic Expansion, covering a longer period than the First, from 1964 to 1970. In this growth targets were set, not just for the economy as a whole, but also, after consultation with industrial leaders, for individual industrial sectors. This Programme marked a change to 'indicative planning' (Fitzgerald, 1968, p.197), but has been severely criticised for major methodological weaknesses. A 50% growth in G.D.P. to 1970 was assumed as a matter of course, and individual sectoral targets were arrived at on the basis of this projected growth. No indication was given as to how these targets were to be achieved, and no formal mechanism existed to ensure that they were. Fitzgerald has pointed out that -

> "..... even where Departments indicated their targets, in most cases no attempt was subsequently made each year to measure performance against these targets." (1968, p.203).

The failure to achieve the set targets led to the abandonment of this Programme after a mid-term review, in 1968. It was replaced by the Third Programme for Economic and Social Development, in 1969, covering the four year period 1969-'72, which also had many of the methodological failings of its predecessor -

> "It failed to recognise that the ultimate set of unknowns in any policy problem, are not the projections or the targets, but rather the instruments." (Norton, 1975, p.30).

Its one redeeming feature, from a social planning point of view was that it did consider policies to be adopted in the areas of incomes and social policy, and also gave some consideration to the type of spatial framework which might be most advantageous to promote in the interests of national economic development.

In a general criticism of the type of planning represented in Ireland by the above three Programmes, Norton has argued that -

> "Setting up a list of objectives without indicating how they are to be attained does not constitute a policy or plan; it is rather a statement of mere aspirations." (1975, p.ix).

This perhaps is a reflection of the non-commital attitude towards planning as a process in Ireland, which Fitzgerald suggests -

> "..... in both public and private sectors ..... has remained in some degree peripheral rather than central to the policy-making process." (1968, p.206).

The final point comes from Kennedy (1974, p.60), who with hindsight argued that -

> "There is little point in planning when there are no policies to ensure that the plan will be implemented. Planning in future should be concerned as much with how things should be done as with what should be done."

(b) National/Regional Development Programmes

No new programme replaced the Third Programme (above) when it expired in 1972. However, the European Commission now requires that each of the E.E.C. members produce annually 'regional development programmes', which are used in connection with assessment of the Members claims on 'Regional Development Fund' finances. As Ireland, for regional aid purposes, constitutes a single region within the E.E.C., its Programmes in large degree constitute a statement of overall national policy objectives.

The central document in the first Regional Development Programme submitted by Ireland to the European Commission was a White Paper "National Development, 1977-1980".[1] The main strategy outlined was to effect a reduction in unemployment through a rapid increase in overall employment, a marked decrease in the rate of inflation, and a sustained high level of growth, while also -

[1]White Paper "Programme for National Development 1977-1980", Dublin 1978 - also published as "Regional Development Programme, Ireland, 1977-'80", COM. E.C. Regional Policy Series No. 7., Brussels, 1978.

TABLE 10. National Economic Targets, 1977-80

	1977	1978	1979	1980
Reduction in nos. out of work	5,000	20,000	25,000	30,000
Rate of inflation (%, end year)	10.75	7	7	5
% Increase in National Output	5	7	7	7
Borrowing as % of N.P.	11	13	10.5	8

Source: Regional Development Programme, Ireland, 1977-80, p.18, (E.C. Brussels, 1978).

TABLE 11. Employment Targets 1978 and Estimated Outturn

Sector	Target	Estimated Outturn
Agriculture	-4,000	-5,000
Industry -	15,000	12,000
Manufacturing	10,000	7,000
Building & Construction	5,000	5,000
Services	9,000	10,000
Total	20,000	17,000

Source: Programme for National Development, 1978-81, p.12, PRL. 7618 S.O. Dublin 1979.

TABLE 12. Economic Targets, 1979-81

	1979	1980	1981
Reduction in nos. out of work	25,000	30,000	20,000
Rate of inflation	5	5	<5
Increase in national output	6.5	7	5
Exchequer borrowing requirement (as % of N.P.)	10.5	8	<8

Source: Programme for National Development, 1978-81, p.19.

> "..... making better provision for infrastructural development, and ensuring that economic advance is accompanied by social progress in areas such as education, health, housing and social security." (p.11).

The main targets for the period are outlined in Table 10. These are based on an assumed growth rate of 7% per annum in G.N.P. to 1980, an achievement which past experience would seem to suggest is by no means certain.

For the first year of the Programme, the main objectives were as follows[1]:-

1. completion of a special job creation programme to provide 20,000 jobs;
2. a reduction in the numbers out of work of 20,000;
3. an increase in national output of 7%;
4. a rate of inflation at end-year of 7%;
5. an Exchequer borrowing requirement equal to 13% of G.N.P.

These objectives were achieved virtually intact. The first target was well surpassed, with an estimated 22,700 jobs resulting from various job creation schemes. Table 11 shows the progress made towards achieving the second target, representing a substantial improvement on past performance. The major disappointment was in the curbing of inflation, which was one percentage point greater than the target, this being attributed almost entirely to higher than expected wage settlements.

In the light of the apparent successes in 1978, the targets were revised upwards for the following three year period (Table 12) -

> "The primary objective (being) to achieve the maximum employment increase." (Programme 1978-1981, p.19).

In many respects it is felt that this latest series of "National Development Programmes" suffers from a number of deficiencies already discussed in the context of the earlier "Plans for Expansion". A rather cynical view would be to describe them as merely European bureaucratic necessities, and as a further indulgence in hit-or-miss target setting. This view is perhaps further support-

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[1]White Paper "Programme for National Development, 1978-1981", Dublin 1979.

ed by the already mentioned act of disbanding the Department of Economic Planning and Development, the very Department with the statutory responsibility to co-ordinate the work of all other Departments or Bodies in the field of economic and social development at both the national and regional level. Nevertheless, the fact that infrastructural and social development policies are given, superficially at least, articulation in a spatial framework, and are considered central to any programme for national economic development, as expressed in these documents, marks, it is felt, a considerable advancement in planning in the Irish context. The production annually of these Programmes is also a factor of considerable importance in that it necessitates constant monitoring of change, which may have the benefit of promoting better forecasting and more realistic policy objectives in the future. Indeed the very act of setting targets, even though they may not be achieved, gives some basis on which to measure success and may indirectly prompt improved performance in the future.

The above sections have set out the development of national planning in Ireland. The fact that so much emphasis has been put on this aspect of planning perhaps reflects the highly centralised nature of government in the country. As will be seen from the following sections, this latter factor has also had a major bearing on the development of planning at the sub-national level.

3.2 Sub-National Planning

(a) 1963 et al.

Without doubt the most influential piece of legislation to date in the context of sub-national planning in Ireland has been the 'Local Government (Planning and Development) Act, 1963'. This, along with the more recent 'Local Government Act, 1976', forms the legislative framework for physical planning in the country. More important in the context of the present discussion are the developments in the field of regional planning which have taken place as a result of the 1963 Act.

Under the terms of the Act, the Minister for Local Government was given statutory responsibility for co-ordinating the policies of the local authorities contained in the development plans which they are obliged to produce. A number of major initiatives have come about in consequence of this function. Two reports commissioned by the Minister - the Lichfield Report for the Limerick, Shannon, Ennis area, and the Myles Wright Report on the Dublin Region - necessitated the delineation of areas for planning purposes which were larger than the existing County units. A third - the Buchanan Report - considered a spatial framework for a national growth strategy. The nine planning regions (Fig. 1) delimited in 1969, were a direct spin-off from these earlier Reports.

The first regional development organisation - in the Mid-West Physical Planning Region - was an informal group, consisting of representatives from the various local authorities and the Shannon Free Airport Development Company, which had been convened in connection with the above mentioned Lichfield Study. Its success led to a decision to form similar bodies in the remaining planning regions, announced in the Government regional policy statement in May 1969.

A further important development was the founding by the Minister for Local Government of a Physical Planning and Construction Research Agency - An Foras Forbartha - to assist him in carrying out his planning co-ordination role by undertaking survey and other general research work as directed.

All these measures would seem to indicate a degree of commitment to sub-national planning at the regional level, but as will be seen, the reality has been somewhat less than praiseworthy. If anything, the evidence would seem to suggest that central control of power and resources has increased rather than diminished over recent years, with regional planning becoming increasingly the preserve of Dublin based bureaucrats.

(b) Administrative Structure for Regional Development

There are perhaps four different administative structures involved in the planning process:-

I *The local authorities* - 27 county councils, 4 county borough corporations, 7 borough corporations and 49 urban district councils - whose main concern is with physical planning, and the provision of infrastructural, environmental and other local services.

II *Regional bodies* - the Regional Development Organisations (see section (c) below).

III *Regional bodies dealing with specific sub-national geographic areas* - these include Gaeltarra Éireann, a body with responsibility for industrial development in the Gaeltacht areas of the country, and thus having an important influence on wider issues of physical and social planning in these areas and also the Shannon Free Airport Development Company (S.F.A.D.Co.), set up in 1959 to promote the increased use of the airport for industrial purposes, and to co-ordinate tourist development in the surrounding regions. Successful attraction of industry in the 1960's led to an extension of S.F.A.D.Co's function to include the industrial development of the whole Mid-West region.

IV *Central departments or bodies operating on a regional basis* - these include State sponsored bodies such as the Industrial Development Authority. However, as Whelan notes (1976, p.291), with these bodies -

> "..... very often real devolution of authority does not exist. Decisions are still taken by the central body with no more than a dispersal of staff or a local presence existing at sub-national levels."

This criticism could almost equally apply to the entire local government system, which is constantly overshadowed, and often over-ruled by higher authority. Keating (1976, p.331) has indicated the problems faced by many local authorities due to severe limitations imposed by government -

> "Irish government arrangements are noted in the European scene for the degree of power and control centred in national government, and in particular for the control and restrictions imposed on the Local Government system. Many local authorities suffer from a remoteness from Central Government not alone in the geographic sense but also because of statutory limitations as to functions coupled with inadequacy of resources."

The power of the local authorities has been further eroded by the abolition of rates, a measure welcomed by the ratepayers, but which has deprived the local authorities of a major independent source of revenue. Their limited autonomy is further threatened by the operations of State sponsored bodies like the I.D.A. whose own industrial development plans can seriously undermine the statutory development plans of the local authorities, by fostering development which is incompatible with the proposed land use zoning.[1]

This conflict of interests is also an inevitable result of the multiplicity of bodies involved in all aspects of regional development. Brennan (1976, pp.8-9) lists 200 bodies involved in the process of regional development, while Barrington (1975) suggests the possibility of 87 different bodies operating in a single village totally unaware of each others existence. If nothing else, these figures highlight the need for a restructuring of the present administrative mess to enable proper co-ordinated planning to be carried out at the regional level, and to ensure that (a) there is no duplication of function, (b) the meagre existing resources be more efficiently used, and (c) the planning function be in the hands of a body which is more readily accessible and answerable to the public than at present, and more in touch with actual planning problems rather than administrative whims.

> The Devlin Report,[2] as long ago as 1969 argued that - "The weaknesses (of local government) are the extent of the central controls that hedge it in, and the lack of clearly defined roles and responsibilities to enable it to play a truly developmental part in the system of Irish government, and the lack also of a single central authority concerned with these problems."

As yet these weaknesses have not been rectified, but the basis for change does, it is felt, already exist in the guise of the Regional Development Organisations, as will be seen in the following section.

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[1]An example of this is the I.D.A.'s decision to develop land for industrial use outside of the town of Carrick-on-Shannon in the North-West Region, with a total disregard for the industrial and residential land-use zoning in the County Development Plan.

[2]Report of the Public Services Organisation Review Group, 1966-'69 (see Brennan, 1976, esp. pp.18-21).

(c) The Regional Development Organisations

The Regional Development Organisations (R.D.O.'s) grew out of the successful experience of the regional planning co-ordinating committee operating in the Limerick area in connection with the Lichfield study already referred to. It should be noted, however, that much of the success in the Mid-West region resulted not simply from the existence of such a committee, but from the participation within it of S.F.A.D.Co. with the drive and energy, and more importantly, the resources of manpower and finance, and executive powers to ensure that proposals were carried out on the ground as well as on the drawing-board. In contrast, the R.D.O.'s which emerged later, like the Economic Planning and Development Councils in England, while able to formulate planning policy on a regional basis, have lacked the power and resources to implement their proposals.

A Government statement in May 1969 announced the setting up of R.D.O.'s in all the planning regions, their main function being -

> "..... to co-ordinate the programme for regional development in each region. The purpose of the programme will be, principally, to identify the potential in each area, including the factors which make for economic expansion (such as growth centres) and the factors which impede expansion."

However, the important proviso attached was that -

> "It is not intended that the regional groups will assume any executive functions."

The regional reports referred to above were all completed, and formed the basis for the Statement on Regional Policy in May 1972. On the R.D.O.'s, it read -

> "The Government considers that the Regional Development Organisations established in the regions are performing a useful role which should be developed further and that they should accordingly continue to receive assistance and support. This does not imply any departure from the intention to preserve the county as the basic local government unit."

Further support for the county rather than a regional authority as the main unit of local government was given in the White Paper on Local Government Reorganisation (1971). Thus the commitment to regional planning must be doubted.

Barrington, in an Addendum to the "Devlin Report" has argued that -

> "..... the history of local government at county level and the experience of S.F.A.D.Co. showed that the effective devolution of discretion was meaningless unless the authority to which the discretion was devolved was given real authority and funds, and that it was a clearly executive authority, not a consultative or ornamental one."

Surely, then, if the Government sees the need to further develop the role of the R.D.O.'s this must include provision of increased resources and statutory recognition, giving them the power to act as real planning agencies rather than simply as advisory bodies -

> "If R.D.O.'s are to motivate statutory bodies to implement development plans incorporating individual objectives of the strategy, to achieve effective coordination of investment programmes at regional level and to make the regions' claim for a fair share of resources from Central Government, then they must have some measure of delegated authority and some say in the allocation of resources." (Cullinane, 1976, p.329).

The R.D.O.'s themselves argued the need for statutory recognition in a submission to the Minister for Local Government in 1974. This, they claimed, would promote a greater understanding and acceptance of the R.D.O.'s as an important agent for regional development, and would overcome the problems of lack of co-operation, since it would "..... enhance their status and credibility in dealing with Statutory Bodies."

In the White Paper on Local Government Reorganisation (1971) it was argued that executive regional authorities operating between existing central and local authorities would not be feasible due to the small size of the country (population and area). This arguement is quite acceptable, in that it would avoid duplication of function and increased bureaucracy, but less acceptable is the inferred centralist logic that the status quo is preferable to reorganisation into larger local units. One model which could perhaps be adopted is that of the "general purpose authorities"[1] in Scotland, where, although District level authorities still exist, the planning function is at a regional level, due to the dispersed settlement patterns in these regions. There are indeed strong parallels between the problems and needs of these regions, and those of all the regions in Ireland, with the exception, perhaps of the East, which would suggest that similar policies might also be considered appropriate.

In a study of 'Institutional Arrangements for Regional Economic Development' (N.E.S.C. Report No. 22, 1976) Brennan suggests that -

> "Regional development requires ..... the preparation of integrated strategies or plans for overall development and an executive agency or agencies to implement these strategies. In this way various components in the development process can be harnessed to produce positive development rather than merely react passively to events as they occur or are generated by other agencies." (p.14).

He pointed to a number of weaknesses which hampered regional development, including the lack of any comprehensive regional policy and of a set of integrated regional plans, which he claimed, were not possible to produce due to the absence of a national programme or plan. On the contrary, however, a framework does exist, both through the National/Regional Development Programmes submitted to the European Commission, and through the Regional Industrial Plans of the I.D.A.. The fact that so much importance is attached to the latter, is perhaps an indication of the planning vacuum which exists at the regional level, and underlines the existing need for some form of regional development agency.

It is therefore suggested that until the R.D.O.'s, or some similar regional agencies are given statutory powers to co-ordinate development, the problems of mismatch of infrastructural and other investment needs at the regional level will persist. Unless change

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[1]refers to the Highland, Borders and Dumfries and Galloway Regions.

occurs regional development will continue to be no more than industrial development programming, divorced from all other aspects of planning, including social planning. It is doubtful, however, whether both the will and commitment can be found at central level to agree to any effective diminution of Central Authority power. In the absence of such a move, some alternative to the present planning administration must be sought. It has been suggested that "..... the Regional Industrial Plans of the I.D.A. might form the focal point for integrated planning for each region." (Brennan, 1976, p.34). It is appropriate, therefore, to now turn attention to the I.D.A.. The following chapter looks at the work of the Authority in industrial development at the national level, and also at the extent to which it has succeeded at the regional level in generating economic and particularly industrial employment growth, and in fostering the policy of regional 'equalisation'.

CHAPTER 4

INDUSTRIAL GROWTH AND THE INDUSTRIAL DEVELOPMENT AUTHORITY

4.1 Introduction

Any discussion of the industrial progress which has been made in Ireland since 1950 would be inadequate without due recognition being given to the major contributory role played by the Industrial Development Authority (I.D.A.), the driving force behind both 'domestic' industry development and the growth of foreign exporting investment which has transformed the industrial sector of the economy.

Set up as an autonomous body by the 'Industrial Development Act, 1950', its main functions were largely promotional and advisory. Its remit included -

> "i. to initiate proposals and schemes for submission to the Minister (for Industry and Commerce) for the creation and development of Irish industries,
>
> iii-iv. to advise the Minister on steps necessary and desirable for establishing new industries and for the expansion and modernisation of existing concerns,
>
> v. to give on request advice and guidance to persons contemplating starting new industries or expanding existing ones."[1]

Its responsibilities were considerably extended under the 1969 Industrial Development Act, which merged the I.D.A. as it was then constituted with An Foras Tionscal, the body which until then had been responsible for developing industrial estates, and for administering adaptation and new industry grants. The 'new' I.D.A. is a corporate body existing wholly outwith the Civil Service. Its nine members are appointed by the Minister for Industry and Commerce with the consent of the Minister for Finance. The Authority is financed each year by an Exchequer grant agreed upon by both these Ministers as being adequate for the discharge of all obligations and

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[1]full remit contained in 'Industrial Development Authority Act, 1950', section 3.

liabilities incurred under the Act, but there appears to be few restrictions on how this money should actually be spent, so long as it is being used to serve the remit laid down by the Act.

Although it has nine regional offices throughout Ireland, the Authority is still a highly centralised body, with decision-making being chiefly the preserve of its Dublin headquarters. Its executive powers are considerable, and its influence is far-reaching, over most aspects of development in Ireland today. Indeed much concern has been expressed by a number of observers[1] at its degree of autonomy, and particularly at its apparent freedom to act without many of the operating restrictions imposed on local authorities and other similar bodies. Nevertheless, few will deny that this has perhaps been one of the main reasons for its successes to date. It also makes it a considerably different body from industrial promotion and development agencies operating in other countries, such as the Scottish Development Agency, which although having similar remits, do not have the same powers to act. The extent, therefore, to which the I.D.A. has contributed to the industrial and regional development of Ireland, should be of considerable interest to other countries pursuing similar developmental policies.

The ensuing discussion will look at the work of the I.D.A., both in promoting industrial employment growth, and in fostering regional development. An assessment will also be made of the extent to which it has been successful in pursuing both these aims.

4.2 The Role and Policy Objectives of the I.D.A.

The Industrial Development Act, 1969, gave the I.D.A. considerably wider scope for action in the field of industrial expansion than had been the case beforehand. In addition to its remit set out in the 1950 I.D.A. Act, it was given the following functions:-

1. to act under the Minister (Industry and Commerce) as a body having national responsibility for the furtherance of industrial development;
2. to provide and administer such grants and other financial

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[1] numerous personal interviews with Academics, Economic Researchers and Civil Servants in Ireland, 1979.

facilities for industry as it may be authorised by the Oireachtas to provide and administer;

3. to develop, construct, maintain and administer industrial estates and factory buildings (other than at Shannon Customs Free Airport), together with the associated facilities of such estates and buildings;

4. to provide and arrange, where the Authority considers it necessary, housing for employees in industry;

5. to foster the national objective of regional industrial development. (1969 Act No. 32, para. 11.)

This last designated function is undoubtedly the most important, particularly when it is realised that industrial development is held to be the key to the future prosperity of the country, thus making the I.D.A. the principle agent of both national and regional development policy.

In 1972 the Managing Director outlined the task of the Authority as being -

> "..... to promote the rapid build-up of the industrial sector by providing information, guidance and encouragement, and financial inducements and assistance to existing Irish and to overseas manufacturing firms willing to invest in Ireland." (Killeen, 1972, p.11).

However, in the Authority's 'Regional Industrial Development Plans, 1973-'77',[1] published in the same year, recognition was given to the wider responsibilities of the I.D.A.,within its regional development remit, to take note of -

> "..... objectives deriving from wider demographic, social and economic goals which are not within the direct and exclusive field of responsibility of the I.D.A., but which nevertheless form part of the framework within which I.D.A. activities are carried out." (1973 Plan).

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[1]For the remaining discussion, the I.D.A.'s Regional Industrial Development Plans, 1973-'77, 1977-'80, and 1978-'82 will be referred to as the 1973, 1977 and 1978 Plans respectively, unless otherwise stated.

It is indeed imperative for the achievement of the regional development goal that social objectives should not be lost site of in the desire for economic advancement. To this end a series of social and community objectives were incorporated into the Authority's industrial strategy as outlined in the 1973 Plan. These included -

(a) to help maintain and improve the existing pattern of community settlements.

(b) to aim at provision of employment within a travel-to-work time of not more than thirty minutes.

(c) to spur development in the smaller centres by encouraging the location of small industrial units in them.

(d) to contribute to the development of selected towns as growth centres .....

(e) to contribute to the development in each region of a number of centres providing a wide range of higher order social, shopping, commercial, sporting and cultural facilities.

(f) to encourage, where appropriate, the "clustering" of geographically and functionally related towns to form a stronger base for industrial and social development. (1973 Plan, Pt. I, p.40.)

Closer scrutiny would, however, appear to reveal certain contradictions within the Plan. It is stated, for example, that -

> "In the attraction of the bulk of the new manufacturing jobs required, the I.D.A. subscribes to the view that the larger centres ..... will have a major role to play (the aim being) to foster their emergence as development centres with skilled labour pools, industrial services, good infrastructural facilities and social and cultural amenities so that in time they can be brought to the stage of self-sustaining growth." (1973 Plan, Pt. I, p.48).

This surely is tantamount to support for a growth centre policy, which would hardly be compatible with the expressed social objective of overall, unbalanced regional development. Indeed, how would it be possible to pursue such a policy without adversely affecting the develment prospects of the very numerous smaller towns and villages? Some recognition was given to possible policy conflicts in a suggestion that -

> "..... achieving certain employment targets in some peripheral areas within a given national resource allocation for employment creation may result in reduced job creation numbers at the national level." (1973 Plan, Pt. I, p.38).

Given such a choice, is it realistic to think that a body such as the I.D.A., whose main task as outlined earlier by its Managing Director is to promote rapid industrialisation, is likely to opt for anything but the optimum job creating strategy?

This question is perhaps answered by the fact that in the 1978 Plan, published after a period of relative stagnation in terms of industrial employment growth, there is scant reference to social objectives of policy. The role of the I.D.A. is set out purely in terms of industrial development -

> "..... to encourage and assist new investment in manufacturing in order to create additional employment, to encourage enterprise and innovation in industry and to help existing industry faced with pressures from free trade and technological change to maintain its workforce." (1978 Plan, p.25).

This statement in fact suggests a more subtle change of policy, with greater emphasis than before being directed towards job preservation and restructuring in the manufacturing sector. This inevitably means stronger policy initiatives favouring the older industrialised areas, particularly in the East and North East Regions. What then for the smaller underindustrialised centres?

The 1973 Plan had as a basic locational strategy -

> "..... aiding the gradual stemming of population decline in areas now suffering from excessive migration through the encouragement of small scale industry in the smaller population centres, thereby creating new local industrial bases and establishing conditions conducive to growth." (1973 Plan, Pt. I, p.51).

Such a strategy is well favoured as it tends to minimise the level of 'social disruption' caused by new industrial development in predominantly rural areas. A number of glaring examples can, however, be pointed to of developments which have been supported by the I.D.A., but which do not appear to be in accord with the above sentiments. One such example is the Asahi synthetic fibre plant developed at Killala, Co. Mayo, ostensibly attracted to the area by the substantial water resources available. It employs a workforce of over a thousand, in an area of very sparse population, and with no previous industrial history. It has been severely criticised on a number of accounts, including the following - (a) the scale of the development is unsuited to the area on environmental and social grounds, (b) it overwhelms the local labour market, making the area too highly dependent on a single employer, necessitating also considerable incommuting, and through raising wage expections, threatens the existence of other local sources of employment, and (c) it introduces a culture and a new workforce which are totally alien to the traditional lifestyle of the area, and in consequence militates against the national objective of cultural preservation and enhancement. In addition, it can be assumed that such a large scale project in such an isolated location would require substantial investment to be made in local infrastructure, thus markedly increasing the cost per job created, paid for by the public purse.

The above criticisms were rejected out of hand by a senior I.D.A. official,[1] answering to the effect that (sic) -

> "We have heard these arguements before concerning this type of development. Our task is to provide jobs, and in the case of Asahi we have done so on a large scale where none were provided before. Why criticise us for having done our job properly?"

This rather dismissive tone seems to confirm the widely held view that the prevalent attitude amongst officials of the Authority is that 'jobs come first, and any adverse consequences are someone elses responsibility'.

Unquestionably the I.D.A. has been successful in the task to which it is best suited - that of creating jobs, but success in one

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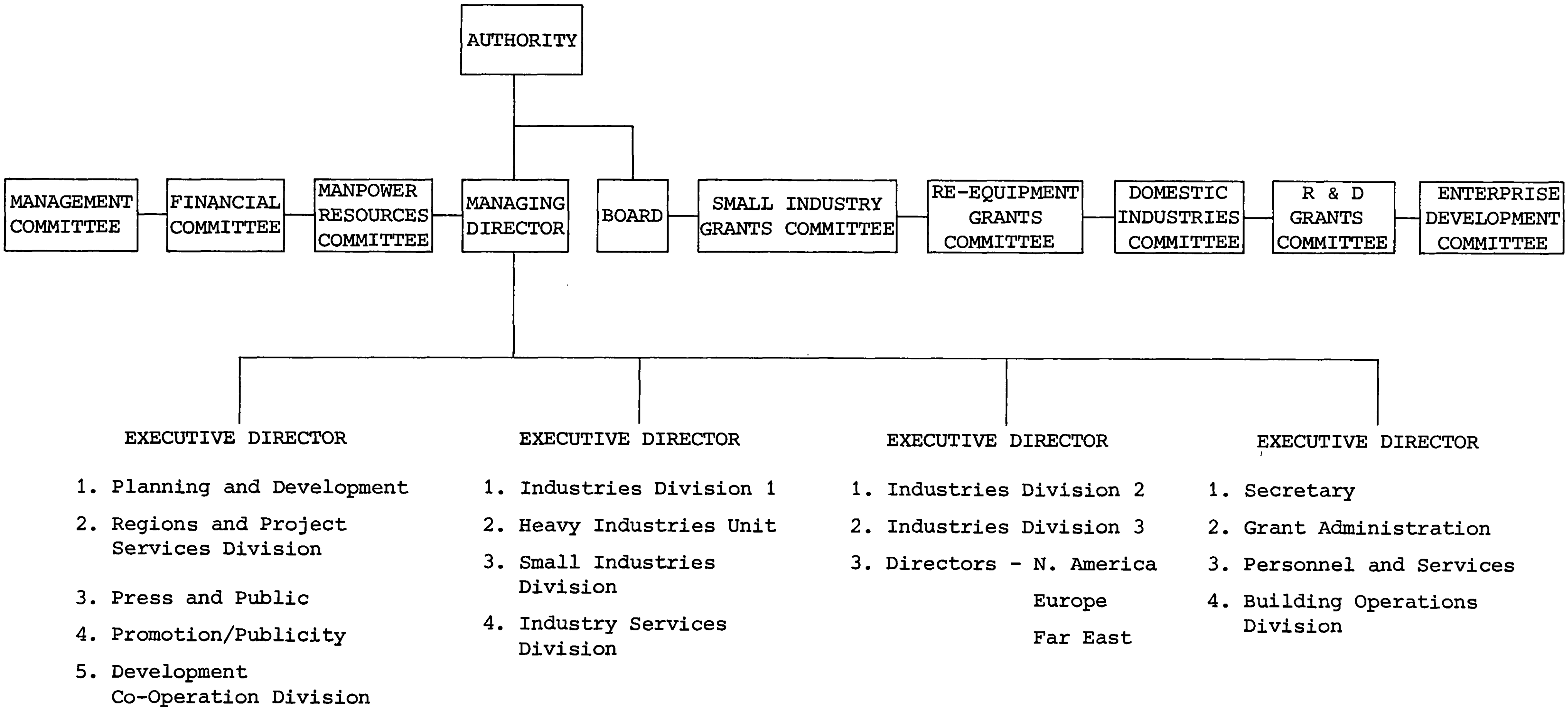
[1]Personal interview, November 1979.

area does not necessarily lead to success in others. In the absence of statutory regional planning agencies the I.D.A. has in essence, assumed the role of executor of regional development policy. Certainly the Authority's work in the sphere of industry has important development implications for other areas of regional policy, but it should not necessarily follow that, under present legislation at least, the I.D.A. is the body best suited to such a co-ordinating role. If this is to be the case, then it is suggested that the I.D.A.'s remit, particularly as it relates to regional policy objectives, should be more clearly defined. If more than just lip-service is to be paid to the goal of broad-based regional development, then there is a need for more stringent guidlines to be set regarding such issues as deciding priorities between suiting employment by type and location, and creating the maximum number of jobs for a given level of grant. At present there appears to be far too great a degree of freedom in which the Authority can operate according to its own objective criteria, and not enough control exerted by politicians and others to ensure that national objectives for regional development are adhered to.

4.3 The Organisational Structure of the I.D.A.

The main organisational structure of the I.D.A. is outlined in brief in Fig. 3. At the bottom level are a considerable number of different Divisions, dealing with the various areas of concern of the Authority's operations. Amongst these, the three 'Industries Divisions', with responsibilities in the field of industrial promotion and development, divided largely by manufacturing sector and by product type. In addition, there are Divisions dealing specifically with Heavy and with Small Industries. An Industrial Services Division also exists, whose chief concern lies with domestic industries, particularly in connection with the 'Enterprise Development' and 'Joint Venture' schemes, both promoting indigenous industrial growth (see below). It also provides a further back-up service through its Rescue and Restructuring package and by supporting Research and Development (R.&D.). Other important sections include Planning and Development, responsible for national and regional industrial planning, and the actual physical planning of development, Grants Administration and the Building Operat-



Source: I.D.A. Annual Report, 1978.

FIG. 3. Organisational Structure of the I.D.A.

ions Division, charged with land acquisition and factory building. Perhaps more important than these is the Regions and Projects Services Division, which carries out project identification, and also includes the I.D.A.'s Industrial Intelligence Section. It is through the twin processes of identifying domestic supply shortfalls and product areas and firms with likely future investment prospects that the I.D.A. is able to formulate and implement its future sectoral investment strategy.

On top of the already outlined structure is the Authority's overall administration, answerable to the Managing Director, but the investment decisions relating specifically to the Authority's industry programme are taken by the Board with advice from one or other of five consultative committees made up of representatives from the I.D.A. itself and other interested parties, including amongst others, the Irish Congress of Trade Unions, the Confederation of Irish Industry, the Industrial Credit Company, and Coras Trachtala (C.T.T. - the National Export Promotions Body). Each of these makes recommendations to the Board concerning their various fields of interest - Small Industry, Re-Equipment, Domestic Industry, R.&D., and Enterprise Development - and decides upon individual grant applications. Further scope for co-ordination and co-operation is provided by virtue of the I.D.A. being represented on the Boards and Committees of most other bodies whose work may have some bearing on the successful achievement of I.D.A. policy goals.

At the regional level the I.D.A. works closely with other bodies, being represented on the R.D.O.'s and on the Country Development Teams, but verbal evidence suggests that liaison with most local authorities has been largely by way of 'consultation by consent', rather than true co-operation. The actual regional presence of the I.D.A. is fairly nominal, the role of the regional offices being merely to advise existing and potential investors on the availability of I.D.A. services, and to provide information pertaining to land, labour, training and infrastructure.

The final organisational tier is the network of sixteen promotional offices dispersed throughout North America and Europe and also including Japan and Australia. With 80 full-time overseas staff this is a fairly comprehensive network, particularly when compared with that of near neighbours, and strong rivals, the S.D.A., with only 2 full-time promotional staff in North America. It is impossible, however, to quantify the benefits which may arise from having overseas offices. As one I.D.A. official put it[1] -

> They are probably most valuable as a shop-window, since it is most unlikely that many distant overseas firms would consider an Irish location, and apply to Dublin without having gone through their 'local' I.D.A. office. ..... It is always better to have personal contact than mere correspondence.

It is interesting to note, however, the closure of the Brussels office, all its staff having been transferred back to Dublin, from where, it is felt the I.D.A.'s interests in the E.E.C. can be equally well served.

Nevertheless, while a highly efficient and extremely well organised administrative back-up is an essential ingredient to any successful promotional campaign, it would not of itself be sufficient to attract potential investors without the addition of a fairly comprehensive incentive package. It would be fair to say that the I.D.A.'s is more comprehensive than most!

4.4 The Incentive Package

Recent I.D.A. publicity announces Ireland as "the most profitable location in the European Community", in terms of return on industrial investment. This is supported by evidence from the U.S. Department of Commerce of returns on investment earned by U.S. affiliates in Ireland being invariably in excess of the average return for U.S. investment in Europe as a whole. McAleese (1977, p.52) also highlights the fact that even during the recession years, returns of 25% on the book value of net assets exceeded that for U.S. investment in most other European countries by a considerable margin. In the period 1974-'77, the average annual return on U.S. manufacturing investment in Ireland was 28.5%, and 12.8% for the E.E.C. as a whole (Ambrose, 1978, p.3). These large profit margins are attributable chiefly to the generous incentive package provided by the I.D.A. which is acknowledged to be one of, if not the most lucrative available in Europe.

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[1]personal interview.

Arguably the most attractive incentive which has been available to date is that of a fifteen year tax holiday on export profits, with a possibility of relief at a reducing annual rate for a further five years. Introduced in 1958, to promote export-led expansion of the industrial sector in Ireland it has been particularly attractive to foreign investors due to the opportunities offered to benefit from transfer-pricing. For reasons which will be explained in Chapter 5, this incentive will no longer be available after end-December 1980. Those firms at present benefitting from this incentive, and those which establish in Ireland before that date, may continue with this incentive until 1990, or alternatively, they may opt for its replacement - a 10% rate of Corporation Tax applying both to firms exporting or serving the domestic market - if they consider the latter to be more lucrative. In addition to the above, there is no restriction on the repatriation of profits, which is further facilitated by agreements reached with the governments of the major investing nations for the avoidance or mitigation of double taxation. To encourage reinvestment by firms in Ireland, however, liability for Capital Gains Tax - at the rate of 30% - may be deferred if the capital is reinvested, until such time as the reinvestment programme ceases.

Generous depreciation allowances are also available, to further reduce the tax liabilities of individual firms. Annual allowances of up to 25% are permissible for plant and machinery, or, if the manufacturer prefers, 100% of expenditure on these items may be written off against tax in the first year. As an incentive to firms to locate in the Development Areas (D.A.'s) an extra allowance of 20% on plant and machinery could be claimed, giving a total possible allowance of 120%. This too is an incentive which will no longer be available to future investors (see Chapter 5).

More tangible incentives are those provided by way of non-repayable cash grants towards fixed asset investment costs. These are available for new industry investment, up to a maximum of 60% in the D.A.'s and 45% in the Non-Development Areas (N.D.A.'s). It should be noted that at 60% Ireland offers the highest nominal rate of grant in the E.E.C. (Allen, 1977, p.17). This is, however, a legal maximum, the administrative maximum being about 10% less, and the average level of award being lower still. Allan (1977, p.130) has shown the average nominal value of award to be 27.0% in the D.A.'s and 21.0% in the N.D.A.'s, but in effective value terms these rates reduce to 18.7% and 14.6% respectively, thus indicating in reality a watering-down of the regional component of the grant system. There is no automatic entitlement to the maximum level of grant. Rather the award is agreed on a trade-off basis, with the following factors considered:-

1. location of project
2. level of value added
3. ability of project to provide jobs quickly
4. skill content in jobs
5. long term growth potential
6. significance of the technology of projects in facilitating expansion of desirable sectors
7. projects where R.&D. or marketing functions will be established in Ireland
8. projects using native natural resources
9. projects with spin-off possibilities to existing firms.

To encourage both a broadening of the industrial base, and also increased specialisation and higher productivity in particular product areas, non-repayable cash grants are available for re-equipment and modernisation, at the rate of 35% in the D.A.'s and 25% elsewhere. These are normally available up to a limit of £1.25m, but this may be exceeded with Ministerial approval, provided that the percentage limits are adhered to. Facilities for R.&D. may also be assisted at the above percentage rates, and in addition, specific R.&D. projects which may be 'in-house' or carried out at the I.D.A.'s Research Park at Naas, are eligible for grants of up to 50% or £50,000, whichever be the lower figure.

Other inducements to potential investors include advance and purpose-built factories available throughout the country. To further the factory building programme the I.D.A. has a land-bank, which in 1979 consisted of almost 4,000 acres, at 62 different locations. Key worker housing may also be provided, in conjunction with the National Building Agency. 100% grants for labour training are also available, and the Authority provides a comprehensive after-care and advisory service for firms in their initial years of production. Largely to encourage growth of domestic enterprises, there are (a) the Small Industries Programme, with grants at the same rate as those for 'new industry', up to a maximum of £300,000 for firms employing up to 50 people, (b) the Joint Venture Programme, to encourage expansion through partnerships usually between foreign and Irish firms - up to 100% of the travel costs are awarded to enable managerial staff to visit potential partners, and (c) the Enterprise Development Programme, aimed at encouraging potential "first-time entrepreneurs", with good ideas but lacking in investment capital, to set up in production, with equity finance provided by the I.D.A..

This latter programme, started in 1978, marks a significant change for the I.D.A. which has in the past shown a certain reluctance to involve itself in providing working capital. Although special arrangements have been made with the banks to provide working capital loans of up to £25,000 for a maximum five year period, this applies only to the Small Industries Programme. In general, loans for permanent working capital may be made available by the Industrial Credit Company, but not by the I.D.A. itself. For certain types of manufacturing concerns the I.D.A. may provide interest subsidies and give loan guarantees on the interest due on borrowed finance for fixed assets, and working capital. Under the 1969 Industrial Development Act is is also empowered to take equity participation where it feels this to be possible and appropriate. It seems ironic, however, in view of the fact that risk/working capital forms such a large part of project costs, and often presents the greatest stumbling-block to industrial development and expansion, particularly for the smaller domestic firm, that the I.D.A. should not show a greater involvement in this area of investment finance. On the question of equiry finance one I.D.A. official[1] suggested that the Authority did not favour this type of aid since it could not adequately exercise direct control over its use by individual firms. When it was provided, he outlined a preference for 'restricted' rather than 'heavy' equity, and that to be available on a 'buy-back' basis.

If the prognosis is correct that the level of footloose foreign investment will dramatically decrease in the not too distant future,

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[1]personal interview.

then it may be that Ireland will have to depend much more than it has in the past for new employment to be generated by the indigenous manufacturing sector. Although a general indication of such a strategy is given in the I.D.A.'s 1978 Plan, which has as a central target the creation of more than half of the new jobs in 1978-'82 by domestic sources, this figure is in itself misleading, since it includes as 'domestic' all those foreign owned firms established in Ireland before the initial Plan period began. Thus there is not as yet a sufficient commitment to lessen the country's dependence on overseas investment. The initial success of the Enterprise Development Programme - 22 projects approved in the first year, with a job potential of 900, and 14 actually in production at end-1978 - may be an indication of the untapped potential for indigenous growth, which, until credit barriers had been overcome, through loan guarantees and such-like from the I.D.A., could not be realised.

A number of other areas of I.D.A. incentive policy have also come in for criticism. Schaffer (1979, p.240) points out that while the incentives offered to attract foreign firms since 1958 attracted more industrial investment, this was accompanied by a lower rate of job creation. He further suggests that the institutions themselves, including the I.D.A. have encouraged foreign investment to be capital intensive, and therefore, labour-displacing. Kennedy and Foley (1978, pp.110-111) argue that, in that the incentive scheme is geared to give maximum benefit to profit making exporters it has been poorly adapted to the needs of domestic industry which needed venture capital first before it could benefit through profit -

> "Most of the successful entrepreneurs received no help whatsoever in making the vital first move from employee to employer. State grants, premises, loans were out of reach until they had proved themselves."[1]

While, as has been mentioned above, some moves have been made to overcome the initial financial barrier for domestic firms, in general the present range of incentives still favours capital intensive investment. Of particular note is the Re-Equipment Grant Scheme. The largest single grant approved to date under this scheme has been one of almost £5m to Arthur Guinness and Sons Ltd. in Dublin. A grant of

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[1]Rotherby, B., "Men of Enterprise", p.24. Institute for Industrial Research and Standards, Dublin 1977.

almost £1.5m has also been approved for the Carrolls[1] cigarette company in Dundalk. Both of these are firms which would hardly have gone out of production without these grants - grants which assisted rationalisation and hence job-displacement programmes, were counter productive in terms of industrial employment growth, and could thus be construed as a misuse of public resources. In such cases, and also in cases where modernisation is essential to the future of the firm there is perhaps significant scope for an extension of equity participation by the I.D.A., which would not only provide the necessary finance for the firms involved, but would also give the likelihood of a positive return to the Exchequer.[2]

The above presents a brief outline of the types of incentives made available by the I.D.A., and their suitability to the needs of different industrial concerns. Attention will now turn to the success or otherwise of the I.D.A., aided by its incentive package, in creating employment particularly since 1960.

4.5 The Development of New Industry

4.5.1 Introduction. The New Industries (N.I.) Programme is the most important of the I.D.A.'s areas of concern, as measured both in terms of assistance given (grants) and the absolute numbers of jobs created. In 1961-'71, N.I. provided 33,736 out of a net increase of 34,197 manufacturing jobs (O'Farrell, 1975, p.1), and by 1973, with 58,218 jobs, it provided 29% of manufacturing employment in Ireland (McAleese, 1977, p.16).

Added to its impact on employment, N.I. has contributed greatly to the restructuring of the industrial sector, and to raising export levels. Its share of gross output, at 30.5% in 1973 was consistent with its share of employment, but it has consistently performed disproportionately better than the rest of industry in terms of its contribution to manufacturing exports, accounting for 62.1% of manufactured product exports in 1973. In its ratio of exports to gross output there is a quite startling contrast between N.I. - 72.4%, and the

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[1] I.D.A. Annual Report, 1978.

[2] All shares must be in the name of the Minister for Industry and Commerce, therefore returns would not go directly to the I.D.A.

'rest' - 18.6% (Table 13). The contrasts by individual sectors are even greater, but as can be seen from the table, even within the N.I. group there are significant differences between those firms of foreign and Irish origin. With only one exception - structural clay and cement - new foreign firms have a higher export ratio than their Irish

TABLE 13. Ratio of Exports to Gross Output in Irish and Overseas Enterprise, 1973

Sector	New Industry (N.I.)			
	Irish	Overseas	Total	Other
1. Food	60.3	80.3	65.4	25.0
2. Drink and Tobacco	85.7	97.6	97.9	11.7
3. Textiles	54.0	94.6	75.6	32.7
4. Clothing and Footwear	34.7	91.9	61.3	9.9
5. Wood and Furniture	20.8	38.1	28.4	9.6
6. Paper and Printing	30.4	66.7	52.9	11.9
7. Chemicals	40.0	91.8	90.5	20.1
8. Structural Clay/Cement/Glass	60.0	46.9	52.6	10.1
9. Metals and Engineering	33.6	84.6	70.9	3.6
10. Other manufacturing	52.8	90.1	85.8	23.1
Total	54.4	87.6	72.4	18.6

Source: McAleese, D. 'A Profile of Grant-Aided Industry in Ireland', p.30, (I.D.A., Dublin 1977).

counterparts. These figures illustrate the undoubted success of the Government's policy of promoting export-led industrial growth, and the attraction of Ireland as a base for exporting industries. The higher ratios exhibited by foreign as opposed to Irish N.I. is in part explained by the tendency for a large proportion of their trade to be with overseas affiliates - 85% of new U.S. concerns trade with affiliates, accounting for 77% of their exports (McAleese, 1977, p.37) - while the lower ratio for Irish firms suggests, perhaps, a lack of expertise in marketing abroad, and to an extent highlights the disadvantage of not having an established network of overseas contacts.

The tendency for foreign firms to shun the domestic market may be a reflection of the incentives offered, which make this area less lucrative than elsewhere. McAleese, however, indicates that home sales increase as a proportion of total sales the longer the foreign enterprise is established in Ireland. The imminent change in the incentives offered, with E.P.T.R. being replaced by a very nominal rate of corporation tax, may in fact encourage these firms to direct greater attention to the 'home' market, to the detriment of some domestic firms. A further ominous point to note is that in almost every industrial sector identified in the I.D.A.'s 1978 Plan for major future growth, including chemicals, mechanical engineering and electronics, foreign investment has been dominant in recent years. In 1961-'73, N.I. share of textiles investment was 75%, largely accounted for by foreign concerns. Since then major new investments from overseas have included those by Asahi, Courtaulds and Burlington Industries, increasing foreign dominance in this sector. This point will be considered again later, but suffice it to dwell on the fact that without the scale of foreign N.I. investment which has been attracted to date, Ireland's 'economic miracle' would have been unthinkable.

4.5.2 Origin and location of new overseas industries. At 1st January 1979, 654 overseas firms had interests in 641 operating industrial concerns in Ireland.[1] The majority, by nationality were of U.S. origin - 215, followed by the U.K. - 176, and Germany - 99. Also significant in numerical terms were Dutch - 37, Swiss - 21, Swedish - 18, French - 17, and Canadian - 15. In total twenty-two nationalities were represented at that date. Investment from overseas in the period 1960-'78, amounted to £1,644m, with the U.S. accounting for more than 50% of this total. There has though, been a noticeable change in the last few years, particularly with the establishing of a number of very capital intensive Japanese concerns during the 1970's. 199 (31.0%) of the overseas concerns operating in 1979 had established by 1970. Since then there appears to have been a very considerable upsurge in the number of starts, with 262 established in 1972. During the period of the I.D.A.'s 1973 Plan, more firms invested in Ireland than in the previous thirteen years, with 287 plants being added to the total in

[1]Derived from 'Overseas Sponsored Companies in Ireland', I.D.A. Dublin 1979.

just four years. It should be noted that these figures refer to the start dates of firms still in existence in 1979, and therefore do not accurately show the actual number of 'starts' in any given period. Nevertheless, they do serve to indicate the large volume of foreign investments which have been attracted to Ireland since the policy changes of the late 1950's, and more particularly, the rapid increase in the rate of establishment since the early 1970's, corresponding with Ireland's entry into the E.E.C.. Early indications for the latest Plan period (1978-'82) show an even stronger performance than before, with 92 overseas enterprises commencing production during 1978 alone.

Many studies have suggested a relationship between nationality and size and location of firms in Ireland (Blackborn, 1972; McAleese, 1977; O'Farrell,1978a). Considerable variation in workforce size by nationality of firm was indicated by a study of 267 new overseas firms in 1974 (McAleese, 1977, p.20). The largest employers were Dutch, with an average of 395 employees per plant, followed by U.S. - 187, U.K. - 100 and German - 86. The global average plant size was found to be 135. Table 14 indicates a strong preference by Dutch firms to locate in N.D.A.'s, and hence by implication it would appear that larger plants tend to be located in the more developed regions - more than 50% of the Dutch plants can be found in the East and South-East Regions alone. In complete contrast are the German firms, with only 6% of these being in the East Region and a further 13.0% in the South-East, preferring instead to locate in the D.A.'s - 34.0% of German firms can be found in the South-West Regions, which confirms the finding by Blackborne of a noted attraction to German firms of a location in Co. Kerry. While U.K. firms would appear slightly more likely to choose a D.A. location, there is no clear cut pattern for firms of U.S. origin - 25.6% of these are found in the East Region, but a further 23.5% are located in the Mid-West, largely explained by the number which have been attracted to Shannon. Amongst the remaining 126 firms from overseas, Table 14 shows a preference for a N.D.A. or 'mixed' region[1] location, but disaggregating to County level shows more than 60% of the total locating in N.D.A.'s.

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[1]'Mixed' regions include - South-West, Mid-West, Midlands and North-East.

TABLE 14. Origin and Regional Distribution of Overseas Enterprises, 1978

Region	U.S.		U.K.		GERMAN		DUTCH		OTHER	
	No.	%	No.	%	No.	%	No.	%	No.	%
E	55	25.6	48	27.5	6	6.0	11	29.7	24	19.0
SE	20	9.3	19	10.9	13	13.0	8	21.6	11	8.7
SW	33	15.3	34	19.5	34	34.0	6	16.2	31	24.6
MW	50	23.5	21	12.0	16	16.0	4	10.8	25	19.8
W	24	11.2	7	4.0	10	10.0	-	-	10	7.9
NW	2	0.9	7	4.0	7	7.0	1	2.7	1	0.8
DON	2	0.9	6	3.4	2	2.0	1	2.7	4	3.2
MIDS	13	6.0	13	7.4	7	2.0	4	10.8	6	4.8
NE	16	7.4	20	11.4	4	4.0	2	5.4	14	11.1
TOTAL	215	100.0	175	100.0	99	100.0	37	100.0	126	100.0

Source: Derived from published list of overseas manufacturing concerns in Ireland, I.D.A., Dublin 1979.

As exact employment figures for each plant are not available to the author it is difficult to establish the true relationship between plant size and location, but it can be surmised that the tendency for overseas firms, as with those of Irish origin is for larger plants to locate in N.D.A.'s, and smaller plants to choose D.A. locations. A more detailed analysis of firm characteristics in both a D.A. and N.D.A. region will, however, be presented later.

4.5.3 New industry sectoral characteristics. Table 15 confirms a significant difference in the sectoral composition of N.I. from that of industry as a whole, as measured in terms of job potential for approved projects, both in the period April '74 to December '76, and those projected for 1978-'82. There is a noticeable, and not unexpected shift towards a more 'modern' industrial structure. Food, drink and

TABLE 15. Sectoral Distribution of Employment

Sector[1]	Employment at Dec. 1976 (%)	New Industry Job Approvals, April '74 - Dec.'76	Expected Jobs 1978-82	%	Projected distribution[2] 1982
1+2	27	13	7,000	9	22
3	10	17	6,700	9	10
4	8	4	5,400	7	8
5	4	2	1,600	2	3
6	8	2	2,100	3	6
7	5	13	6,000	8	6
8	6	1	2,000	3	5
9	23	35	33,000	44	29
10	9	13	11,200	15	11
TOTAL	100	100	75,000	100	100

[1]for explanation of key see Table 13.

[2]assumes all I.D.A. targets achieved, with no losses.

Source: Programme for National Development, 1978-81, p.47, and I.D.A. Plan 1978-'82.

tobacco, for example, traditionally a dominant sector in employment terms, accounted for 27% of the manufacturing workforce in December 1976, but only 13% of the approved jobs in the previous twenty months were in this sector. Projected to account for only 9% of new jobs in 1978-'82, this highlights the important part being played by the I.D.A.'s New Industry Programme in broadening Ireland's manufacturing base. In contrast there has been a notable expansion of employment in the metals and engineering sector. Accounting for 23% of employment at the end '76, 35% of approved jobs were in this sector in the first period (above), and it is planned to account for 44% of the new jobs in the '78 Plan period, adding 33,000 jobs to a sector which employed 45,800 at December 1977. Also of note are the relative performances in the chemicals and 'other manufacturing' sectors, and also of the textiles industry, which is undergoing considerable change through the growth of plants manufacturing synthetics. The sectoral shares of manufacturing employment at 1982 are based on I.D.A. projections for employment growth during the life of the 1978 Plan. They do not, however, take into consideration any job losses in the non-I.D.A. assisted sector during that period. Firms not assisted by the I.D.A. are rapidly decreasing in number, and while it is admitted that the 1982 figure is inaccurate it is felt that the general sectoral trends which it indicates will not be greatly divorced from reality.

The I.D.A. have outlined in the '78 Plan (p.9) six main areas in which growth is to be encouraged, including electronics, mechanical engineering, consumer goods, healthcare/chemicals, food and other growth sub-sectors. In all except food, the growth strategy is concentrating on product areas which are relatively new to manufacturing in Ireland, and even in the food sector itself growth is to be encouraged by product diversification and expansion of ancillary tasks such as processing and packaging, rather than simply through increased output. While Ireland has had considerable success in attracting such investments from abroad in recent years - 65 electronics firms with a potential for 12,000 jobs have been secured by the I.D.A. in the past five years[1] - considerable scope exists for much of the growth envisaged to come from 'home' industry. A study by O'Farrell of 300 firms showed that of £900m worth of goods and services bought by them in 1976, half was supplied by Irish firms, but in the metals and engineering group, only 16% by value of needs were met in Ireland. A similar supply imbalance has also accompanied the recent rapid growth in the electronics sector - £140m of electronics investment had been secured in the first nine months of 1979, compared with £100m in the previous six years.[2] At a conference held in November 1979, the I.D.A. outlined to 180 representatives of Irish engineering and electronics firms the component requirements of 16 international electronics firms, valued at £25m per annum. It was hoped to encourage Irish firms, where possible, to meet these needs, which it was estimated would require an additional employment of 1,000 workers.

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[1] 'Glasgow Herald' - 5/4/79, p.7.

[2] 'Evening Herald' (Dublin) - 23/11/79.

Overseas firms have contributed quite substantially to 'advanced technology' growth in Ireland in recent years. In 1979, 22% of these were engaged in engineering and machinery, 15% in textiles and clothing, including synthetic fibre production, and 13% in electronics and electrical goods. In addition to the 50% in these three sectors, a further 20% were involved in other fast growth sectors, including plastics and rubber, chemicals and pharmaceuticals and scientific instruments.[1]

A point to note, however, and one which will be returned to later is that ranking the 9 Planning Regions according to the numbers of these growth industries located there, the most underdeveloped Regions - Donegal and the North-West - consistently rank 7th to 9th by sectoral representation, which could perhaps indicate a lower potential for future employment growth in these regions.

4.6 Small Industries Programme.

The important contribution which small industries can make to employment is being increasingly recognised in Ireland as elsewhere. Blaise Gillie suggests two reasons for supporting the growth of small industries -

1. from the long-term point of view it is important to encourage the emergence of additional entrepreneurs even if most enterprises never exceed the smallest scale.
2. the development of local industry on even a very small scale is valuable in maintaining the morale and social health of small communities.

Small firms have also often proved a very fertile seed-bed for innovation, and, with proper financial backing, can enable new entrepreneurial skills and new products and processes to enter the industrial field. As they are generally free of locational restrictions the promotion of small firms can be particularly beneficial to smaller, more remote settlements which are unlikely to attract the larger concerns.

The I.D.A. launched its Small Industries Programme in three pilot areas in 1967. By January 1968 all the D.A.'s had been incorporated into the scheme, and this was extended to the whole

[1]Figures derived from published list of overseas firms in Ireland, I.D.A. 1979.

country, with the exception of Dublin City, in the following year. The Dublin anomoly was finally removed in 1975. The principal objectives were to generate new small industries and to provide finance and advice to existing ones, to create employment, especially in small towns and villages, and to help Irish promoters to set up their own businesses.' Initially the programme applied to firms employing up to 50 people with fixed assets of £100,000 or less in the D.A.'s and up to 30 employees and £60,000 in the N.D.A.'s. These qualifications have since been revised to include all firms employing up to 50 people, with fixed assets of not more than £300,000. This, however, brings 75% of all manufacturing concerns in the country within the scope of this Programme.

In its first year 46 projects were approved for aid, with a jobs potential of 387 at full production. By 1974 a total of 1,139 projects had been approved with a possibility of 9,954 jobs resulting. In the first ten years of the programme 1,300 new and existing small firms were assisted. These employed 16,810 people in December 1977, a figure expected to rise to 18,356 at full production. The Programme took a sharp upturn in 1978, with 5,713 new jobs approved, but more significant is the fact that 94% of the projects in 1978 were of Irish origin.

In recent years a number of factors have given an additional boost to this Programme. The first came through the creation of the I.D.A.'s Project Identification Unit in 1975. A substantial proportion of small industry sales are directed at the 'home' market. Therefore it was felt that to aid projects in certain product lines would be to promote needless competition between 'home' producers, which would increase the rate of industry closures in sectors where the market is already suffering from excess capacity. To avoid what would appear to be a self-defeating promotional exercise the Unit seeks out projects/ product areas which can be fruitfully exploited, with a particular emphasis on export sales. The only flaw in this is that in refusing to assist firms in areas of over-capacity it is possible that more efficient producers are being discriminated against. Nevertheless, the work of the Unit is perhaps vindicated by the fact that over half

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'Small Industries Programme, Annual Report 1977 and Review 1967-77, I.D.A. 1978 p.l.

the projects approved for grant assistance had an export component. The Unit also identifies areas in which import substitution is possible and seeks out firms with the appropriate technical and managerial skills to undertake manufacture of such products - 19 firms were assisted in this way in 1978.

The launching of the Enterprise Development Scheme in 1977 has been, perhaps, the biggest single advance since the Small Industries Programme started. Through this scheme, one of the main restraints on the establishing and expansion of many small firms has been effectively removed with the provision of working capital by the I.D.A., in addition to the normal range of incentives. In its first year there were 22 project approvals, with a jobs potential of 897. Total investment amounted to £5.1m, which included I.D.A. support in fixed asset grants, loan guarantees and equity of £3.1m 60% of the total project costs.

The inclusion of Dublin City in the overall programme, on a partial basis in 1975, and fully integrated in 1977, has made a substantial difference to the number of project approvals since then. Approximately 35% of the country's small manufacturing firms are located in Dublin. The inclusion of this area into the Programme was necessitated by the adverse effects of the mid-70's recession which had led to relatively high closure rates, particularly amongst small inner city firms, and which consequently led to contraction of the employed workforce in Dublin as a whole. 60 projects were approved for aid in the City in 1977, and this almost doubled in 1978, reaching 117 - 30% of total approvals for the country in that year.

The final element in the Programme is the construction of cluster factories to help alleviate the acute shortage of small relatively inexpensive premises which it was felt had prevented a more rapid expansion of small industries. Initially cluster units were to be provided at nine locations in eight of the larger towns, but the programme outlined in the 1978 Plan has been substantially expanded, with half a million sqaure feet of floor space to be provided in cluster and advance factory units at 36 different locations by 1980, with further development as necessary to 1982. By December 1978 premises for small industries, both constructed and at the planning stage, covered 60 different towns, excluding the Mid-West Region (where small industry development was the preserve of S.F.A.D. Co.), thus extending over the entire urban hierarchy. The list included Easkey, Keel, Clifden and Cahirciveen, all west coast D.A. towns which had failed to attract any industry, and which the I.D.A. acknowledged as being too small to attract the larger overseas concerns (1978 Plan p.30).

The increasing importance of the Small Industries Programme to the I.D.A.'s entire industrial strategy can be measured from the fact that small industries are scheduled to provide an additional 6,000 job commitments per annum in the 1978 Plan. It is also of major consequence to achieving the jobs dispersal objective, particularly in relation to development in more remote rural settlements. As will be seen below, the financial returns are quite substantial, with costs per job markedly lower in small industries than for the medium to large concerns dealt with under the New Industries Programme. In the light of recent developments, with small industry showing a fairly strong growth performance, and with the innovation of the Enterprise Development Scheme and the Product Identification Unit, the opportunities for the future expansion of the small industries sector look quite promising. It is suggested, therefore, that if Ireland is to decrease its dependence on overseas investment, and reduce its present 'industrial' import bill, it is in the area of small industry development that future efforts must increasingly be directed.

4.7. <u>I.D.A. Industry Programme - Expenditure</u>.

Under the 1975 Industrial Development (No. 2) Act, there is an aggregate limit of £400m. on I.D.A. grant expenditure, and a further £100m. on borrowing guarantees. These have yet to be exceeded, but should there be any possibility that they might, it is more than likely that the Authority's cash limits would simply be extended. It is little wonder then that Ireland is able to offer grants to match any offered by its rivals. Added to the above it should also be noted that E.P.T.R. has been worth about £25m. per annum, and fiscal incentives a further £10m. (Allen, 1977 p.119). The recent Mostek' saga perhaps demonstrated, more than anything else, the resources available to the I.D.A. to attract industry.

Table 16 illustrates the change in the approved grant cost per job to the I.D.A. in the period 1975-78. The difference in costs between the small industries and the medium to large concerns supported

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'I.D.A. repeatedly topped any offer to the company from the S.D.A., and hence 'stole' a valuable micro-electronics investment.

TABLE 16 I.D.A. Approved Grant Costs Per Job (£)

		1975	1976	1977	1978
Medium to Large Industry:	New Overseas	5170	3770	5060	
	Domestic	3780	4000	3510	
Small Industry :	Domestic	1860	2030	1670	2169

Source: Derived from I.D.A. Annual Reports. & 1978 Plan, p.26.

TABLE 17 I.D.A. Job Approval and Costs, 1976-78

	1976	1977	1978	1974-78
No. of Jobs Approved	18,312	24,028	30,221	107,097
Total Grant Committed (£M)	67.3	121.8	154.5	477.4
Grant per Job (£)	3,674	5,069	5,114	4457.5

Source: Derived from I.D.A. Annual Reports.

under the New Industries programme is quite striking, and perhaps gives further support to the argument that more emphasis should be put in the future on growth through small industry development. Another important feature is the higher grant cost to 'Domestic' N.I. in 1978 than to 'overseas' concerns. This is in part explained by a few very large capital intensive investment projects, but it is a pattern which should be discouraged, as such high costs may make it less attractive to support indigenous industrial growth in the future. The enormous increase in the I.D.A.'s total grant commitment in the past few years is indicated by table 17. The average grant committed per job has also risen quite significantly, but so too has the annual level of job commitments. Total approvals in the five years 1974-78, at 107,097 are equal in number to half of the existing labour force engaged in manufacturing industry.

It would no doubt be argued by the I.D.A. that the "ends justify the means", and that the grant provided for each job created is not too high a price to pay to make Ireland one of the most modern, and most competitive industrial areas in Europe. Competitors on the other hand, might take a different view, arguing that the I.D.A. is unfairly and unnecessarily forcing up job creation costs elsewhere. Actual capital expenditure in 1978 was £87.5m. - an increase of 45% over the previous year, while total capital grants committed in 1978 amounted to £154m. With a further commitment of £17m. in training grants, this makes a total I.D.A. commitment in that single year of £171m. This is appriximately half of the entire resources of near rival, the S.D.A. It is not difficult, then, to understand why the S.D.A. at least has experienced difficulty in competing on equal terms with the I.D.A. in attracting footloose overseas investment.

4.8. Case Studies: the West and South-East Regions.

This section seeks to compare the industrial structure of both a D.A. - the West Region, and a N.D.A. - the South-East Region. More particularly it attempts to ascertain differences between foreign owned and indigenous manufacturing units, in terms of product and plant age, and of location by D.A. and N.D.A. At the outset the following reservations must be noted. Firstly, the information presented has been extracted from raw data - the initial results of an annual industrial census carried out by the respective regional offices of the I.D.A. The major drawback is the lack of a standard firm-size classification for both

TABLE 18 Manufacturing Establishments in the South East Region, 1978, by Size and Nationality

	Employment							
Origin	1-9	10-24	25-49	50-99	100-199	200-499	500+	Total
U.S.	-	1	7	2	5	3	-	18
U.K.	1	7	4	2	3	2	-	19
GERMAN	1	3	-	3	3	2	1	13
DUTCH	1	1	3	-	2	1	-	8
OTHER	-	2	3	2	3	-	-	10
TOTAL OVERSEAS	3	14	17	9	16	7[1]	1	67[1]
IRISH	292	153	75	47	31	12	3	613
TOTAL	295	167	92	56	47	19	4	680

Source: I.D.A. South-East Region Industrial Census (unpublished).

TABLE 19 Manufacturing Establishments in the West Region, 1978, by Size and Nationality

Origin	1-5	5-20	20-50	50-100	100+	Total
U.S.	-	1	6	1	11	19
U.K.	-	-	1	2	3	6
GERMAN	-	2	4	2	1	9
OTHER	-	2	2	-	4	8
TOTAL OVERSEAS	-	5	12[1]	5	18[1]	40
IRISH	176	119	30	24	10	359
TOTAL	176	124	42	29	28	399

Source: I.D.A. West Region Industrial Census (unpublished).

[1]arithmetical discrepancy due to inclusion of dual nationality projects.

regions, although it is hoped that this does not detract too much from the general comparisons presented below. Secondly, the sectoral classification adopted is far from comprehensive, but is rather a simple grouping of industries to highlight differences between 'traditional' and more 'modern' industrial concerns. Thirdly, the data presented is that extracted from the industrial census material only, and therefore may not directly correspond with regional totals quoted elsewhere.

Tables 18 and 19 indicate a difference in both regions between firm size as between Irish and overseas establishments. In the lowest two employment categories foreign firms are noticeable by their absence, but in contrast they are proportionally overrepresented in the larger category size. While it is difficult to generalise, due to the comparability problems already outlined, some differences can be noted between the two regions. Looking at firm size it can be seen that although a larger proportion of firms in the S.E. region employ in excess of 100 people than is the case in the West - 10.3% and 7.0% respectively, the proportion within this group that is foreign owned is much greater in the less developed West - 64%, than in the S.E. - 34%. There is little difference at the other end of the scale, with the proportion of firms with less than 50 employees and of overseas origin being 5.0 and 6.0% respectively for the West and S.E. Regions. Taking these regions to be representative of D.A.'s and N.D.A.'s, the results would seem to suggest a lack of indigenous investment in the D.A.'s in larger scale industries. The industrial growth of the West today can to a sizeable degree be attributed to the location there of a number of relatively large scale foreign enterprises, which would tend to support the findings of Hannon and O'Carroll (see Ross, 1978 p.328) of -

> "a high commitment to a particular variety of regional development, primarily through transplanted industrial development whereby local industrial development happened as a matter of fate or was provided by a benign central government."

Fogarty (see Kennedy and Bruton, 1975 p.143) found a general satisfaction among Irish entrepreneurs with the incentive support system for new enterprises, but a lack of entrepreneurs to take advantage of it. This would appear to be particularly true for the D.A.'s, which will have tended to lose a far greater proportion of their 'educated' population than the N.D.A.'s. In comparison, although overseas investment is well represented in the N.D.A. of the S.E., the region has a much stronger 'domestic' sector on which to build.

The majority of larger firms come from the U.S., but the relative numerical strengths of those from the U.K., Germany and the Netherlands do not appear to correspond to the pattern outlined by O'Farrell (1978 (a)) for D.A./N.D.A. locations. The difference may perhaps be explained by the distortion caused to O'Farrells N.D.A. figures by the inclusion of the untypical East Region. It has been observed that -

> "the probability of a town of specific size group attracting N.I. investment does not vary regionally in Ireland, but that the probabilities do vary substantially by town size." (O'Farrell, 1978 (a) p.173).

This, it is claimed, indicates the success of the I.D.A. -

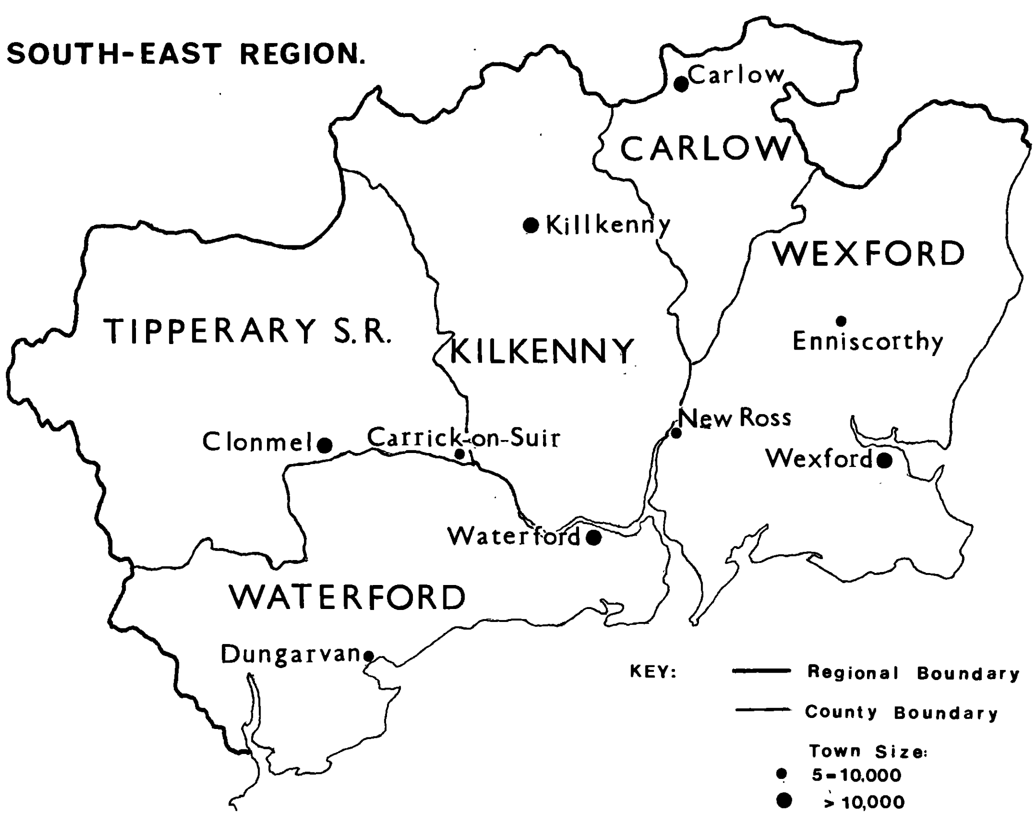
> "in eliminating interregional differences in perceived locational attractiveness by investors" (ibid. p.172).

Neverthless some interesting trends are revealed by a study of the location of industry in both the West and South-East Regions. To some extent supporting O'Farrells findings, there is little regional variation in the proportion of enterprises found in towns of 5,000 inhabitants or more - 55.4% of those in the West, and 53.4% in the South-East. There is, however, a notable difference in the location pattern of overseas enterprises: 67.5% located in those larger settlements in the West, but an even higher proportion, 86.6% did so in the South East. The explanation for this may lie partly in the existence of a more comprehensive urban structure in the latter region, but the fact that a larger proportion of these firms located outside the larger towns in the West may be an indication of a limited degree of success on the part of the I.D.A. in bringing 'jobs to the people'.

The employment impact may not, however, be so great as the global figure for industry distribution would tend to suggest, 18 of the 28 plants in the West employing more than 100 workers are foreign owned, and would therefore be expected to have been subject to locational influence by the I.D.A. Yet 50% of these are found in Galway City alone, and almost 90% are found in the five towns of 5,000+ inhabitants. Even taking a lower employment threshold of 50 employees, 70% of firms over this size are located in the same five towns. Similarly the greatest impact in employment terms coming from the 40 foreign firms in the region, and more particularly from the 18 of those employing 100+ is felt in only five locations. It is questionable therefore whether this 'new' investment being brought to the area by the I.D.A., will fig.4. CASE STUDY REGIONS: URBAN STRUCTURE

a) WEST REGION.

b) SOUTH-EAST REGION.



succeed in maintaining as desired the existing settlement pattern, or whether, as would appear more likely, it will simply hasten a rationalisation of this pattern. (fig. 4)

In the South-East 70 firms employ more than 100 workers, of which 24 are 'foreign', a much lower proportion than in the West. Including the lower size category, down to 50 employees, there are 128 firms, of which 33 are foreign - just 26% compared with over 50% in the West region. These figures are interesting in that they suggest that in proportionate terms at least larger overseas firms have found a D.A. location more attractive than one in a N.D.A. As with the West, these overseas firms which have located in the South-East tend to favour the larger settlements - 80% of those employing more than 100, and 85% of those with 50 or more employees were found in these towns.

Using a simple four sector classification, certain differences can be observed in the sectoral composition of both domestic and overseas concerns, and as between regions. The food sector (1) is far more important in the agriculturally more fertile S.E. than West region, where

Table 20 Sectoral Distribution of Industrial Concerns - West and South East Regions, 1978.

Sector	West Region (%)			South-East Region (%)		
	Overseas	Irish	Total	Overseas	Irish	Total
1. Food, Drink & Tobacco	-	20	18	7	30	28
2. Textiles, clothing & footwear	26	6	8	16	5	6
3. Electronics, Electrical and Mechanical Engineering	43	18	21	49	10	13
4. Other	30	56	53	28	55	52

this is noted not simply by the lower proportion of firms in this sector but by the complete absence of overseas investment. While textiles are not so strongly represented in both regions there is far more involvement of overseas firms in this sector in the West region, with synthetics and general casual clothing being dominant. An important factor in this is that it is largely female employing, and although encouraging them to move to larger centres within the region, at least it contributes to stemming the outward tide of female migrants which has been characteristic of the D.A.'s in particular.

The third sector, encompassing many of the advanced technology industries, has a stronger representation in the West, where it includes 21% of all industrial enterprises, compared with only 13% in the South-East, where also plant size tends to be smaller. The final category, which includes just over half the firms in each region, is dominated by domestic, and particularly small scale enterprises, encompassing largely more traditional crafts such as furniture making and metal work.

In all sectors the percentage share of the overseas concerns is quite distinct from that of Irish firms, this, it is felt, being a reflection of the diversification and general broadening of the industrial structure which has come about in both regions as a result of the injection of new investment, encouraged by the I.D.A. In general, though, it would seem that the West Region has fared proportionately better than the South-East through the I.D.A.'s efforts towards industrial growth. While the benefits may have been felt mainly in a few larger settlements, in terms of overall regional performance the attraction of new industry has brought a new air of prosperity to the West, particularly to Galway City, which with the growth of employment opportunity resulting from the success of the I.D.A.'s industrial estate there, has seen its population increase by a third in the '70's.

The only cautionary note is that, going by the experience of the D.A. and N.D.A. studied here, too much effort may be being directed at particular areas and locations to the exclusion of others in greater need of help.

4.9. <u>I.D.A. Achievements in Perspective</u>.

4.9.1. <u>The General Pattern</u>: Already noted is the large volume of investment by the I.D.A. in job creation and support programmes, and also the substantial levels of job commitments which have resulted. In addition, mention has also been given of the Authoritys specific objective of achieving regional convergence in terms of overall economic development and in employment opportunities. A number of indices will be used to measure achievements to date, but the successes boasted by the I.D.A., at least in relation to job creation,must be put into perspective by comparison with change in the manufacturing sector as a whole.

The pattern of national and regional manufacturing employment change for the period 1961-78 is revealed in table 21. Net change averaged an increase of just over 3,000 jobs per annum, but there was by no means a consistent increase each year. A much higher rate of net job creation can be observed for the first period to 1971 than from

TABLE 22. Regional Distribution of Manufacturing Employment and Proportion of National Population (%)

Region	Manufacturing Employment 1961	1971	1978	1982 (est.)[1]	Population 1971	1979
DON	2.4	2.6	2.7	3.3	3.6	3.6
NW	1.2	1.3	1.9	2.4	2.6	2.4
W	3.3	3.5	6.0	7.3	8.7	8.4
MW	6.0	7.5	7.8	8.7	9.1	8.9
SW	15.1	15.0	15.7	15.4	15.6	15.3
SE	8.9	9.6	11.2	11.3	11.0	10.9
E	52.2	48.8	42.0	37.9	35.7	37.3
NE	6.7	7.6	7.4	7.5	5.8	5.7
MIDS	4.2	4.0	5.3	6.1	7.8	7.5

[1] from I.D.A. job creation targets: assumes zero job losses to 1982.

Source: derived from O'Farrell, P.N., 1975, p.15, and I.D.A. Plans 1978-82, p.46.

TABLE 23. I.D.A. Regional Job Creation Targets and Achievements, 1973-77

Region	1973 - 1977 Net Target	Gross Target	Gains	Losses	Net Change	% Target Achieved	Target, 1978-82
DON	2,000	2,800	2,300	1,500	800	40	4,000
NW	1,300	1,700	1,800	700	1,100	85	3,000
W	4,200	5,350	7,350	2,200	5,150	123	8,500
MW	2,800	5,400	5,300	5,300	-	-	8,500
SW	7,000	9,400	9,100	8,100	1,000	14	11,000
SE	3,200	4,700	7,200	4,450	2,750	86	8,500
E	10,300	17,600	14,600	25,650	-11,050	-	19,000
NE	3,400	5,300	4,500	5,500	- 1,000	-	6,000
MIDS	2,800	3,450	5,350	2,200	3,150	113	6,500
TOTAL	38,000	55,000	57,500	55,600	1,900	5	75,000

Source: I.D.A. Regional Industrial Plans 1978-82, pp.43-44.

TABLE 24 Planned and Actual Change in Regional Manufacturing Employment (%)

Region	1973-77 Planned	1973-77 Actual	1977-80 Planned	1978-82 Planned
DON	37.7	15.1	49	65.6
NW	39.4	33.3	39	68.2
W	49.1	60.2	34	62.0
MW	21.2	-	20	47.3
SW	20.0	2.8	19	30.6
SE	13.8	11.9	17	32.9
E	9.6	-10.3	11	19.7
NE	18.9	- 5.6	20	35.3
MIDS	31.1	35.0	31	53.5
TOTAL	16.7	0.8	18	32.6

Source: I.D.A. Regional Industrial Plans

TABLE 25 Change in Regional Share of Manufacturing Employment, Exclusive of the East Region, 1961-78 (%)

Region	1961	1971	1978
DON	5.0	5.0	4.6
NW	2.5	2.6	3.3
W	6.8	6.9	10.3
MW	12.5	14.6	13.5
SW	31.7	29.3	27.1
SE	18.5	18.8	19.4
NE	13.9	14.9	12.8
MIDS	8.9	7.8	9.1
TOTAL	100.0	100.0	100.0

Source: derived from O'Farrell, P.N., 1975, p.15, and I.D.A. Plans, 1978-82, p.46.

1971-78. Table 23 in fact shows that within this second period, for the five years of the I.D.A.'s 1973 Plan, the net increase in manufacturing employment was only 1,900 jobs. While manufacturing employment as a whole increased by 19.1% in 1961-71, and a further 7.5% in 1971-78, during the time of the 73 Plan there was a net gain of only 0.8%.

With the above performance in mind it is suggested that the I.D.A.'s well oiled publicity machine has been playing a very shrewd numbers game. The stark reality is that during the last decade at least, the Authority has done little more than offset losses rather than achieving substantial gains in employment, and this at increasing costs too. In 1961-71 the I.D.A.'s industrial programme was fairly successful, with only 461 of the additional 34,197 manufacturing jobs being generated by the non-I.D.A. assisted sector (O'Farrell, 1975 p.15). However, during the life-time of the 1973 Plan, although the Authority's gross job creation target of 55,000 jobs was actually exceeded by 2,500 (table 23), with losses of 55,600 in the same period the net change in employment was negligible, with in effect only 5% of the I.D.A.'s target being achieved. Geary and Dempsey (1977 p.57) reveal that heavy job losses were sustained particularly in 1974 and 1975: a net increase of 7,800 manufacturing jobs in 1973 changed to net decreases of 3,700 and 14,100 in 1974 and '75 respectively. The upturn came in 1976, but in the meantime manufacturing had undergone a major structural shift, with much new investment being directed also at cost reduction and therefore with less benefits in employment terms (see Durkan, 1978 p.47). McAleese (1977 p.77) records a very high number of industrial closures from mid-1973 to end '75. 852 projects received N.I. grants to end '74, of which 170, corresponding to 154 firms, had ceased production by end '75. 52 of these firms closed after mid-'73. By including these extra 18 months, a closure rate by enterprise, of 20% was recorded by McAleese in 1975, compared with 15.8% by O'Farrell in mid-'73. The loss in N.I. grants is estimated at 12.6% - £18.6m. It is interesting to note, however, that by excluding closures amongst firms established in 1953-60, which it can be assumed suffered adversely from having to operate in the E.E.C. without the 'protection' under which they had established, the failure rate, in terms of grant lost, decreases to 10.7%. A more positive note is sounded by the downward trend in the rate of closures since 1975. In that year 77 firms ceased operation, but in 1976 the number was 61, with a loss of 3,619 jobs. The respective figures for 1977 and 1978 were 32 and 3,337 jobs, and 41 and 2,824 jobs (I.D.A. 1978 Annual Report, p.14). The proportion of jobs lost through closures which have been 'replaced'' by the I.D.A. are 55%, 48%, and 83% respectively in 1976. '77 and '78.

Since 1976 there has been a net increase in manufacturing employment of 15,000 jobs, but even this is insufficient to suggest that the employment growth targeted for by the I.D.A. to 1982 is ever likely to be achieved. The increase of 0.8% in manufacturing employment in 1973-77 should be compared with the targeted increase of 16.7%. This would seem to indicate that the growth of 33% hoped for in 1978-82, is to say the least, optimistic. These figures are not, however, presented as a criticism of the I.D.A. It has already pointed out that very little growth has occurred in industry without I.D.A. assistance. Had the Authority not existed, particularly in the recessionary period of the mid-'70's, it is difficult to imagine what heights the level of unemployment might have reached by now. Indeed, it would be fairly true to say that had this been the case, the need would have been such that some similar type of body would have emerged to fulfil the same developmental role.

4.9.2. <u>The Regional Objective</u>: To be seen to have succeeded in bringing about an improvement in the relative positions of the D.A.'s with respect to the N.D.A.'s., a notable change in the regional shares of manufacturing employment would be the minimum expected outcome. Tables 21 to 24 in fact reveal a somewhat mixed performance. In 1961-71 three distinct regional groupings emerge from a study of percentage change in regional manufacturing employment (table 21). The best performances were recorded in the Mid-West (+49.3%) and North East (+36.2%). Regions, reflecting fairly significant N.D.A. employment growth in the towns of Dundalk, Drogheda and Limerick, and also the attraction of Shannon. The middle group consists of the West, North-West, Donegal and South-East Regions, all recording increases of about 30%. The most encouraging factor here is the relatively strong performances of the wholly 'designated' regions. The lowest growth rates were recorded in the East, Midlands and South-West Regions, all of which experienced a decrease in their respective shares of national manufacturing employment (table 22). However, although the D.A.'s did increase their shares

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'firms taken over with I.D.A. assistance, or premises occupied by a new firm.

regional convergence in this period was a qualified success, since the greatest proportionate shifts were experienced in the N.D.A.'s of the North and South-East Regions, and in the Mid-West, which is an anomoly, due to the existence of Shannon.

A different pattern from that above, emerges post-'71. In percentage terms there is a clear indication of a swing in favour of the D.A.'s, particularly those of the West and North-West Regions which experienced an increase on their manufacturing employment base of 81.8% and 54.4% respectively, from 1971 to 1978 (table 21). A very favourable performance was exhibited by the 'mixed' Midlands Region, which had fared so badly in the previous decade, and by the South-East Region, which produced the second highest absolute employment increase, next to that of the West. In contrast the East shows a disastrous slump, with its labour force involved in manufacturing contracting by more than 7%. This is perhaps attributable to the closure of many inefficient manufacturing concerns during the recession, which probably also explains the relative stagnation in the other 'traditional' industrial region, the North-East.

The above pattern is mirrored in the regional achievements under the I.D.A.'s 1973 Plan (table 23). The West and Midlands both exceeded their net job creation targets, while the North-West and South-East only marginally failed to do so. Although Donegal only achieved 40% of its target, this was still a fairly strong performance when measured against those of the other Regions (table 24) and also when account is taken of its unfortunate geo-political situation.

The success or otherwise in achieving a more equitable distribution of manufacturing employment can be gauged from a comparison of the proportional share of national population as against manufacturing employment in each Region (table 22). The most significant change has occurred in the East Region which has seen its employment share decrease by more than ten percentage points from 1961 to 1978. The West Region, on the other hand shows the most notable improvement, with an increase of 2.7 percentage points. Although there are still notable differences between the shares of population and manufacturing employment in each region the trend is definitely towards convergence of these two figures. Nevertheless, it must be asked how much of this 'success' can be attributed to the employment promotion programme of the I.D.A., and how much is mere 'statistical success' brought about by the very poor

TABLE 21 Regional Manufacturing Employment, 1961-1978

Region	Manufacturing Employment 1961	1971	1978	Change, 1961-71 Actual	%	Change, 1971-78 Actual	%
DON	4,293	5,506	6,100	1,213	28.2	594	10.8
NW	2,187	2,850	4,400	663	30.3	1,550	54.4
W	5,842	7,536	13,700	1,694	30.0	6,164	81.8
MW	10,751	16,048	17,950	5,297	49.3	1,901	11.8
SW	27,183	32,115	36,000	4,932	18.1	3,885	12.1
SE	15,901	20,570	25,850	4,669	29.4	5,280	25.7
E	93,701	104,162	96,500	10,461	11.2	-7,662	-7.4
NE	11,968	16,301	17,000	4,333	36.2	699	4.3
MIDS	7,610	8,545	121,150	935	12.3	3,605	42.2
STATE	179,436	213,633	229,650	34,197	19.1	16,017	7.5

Source: O'Farrell, P.N., 1975, p.15, and I.D.A. Regional Industrial Plans, 1978-82, p.46.

performance of the East-Region? Table 25 shows the change in the share of manufacturing employment of each region exclusive of the East. Again, as overleaf, the best performances were recorded by the West, North-West, South-East and Midlands Regions, but at the other end of the scale an important difference emerges. The percentage shares of Donegal, the Mid-West, the South-West all fell relative to those of the other regions, whereas with the inclusion of the East Region all these regions registered a relative improvement in position (table 22). The North-East Region, which showed an increase of 0.7 percentage points over the period 1961-78 in the nine-region table, registered a decrease of 1.1 percentage points when only the eight regions are considered. These results put a significantly different light on the pattern of change earlier indicated, proving without doubt that the upturn in manufacturing in these regions has been more apparent than real. This should give cause for concern, particularly in the depressed Donegal region, which in 1978 managed to attract only 1.6% of the grant aided jobs filled in that year. These performances indeed lend strength to the argument that the current I.D.A. Plan targets (table 24) owe more to 'psycho-political' thinking than to the reality of the present climate for job creation, and cast serious doubt on the ability of the I.D.A. to positively alter employment prospects in the less favoured regions.

4.9.3. Regional Expenditure, 1978: A cursory glance at the I.D.A.'s regional per capita expenditure in 1978 (table 26) and a comparison with past performance, would appear to suggest that the old adage, 'you get what you pay for', applies as much to job creation as to anything else. A sweeping generalisation certainly, but it can be seen nevertheless that the four most successful regions already outlined received some of the highest levels of per capita grant in 1978. The highest level was in fact recorded in the North-East Region. It is indeed to the I.D.A.'s credit that this region, which has suffered unduly in recent years through contraction of the manufacturing sector, should receive priority treatment, although it should be noted that there have been much higher levels of expenditure here on industrial estate and advance factory programmes, and on the promotion of joint venture schemes, all of which could not be expected to bear fruit immediately. At the other extreme lies the Donegal Region, ranked bottom in terms of per capita expenditure, which amounted to only 40% of the State average. This approximates to the pattern of expenditure in 1977, and would therefore seem to imply that the number of jobs created is proportional to the level of I.D.A. expenditure in each region. Assuming this to be the case, then while the low level of expenditure in the East may be in keeping with the regional convergence aim, it seems more difficult to justify that for Donegal.

In contrast to the above pattern, however, the highest per job grant commitment in both 1977 and 1978 was in the Donegal region - £7,452 per job in 1978. This compares with £4,082 in the East. If it is true then, as O'Farrell claims, that the I.D.A.'s incentive package has overcome locational disadvantage by region, it would appear that this is being done at a very high cost indeed, and one which, in view of Ireland's present economic problems, the country may not be able to afford in the future.

TABLE 26 I.D.A. Regional Per Capita Expenditure, 1978 (£)

Region	New Industry	Small Industry	Industrial Estates	Re-Equipment	Other[1]	Total	Rank by Expenditure
DON	4.7	0.8	3.1	1.8	0.03	10.4	9
NW	17.5	2.5	8.7	1.9	0.6	31.2	5
W	24.3	1.4	5.8	0.9	0.3	32.7	2
MW	15.4	1.1	13.3	1.1	0.9	31.8	3=
SW	8.3	1.1	6.7	4.5	0.4	31.0	7
SE	15.6	1.4	12.2	2.4	0.2	31.8	3=
E	5.7	0.9	7.8	3.6	0.9	18.9	8
NE	13.0	3.7	21.8	5.8	10.9	55.2	1
MIDS	11.6	1.6	14.0	1.5	0.1	28.8	6
STATE	10.7	1.3	9.5	3.0	1.2	25.7	

[1]includes expenditure on Joint Venture, Enterprise Development and Research and Development Programmes.

Source: Derived from I.D.A. Annual Report, 1978.

In summary, the I.D.A. has played a very influential role in guiding Ireland's recent industrial progress. Through a very favourable and comprehensive development incentive package it has secured a very large volume of footloose overseas investment, and is continuing to take strident steps in this field. It has also encouraged the growth of the indigenous manufacturing sector, by the traditional method of offering lucrative financial incentives, but also through more innovatory measures such as the Small Industries and Enterprise Development Programmes, the Joint Venture Scheme, and programmes of Research and Development and Product Indentification. Yet its success has been a qualified one. On close examination the Authoritys boasts about job creation are not so laudable when measured against the losses in the same period. Numerous contradictions can be pointed to in its achievements in relation to both regional and national development objectives. Depending on the view taken, it may be claimed that the I.D.A. has in fact failed to make major progress in the field of manufacturing employment creation, with this sector merely 'ticking-over' in employment terms in the last decade or so. On the other hand, with the help of the Authority Irish industry has diversified, modernised, and become much more competitive in recent years, and as a result has not suffered as adversely through E.E.C. membership and free-trade as might have been the case had these changes not taken place. The rising tide of unemployment has momentarily been checked. This in itself is an important achievement. In the present climate of a general world-wide slow-down in growth, it may be that any expansion in manufacturing employment should be considered a success. Amongst other things the I.D.A. has finally put Ireland on the industrial map, and more recent performance has been the envy of many competitors. What is more important now, however, is whether it will be possible to improve on, or even to match past performance in a future which holds nothing if not uncertainty. Without the I.D.A., a very bleak industrial future could quite easily be envisaged.

CHAPTER 5

IMPACT OF E.E.C. MEMBERSHIP ON THE INDUSTRIALISATION PROGRAMME IN IRELAND

After a majority of five to one in favour of joining the E.E.C. was obtained in 1972,[1] Ireland became a full Common Market member in 1973. While it would be expected that substantial benefits would accrue directly to the agricultural sector, it should be noted that without exception a majority support for membership was obtained in all the urban areas of the country. Undoubtedly this reflected the opinion that the perceived indirect benefits to the country as a whole would by far outweigh any possible benefits in remaining a nation in isolation from the biggest single trading block in the world. An important factor for the agricultural industry, which applied equally well to the manufacturing sector, was seen to be the possibility of breaking away from the neo-colonial relationship with the U.K., which Dr. Garret Fitzgerald (1978, p.21) described as -

> "..... the least remunerative market for foodstuffs
> in any part of the world,"

and gaining instead, free access to a market of 260 million people.

Having access to such a large potential market has been an integral part of the overall package attracting industrial investment to Ireland since the early 1970's. There has been a notable upsurge in foreign investment since then, of particular significance being that from Japan - eight of the nine industrial investment projects from Japan by 1979, were established after E.E.C. membership had been confirmed. Although some closures of older established firms can be attributed directly to the impact of free trade, this was not as significant as might have been expected, since the protective barriers had been substantially eliminated in the 1960's, through tariff reductions, and the operation of Anglo-Irish Free Trade Agreements, and thus reducing the impact of complete free trade which accompanied Market membership. At any rate -

> "The additional employment provided by new Japanese,
> American and other foreign industries has (1978)
> almost offset the loss of manufacturing employment

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[1]National referendum.

due to the simultaneous impact of free trade and of the world recession." (Fitzgerald, 1978, p.25).

In terms of overall monetary transfers, Ireland has to date been a substantial net beneficiary within the E.E.C., but perhaps of far greater importance to the future development of the country is not the additional direct financial benefits likely to be gained, but rather the possible consequences for the industrial programme being pursued of having to operate within the bounds of present European legislative red-tape. One of the most crucial areas of legislation, dealing with Competition Policy, particularly as it affects State aids to industry - on which the present industrial growth programme in Ireland is highly dependent - could hold the key to future economic prosperity of the country. At present, uncertainty surrounds the applicability of these Policy Rules to Ireland, but, as will be seen partly in response to complaints from competitors, this matter is now being clarified in Brussels. The implications of this form the main part of the following discussion.

5.1 The European Regional Development Fund[1]

The European Regional Development Fund (E.R.D.F.) is the cornerstone of the European Community's regional policy. The size of the Fund and the regulations concerning its disbursement would, however, seem to indicate a distinct lack of commitment to any efforts to tackling regional problems as defined in a European context. The "watering-can" technique ensures that no matter how severe the regional problems of a Member State are as measured against those of other Member States, there is unlikely to be a major transfer of resources within the Community to aid these more depressed regions. This topic is unfortunately very large and beyond the scope of the present discussion, which focuses simply on the importance or otherwise of the Fund to Ireland.

During its first three years (1975-'77), the total Fund amounted to 1300 million u.a. (units of account). Ireland's share was 6% of the total, plus an additional 6 million u.a. to come from

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[1]For more detailed background information regarding the setting up of the Fund read Talbot, R.B. 'The European Community's Regional Fund' in Progress in Planning. Vol. 8, Pt. 3, 1977.

the allocations to all the other Members with the exception of Italy, making a total of 84 million u.a. (£35m). Assistance could be given from the Fund for infrastructural development and to industrial or service activities, providing that (a) the projects qualified for regional aid assistance from the Member State, and (b) investment exceeded 50,000 u.a. (approx. £20,000) and created or maintained at least ten jobs. The low level of development of Ireland in relation to the rest of the E.E.C. resulted in it being designated as a single region, eligible for the maximum level of assistance throughout. Nevertheless, the volume of Fund aid which has come to the country is mere 'icing on the cake' when contrasted with national expenditure as a whole. The 45.6 million u.a. received from the Fund in the first three year period compares with 725 million u.a. in grants paid out to aid industrial development, and 1,210 million u.a. on public infrastructure.

An indication as to how the Fund has been used in Ireland to date is given by Table 27. All projects with an investment of less

TABLE 27. European Regional Development Fund: Commitments and Project Approvals, Ireland 1975-79

	1975	1976	1977	1978	1979
Projects -					
Industry	52	17	15	27	22
Industrially Related Infrastructure	43	54	42	75	20
Disadvantaged Areas Infrastructure	10	18	16	19	
Total	105	90[1]	73	121	42
% Projects in D.A.'s (approx.)	71.0	46.0	62.0	60.0	53.0
Grant Approved (£M)	8.3	14.4	12.6	23.6	-
Actual Receipts (£M)	1.8	8.5	8.5	11.1	-

[1]includes Cross-Border Study.

Source: Mr. J. Colley, Minister of Finance, Dail Debate, 29/6/1978, and Dept. of Finance, Dublin, (1979 figures unpublished).

than 10 million u.a. are included in a global application for aid, therefore it is not possible to give a breakdown of investment in each individual project. However, the accepted policy in Ireland - which differs from national development policy giving priority to industrial investment - is that approximately 70% of the E.R.D.F. receipts should go to infrastructural projects. It would appear also that a strong bias is being exerted in favour of the Development Areas, containing about 30% of the population, indicating that the government is in effect operating a policy of areal discrimination, and therefore, unlike the European Commission (E.C.), making sure that the Fund is assisting the greatest problem regions.

Praise for the R.D.F. must, however, be muted. At £29.9 million, the amount of aid received by Ireland in 1975-'77 was only 50% of that actually approved (£58.9 million). A cursory glance at the list of projects approved would also seem to suggest that Ireland is simply using the Fund to 'top-up' existing aid, rather than to initiate new projects, as is the intention behind it. There seems, for example, to be no difference between industrial concerns assisted through the R.D.F. and by the I.D.A.. In fact, all those listed were already being aided by the I.D.A.. Similarly, amongst the list of infrastructural projects alledged to have benefitted from Fund assistance, are a large number of advance factories being developed by the I.D.A.. Perhaps the best that can be said is that some of these projects have had an advanced start-date, for it is highly unlikely that they would not have come about had the Fund not been in existence. This would seem to defeat the rationale for the Fund, since the implication is that there are no additional net benefits, in terms of industrial development at least, being derived from it.

Part of the problem is an administrative one. At present every Government Department or Agency applies for R.D.F. grants through the Department of Finance, which then submits the claims to Brussels. The Department handles all the financial arrangements, and undertakes some vetting of the applications, but at no stage is it apparent that co-ordination exists between the various applicants when submitting their projects for approval. Further to this, one Exchequer official has argued that under existing arrangements it is not possible to co-ordinate the use of the Fund with programmes geared to overall national development priorities.[1]

Because of the time lag (often 6 to 9 months) between application to Brussels and receipt of Funds, the Exchequer usually pays out in advance, being reimbursed by the E.C. post-facto. This involves the Exchequer in effect in providing an interest free loan to the E.C., and, allowing for inflation, reduces the value of the money when received. The delay involved has also affected the type of projects being forwarded, reflected in the reduction in the number of industrial projects approved for grant since 1975. The initial gear of the Fund operation was one of hardship and recession for industry in general. Many of the firms which had been approved for grants revised their development plans as a result, and failed to use up their full quota of award, which was subsequently 'lost'. In fact the total Fund aid taken up by Ireland in 1975 was only 20% of that approved. In order to avoid a repetition of this, preference is being given to larger, and therefore, fewer investment projects, with a greater chance of being completed[2] within the period of award. One consequence is that the geographic spread of investment, possible through aiding numerous small projects, is much reduced. In terms of industry this means that fewer firms in fewer locations are likely to benefit from the Fund, thus reducing its regional impact.

5.2 The European Investment Bank

Before the existence of the R.D.F. the main source of Community finance for regional development was the European Investment Bank (E.I.B.). Even today, in absolute terms the money involved is far greater than that of the R.D.F.. It should be stressed that the finance provided is in the form of a loan - at or near to the going rate - and not a grant. The total amount received by Ireland since Accession stands at £392 million, covering a wide variety of projects, but chiefly for public infrastructure, and State enterprises.[3] The absence

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[1]personal interview, November 1979.

[2]disclosed in personal interview at the Department of Finance, Dublin, November 1979.

[3]includes the Electricity Supply Board, Bord na Moná (peat development) and others.

of claims from private investors has been a disappointing feature throughout the E.E.C.

TABLE 28. E.I.B. Loans to Ireland, 1973-79 (£m)

	1973	1974	1975	1976	1977	1978	1979	TOTAL
Loan (£m)	11.1	24.8	22.0	35.4	52.1	78.5	168.1	392.0

The reluctance of private investors to use the facilities of the Bank, is perhaps, explained by the exchange risk involved in any transaction. Money is paid out in a 'basket of currencies', with any loss through currency exchange (particularly significant with weaker currencies such as Ireland's) being borne by the borrower. In seven years, only one application direct to the E.I.B. has been made by a private firm from Ireland. This is an important problem, since it has been compounded by a lack of 'easy' access to traditional credit facilities, which has been one of the negative effects of joining the European Monetary System (E.M.S.). The restrictions this imposed, and in particular the problem of obtaining credit from the U.K. market (resulting from the U.K. remaining outside the E.M.S.) have made it increasingly difficult for small Irish firms to raise enough capital to establish and to expand.

One way of circumventing the currency problem has been for intermediaries such as the Agricultural and the Industrial Credit Companies[1] to obtain global loans from the Bank. These are then passed on to a number of individual companies, but the exchange risk remains with the State, through the Credit Companies. Although a small proportion of the total loans claimed for, the actual amount obtained in this way has risen from £5m in 1974 to £15m in 1979. In the overall programme of industrial development the E.I.B.'s significance is far greater than these global industrial loans suggest. A large proportion of the finance borrowed has been used for infrastructure which is vital for future regional industrial growth. The largest single borrower in this respect has been the G.P.O., with £67.5m being claimed

[1]The A.C.C. and I.C.C. are both Semi-State bodies with responsibility for supplying investment finance.

for telephone improvements, followed closely by the Electricity Supply Board, with £65m.

In addition to the above a further £58m was obtained through the Ortoli Facility[1], specifically for infrastructure projects. Thus, directly and indirectly, Ireland has benefitted quite considerably from the loan facilities of the E.E.C. -

> "The activities of the Bank have been directed towards overall Irish development and the creation of more favourable conditions for expansion, thus indirectly contributing to the development of the less developed regions."

It is nevertheless felt that the facilities offered are being under-used, particularly by private industry, which to date has received loans totalling just over £40m. While there is no doubt that the E.I.B. has been an important contributory element in the recent drive towards national and regional economic development, if State agencies are prepared to underwrite loans to private firms, then the potential for development could be considerably enhanced. The breaking of parity with Sterling, and the subsequent credit squeeze should be important enough factors to ensure that this facility is stretched to the limit in the future as a source of ready finance for industry. Domestic firms in particular should be given every encouragement to use the Bank, and every protection at the same time from any adverse effects of exchange transactions.

A number of other sources of finance have been made available to industry through E.E.C. membership. These include the Guidance Section of FEOGA[2], which provides capital for industrial development related to agriculture, and the Social Fund. This latter has made a notable contribution to attracting new industrial investment, by providing 50% of the costs of training and re-training workers to acquire the skills demanded by the new growth industries. In absolute terms it has been more significant than the R.D.F., contributing £53.2m to Ireland in 1973-'77, including £42.1m in 1975-'77 compared with £35.3m from the R.D.F. in the same three year period.

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[1]see O.J.E.C. L298/9 - 25/10/78.

[2]The European Agricultural Guidance and Guarantee Fund.

It has already been noted that the direct monetary benefits to industry from the E.C. have not been substantial compared with national expenditure, but the indirect benefits have been enormous. Membership of the Community has not, however, guaranteed a secure industrial future for the country. Indeed the future success of the country's industrial programme could be seriously jeopardised if its present favoured position within the Community is in any way altered. The most serious threat, as will be seen below, comes from the Directorate General for Competition Policy, which has yet to deliberate fully on the findings of its investigations into the present system of State aids to industry in Ireland. The implications of Competition Policy Rules for the industrial programme is an area which has been inadequately researched to date, but one which only now many people are realising will be of major consequence in the drive for full-employment in the next few years.

5.3 European Competition Policy and State Aids to Industry: Which Way Next?

Central to the European ideal is the achievement of total economic and monetary union, with all Member States operating as complementary rather than competing parts of the whole. Much of the E.E.C. legislation exhibits a pre-occupation with customs and trade equalisation, and the elimination of 'wasteful' competition. Parallel to this is a strict adherence to a laissez-faire doctrine, which states that the market is the overall ruler, and that any measures taken to alter this position are, therefore, contrary to the interests of the Community at large. With Ireland being so dependent on foreign industrial investment, attracted by an extremely lucrative incentive package, any legislation which seeks to curb the role of the State in promoting this investment could be extremely damaging. Yet this is precisely what the E.C. is seeking to do. It is indeed ironic that the only area in which the policy of 'harmonisation' is being actively pursued is one which could have major adverse effects for the worst problem region within the Community.

The rules governing the use of State aids for industry are contained in Articles 92-94 of the Treaty of Rome. Article 92 provides that -

> "..... any aid granted by a Member State ..... which distorts or threatens to distort competition by favouring certain enterprises or certain productions shall, to the extent to which it adversely affects trade between Member States, be deemed incompatible with the Common Market."

This view was reiterated in the First Report on Competition Policy[1] (para. 133) -

> "State aid generally means a conflict of interests between the recipient agents and their competitors in other Member States."

Some flexibility has been built into operation of these rules, which is important in the Irish case, but as will be seen, this has led to considerable ambiguity of interpretation -

> "..... aids intended to promote the economic development of regions where the standard of living is abnormally low, or where there exists serious under-employment *may*[2] be compatible with the Common Market, but the final decision rests with the Commission rather than the individual Member." (Art. 92.3(a)).

Prior to Accession, representations were made to the Commission concerning the need for economic and industrial development in Ireland, and the need to protect and strengthen the measures being taken in pursuance of this goal. In reply, a special Protocol (No. 30) was annexed to the Treaty of Accession, in which the Commission agreed to -

> "Take Note of the fact that the Irish Government has embarked upon the implementation of a policy of industrialisation and economic development designed to align the standards of living in Ireland with those of the other European nations and to eliminate under-employment while progressively evening out regional differences in levels of development;
> Recognise it to be in their common interest that the objectives of this policy be so attained; .....

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[1]Contained in 'E.E.C. General Report, Volume 5, 1971', Brussels 1972.

[2]Emphasis is that of the author - it is not contained in the original text.

Recognise in particular that in the application of Articles 92 and 93 of the E.E.C. Treaty it will be necessary to take into account the objectives of economic expansion and the raising of standards of living of the population."[1]

Ireland's apparent exemption from having to adhere to the 'letter of the law' regarding Competition Policy regulations has, however, yet to be tested. Therefore, the strength of the privileges suggested by the above is unknown. It is wise to note, however, that although Protocol No. 30 has significant political standing, in legal terms it is an irrelevance. As one member of the Commission's staff put it, the protocol may give a certain degree of 'political security', but to date it has never been the centre of serious discussion concerning conflicts between Irish Government policy and E.E.C. Competition Rules.[2] The claim by the I.D.A.[3] that full approval for their package of industrial incentives had been given by the E.C. is misleading, and it is apparent that no protection in this respect is afforded by the Protocol. In fact, the Commission made it abundantly clear that this was not the case, stating that -

> "All aids existing in Ireland at the time of Accession will be studied by the Commission in the normal framework of the permanent examination of existing aids. If this examination were to reveal that it would not be possible to retain any particular aid in its existing form, it will fall upon the Commission under the rules of the Treaty to establish appropriate time limits and transitional procedures." (Declaration on the Economic and Industrial Development of Ireland on behalf of the Community by Mr. A. Moro, Italian Minister of Foreign Affairs, contained in Treaty of Accession, CMND, 4862-1, HMSO, 1972, p.120).

If the I.D.A. was not fully aware of the type of aids permissible under European regulations, which is hardly likely, the position

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[1]Emphasis given by the author.

[2]Personal interview with officer of D.G.IV, European Commission, Brussels, February 1980.

[3]'Industrial Development in Ireland', I.D.A. Dublin, 1979, p.6.

was clarified in Commission Bulletin in 1978, which contained the following guidelines -

1. the aids to new investment will not be allowed to exceed a certain ceiling expressed either as a percentage of the value of the investment or in terms of E.U.A. (European units of account) per job created;

2. similar ceilings will henceforth be imposed on aid to the least favoured development regions;

3. the Commission confirms its objections as regards operating aids within the Common Market: existing aids of this type will be frozen until the Commission has taken formal decisions, which it will do within three years at most;

4. new techniques for measuring the intensity of aid are to be introduced for certain types of aid. (Bull. E.C. 11, 1978, 2.1.34.)

This then requires that industry aids be made transparent. Any opaque aids (whereby it is not possible to calculate the net benefit through aid as a proportion of total investment) are deemed to be incompatible with the Community's Competition Rules. This hangs a question mark over any aids given to industry by way of favourable tax treatment, including export tax, and other incentives the value of which is impossible to measure ex ante, and which it is felt fosters wasteful outbidding for investment between regions and between Member States.

Perhaps the most glaring example of how Ireland has flaunted the rules lies in the operation of a scheme for Export Profits Tax Relief (E.P.T.R.). Although tax concessions are available to industry in both Italy and Luxemburg they do not match the scale of those in Ireland, where 100% exemption from tax on profits gained through exports is available. E.P.T.R. not only contravened Competition Policy Rules, but also those of the Common Market's Commercial Policy, which states that -

> "..... measures to aid exports to third countries shall be progressively harmonised before the end of the transitional period to the extent necessary to ensure that competition between enterprises within the Community shall not be distorted." (Art. 112 of the Treaty of Rome).

The E.C. has acknowledged that the Irish package of incentives (but particularly E.P.T.R.) went -

> "..... further than those of any other country in Europe in encouraging export industries and in attracting private capital for this purpose." (Schaffer, 1979, p.242).

By inference it can be assumed that the Commission feels that these incentives offer an unfair cost advantage to Irish exporters over those of the other Member States. The possibilities for transfer-price manipulation offered by E.P.T.R. could also have an important bearing on competitiveness as between different firms (Kennedy and Foley, 1978, p.117, and Walsh, 1979, p.18).

It is not surprising then that in 1978 the Commission - "..... confirmed to the Irish authorities its fundamental objection to export aid and its reservations in principle on certain operating aids." (E.C. 8th Report on Competition Policy, 1979, para. 161).

The latter remarks referred in particular to the existence of an additional non-discretionary fiscal allowance of 20% over and above the national allowance of 100% of capital expenditure on plant and machinery to be set against taxable profits of firms operating in the D.A.'s. This gave a maximum possible allowance of 120% of capital expenditure, which, as it exceeded the amount of aid necessary to cover the initial investment, was felt to constitute an operating aid.

Considerable anger was voiced in Ireland at these 'intrusions' by the Commission (see Stanton, 1979, p.116), but the Government announced in December 1978, without recourse to the Protocol, that it would agree to comply with the directives from Brussels. As the necessary changes have yet to be legislated for in the Dáil, at present the system of incentives remains unaltered. It is not therefore possible to ascertain what effect these changes might have on the attractiveness of Ireland to future investors. It can only be surmised that the loss of the additional 20% incentive in the D.A.'s might reduce the range of influencing factors available to the I.D.A. regarding internal location decisions, to the detriment of the more deprived regions, but, with arguably a more lucrative incentive being introduced to replace E.P.T.R. it is less likely that the country as a whole will suffer a reduction in investment. As from the 1st of January, 1981, E.P.T.R. is to be superceded by a Corporation Tax (C.T.) at a flat rate of 10%. The fact that this should, as a transparent aid, be acceptable to the E.C. makes a mockery of that Body's incentive appraisal procedures. The low C.T. which will apply across the board equally to profits gained through export and through domestic sales, replaces the existing tax rate of 45%. Surely as this will inevitably make possible higher profits and/or lower production costs, this will give an unfair advantage to firms operating in Ireland. Why then is this compatible with Common Market policy while E.P.T.R. is not?

Higher grants per job available in Northern Ireland and elsewhere, which have still failed to attract investment away from the Republic, have been cited as conclusive evidence that the attraction to it lies in other than directly measurable incentives. It would be wrong, though, to argue that this simply refers to E.P.T.R.. Rather the entire incentive package must be considered, along with other important factors such as political stability. It has been calculated that with the exception of Italy, Ireland offers the highest effective percentage subsidy to industry in the E.E.C., which has been estimated to be 50% greater than that available in the U.K.. Yet at present the 'whole package' is not considered by the Directorate General for Competition Policy when it assesses the legality of State aids to industry. The value of each incentive is considered in isolation and its compatibility with the E.E.C. is assessed accordingly.

The marked reduction in the volume of mobile investment to be tapped has inevitably focused attention on the influence of available incentives on the location decisions of investors. While an aid to location may not necessarily directly affect the competitiveness of a firm, it can, understandably, adversely affect the regional development programme of the Community. Further, it can lead to exhorbitant outbidding between regions and States, with the only real beneficiaries being the recipient industrial concerns. The acknowledged success of Ireland, particularly in attracting electronics investment, has caused consternation amongst other Member States, notably the U.K., Belgium and the Netherlands, where the failure to attract mobile investment on the same scale as before, has had an adverse affect both on the volume and the duration of unemployment.

In Scotland the Scottish Development Agency has expressed considerable concern at the loss of potential investors to Ireland, to the extent that suggestions have been made to the effect that the I.D.A.'s tactics in attracting new industry could be the subject of a complaint to the European Commission.[1] The allegations of unfair rule bending are, nevertheless unfounded, since the incentives being offered by the I.D.A. have been sanctioned by the E.C.. It is perhaps more likely that rather than the I.D.A.'s tactics coming under scrutiny, closer investigation will be demanded of the Commission procedures which have made them 'legal'. The danger of the present system is that outbidding will be encouraged to an even greater degree than before. This is confirmed by the announcement in the recent U.K. Budget (26th March 1980) of the setting up of 'Free Enterprise Zones', which one government official described as -

> "..... mini-Irish Republics within the U.K."[2]

offering very high levels of incentives, including complete exemption from development land tax and from rates, and 100% capital allowances for commercial and industrial buildings for tax purposes. If Ireland, the poorest region in the E.E.C., is not offered any protection by the existence of its special Protocol, what protection does the Commission intend to offer it from an incentives war, from which, due to its relatively low level of development, and lack of financial resources, it will inevitably be the loser?

Some aspects of the incentive package have already been eroded as a direct result of E.E.C. membership, but a number of indirect restraints on industrial growth have also been imposed. An example of this is evidenced by the performance of Shannon since becoming part of the Common Market. Set up as a Customs Free Zone in 1947 it was one of the most successful arms of policy attracting foreign industry to Ireland throughout the 1960's. Although added to the list of free-zones recognised by the E.C.[3] (Annex 1, para. 26 of the Treaty of Accession) its attraction has been increasingly diminished since Accession. The incentives offered at Shannon are now

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[1]see the 'Glasgow Herald', 5/4/79 - 'Mostek', and 8/3/80 - 'General Electric'.

[2]B.B.C. Radio interview, 27th March, 1980.

[3]The original list was acknowledged in a Council Directive of 4/3/1969, contained in O.J., L58/11, 8/3/69.

subject to the same degree of scrutiny as those for the rest of the country, which means that, for example, E.P.T.R. will have to be phased out there as elsewhere. It has effectively been deprived of its advantaged status within Ireland, which could have serious repercussions for the industrial future of the Mid-West region in which it is situated. The decision that the I.D.A. should assume S.F.A.D.Co.'s industrial development role for the region is perhaps further proof of effective indirect pressure being applied by Brussels to erase the free zone anomoly.

For a similar fate to befall the operations of the I.D.A. would be unthinkable. Any attempt to further reduce the range of incentives available could be construed as a major reversal of the stated policy to aid the most disadvantaged regions. In spite of its recent industrial successes, by any measure of economic or social health, Ireland is still a deprived region in E.E.C. terms. Until this is changed, the implied privileges in Protocol No. 30 must be honoured. This will involve not only a continuation of the highest permissible levels of aid for the whole country, but also continued support from Brussels for any measure which the Irish Government feels it necessary to introduce to further its programme of national development.

It is clear from the above that E.E.C. membership has been a major influence on industrial development in Ireland in recent years. The influence of Brussels could, perhaps be more profound in the future. With the emphasis in the Market on economic 'harmonisation' rather than wealth redistribution, Stanton (1979, p.115) argues that for Ireland's representatives in the European Commission -

> "..... the task of fending off E.E.C. pressure to trim industrial incentives is critical, certainly more important than the attempt to win extra financial transfers."

To date the actions of the E.C. have not seriously jeopardised Ireland's potential for industrial growth. Sources in Brussels[1] have indicated that major changes in Ireland's status are unlikely to be imposed in the near future. Nevertheless, the feeling of many in Ireland, as expressed by the 'Irish Independent', is that -

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[1]personal contact.

"..... the E.E.C., if it seriously threatened the incentives system, will have to be told that over and above our obligation to uphold the terms of the Treaty of Rome is our obligation to ourselves."[1]

In spite of this view, it would be folly for anyone to consider a future for Ireland outwith the E.E.C.. The words of Garret Fitzgerald should be well heeded, when he suggests that the exercise of sovereignity within the Community nearly always works to the disadvantage of the smaller Member States (1978, p.27).

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[1]quoted by Stanton, 1979, p.115.

Chapter 6. CONCLUSIONS.

Ireland has progressed quite rapidly from being an agrarian economic backwater in the 1920's, to being a fairly well developed urban industrial economy by the 1970's. In spite of apparent successes however, particularly in the fields of economic and industrial growth, which experienced quite remarkable growth in the last decade compared with that of many other 'developed' nations, the country still faces the future with some foreboding.

Has the bubble finally burst? There are some indications that this indeed might be the case. The recent Budget (23 Feb. 1980) seemed to be preparing the country for a period of austerity, in an attempt to halt the mounting financial crisis towards which the country appears to be heading. Economic development has not gone quite according to plan as outlined in the 1978-81 Programme for Development. The Exchequer borrowing requirement forecast as 10½ per cent of G.N.P. by 1979, and 8 per cent by 1980, was running at a rate of 13.7% at the time of the Budget, largely due to rising public sector expenditure, which increased by 50% in 1979 alone.' Many of the benefits hoped for in joining the European Monetary System (E.M.S.) have not materialised. Although expected to lead to a reduction in the rate of inflation this has not been the case, with inflation heading for 20% in 1980.' The rapidly weakening Punt, although beneficial in terms of competitiveness of exports, is proving an increasing liability, due to its effect on import costs. The dependence of Ireland's exports on product/component imports, makes it particularly difficult to exercise a tight control over the trading balance. This problem is further added to by the increasing volume of consumer goods as a proportion of total imports, which suggests that much scope exists for import substitution, with benefits being felt both in terms of manufacturing employment and in a reduction in the balance of trade deficit.

On the positive side Ireland has quite substantially altered its employment structure away from the primary sector dominance which characterised it for so long. Perhaps the most important factor here has been the existence of the I.D.A., which has helped to generate new

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'Interview with Michael O'Kennedy, Minister for Finance, Radio Eireann, 27/2/80.

manufacturing employment growth and to restructure and modernise the existing domestic enterprises. Important advantages are seen to be gained by having a 'one step' organisation dealing with industrial development. Compared with the plethora of promotional bodies which face prospective investors in, for example, the U.K., the realisation that one body can handle all aspects of industrial enquiries, from the initial investigation stage, to production and beyond, as well as making available the necessary package of incentives has proved an important attraction to mobile investment in particular. It has been noted that claims for industrial grants can be processed much quicker in Ireland by the I.D.A. than in most other European countries - about 3 weeks compared to a time lag of 2-4 months elsewhere. Owens (1979 pp 27-28) argues that it is far more flexible and dynamic than British regional development agencies, and points to the fact that in a survey of British firms established in Ireland -

> "The I.D.A. was identified as a factor inducing location .... as often for its flexibility and level of co-operation compared with its British regional equivalents as for its grant and tax relief schemes."

A further advantage over many of its British counterparts is the fact that the I.D.A. has greater resources, both financial and in manpower terms than most. This gives it a greater research capability, particularly useful in identifying potential new investment.

The incentive package offered is also of major importance however. Indeed without it, an Irish location would be markedly less attractive than it at present appears to be. In this respect the possibility that the European Commission may impose tighter restrictions on the type of incentives deemed to be permissable is a cause for undoubted concern. It would appear that in the short term at least, Ireland's special position within the E.E.C., due to its relatively underdeveloped state is not under threat, but the long-term prospects are less certain. The present dispute by Britain over payments to and receipts from the Community perhaps highlights the failure of the E.E.C. to rise above the level of a trading-block, with no real commitment to a redistribution of wealth and opportunity among the Member States. This is further evidenced by the weak nature of the Community's regional policy, which aims at giving every country its 'fair share' of aid, without actually assessing the need for that aid in accordance with criteria arrived at on a Community, rather than a national basis.

Admittedly Ireland is recognised as a single region within the E.E.C. qualifying for the maximum allowable levels of assistance throughout. This has its disadvantages, since the instruments are not finely tuned to the specific needs created by Ireland, which Barrington has described as -

> "a group of sub-regions with differing problems but with a common need for regional development." (1976 p.351)

O'Farrell (1978b., p.38) has suggested that -

> "Ireland's current regional development problems are less related to its peripheral location per se than to successive expenditure policies during the past twenty years, which have placed a heavy emphasis on direct productive investment and job creation, and less upon infrastructural investment .... with the result that bottlenecks occur."

E.E.C. funds are being used to provide new infrastructure which will in some way help to overcome the bottlenecks in certain locations, but one of the main contributory factors to the problem, and one of the main reasons why they look likely to persist is the lack of any authority to statutory powers to initiate and co-ordinate regional development planning. Although it has been suggested that the present Regional Industrial Plans of the I.D.A. might be used as a framework for overall regional development, it is unrealistic to think that this Authority has the ability to co-ordinate development other than for industrial needs, and even less likely that it would put regional social development needs before those of overall employment creation. Under present operational circumstances it is felt that the I.D.A. can do little but perpetuate existing locational disadvantage, if not by region, then certainly with regard to some individual locations. It was recognised in the Authority's 1978 Plan (p.22) that deficiencies at these locations, such as in terms of water supply and effluent disposal capacity -

> ".... will inhibit the growth of industry to meet the targets set in regional industrial plans."

One advantage is having a body such as the I.D.A., is that it can identify the existence and location of such deficiencies on a national scale, but it does not have the power to alter the situation - merely to request improvement rather than ensure that it is done. This then is a serious weakness in the regional development strategy. Until it is possible to co-ordinate the timing of interrelated developments on the ground the tendency will simply be to further develop only those towns where spare infrastructural capacity exists at a given time, while those towns which are deficient will continue to be overlooked. It is quite useful to have an industrial development strategy articulated in detail at the micro-locational level, as is the case with the town cluster targets outlined in the I.D.A.'s Plans, but it is another matter to ensure that this development actually occurs. If as appears to be the case, the I.D.A. has managed to overcome locational disadvantage by region through varying the incentives offered, then it can only be assumed that it is the lack of adequate ancillary services and of sufficient infrastructure which continues to hinder industrial development outside of the main settlement centres. If there is to be a commitment to something more than simply producing satisfactory global regional statisticss, in other words to dispersal of development within regions as well as between them, then room must be given for initiatives to come from, and be acted upon by the regions themselves. Development plans eminating from and being imposed by central authorities/agencies cannot possibly be expected to be flexible enough to cater for all the differing needs of the individual regions.

Most of the major problems to be faced in Ireland in the near future will however stem from present demographic trends, with very rapid population increase both through high rate of natural increase and quite substantial immigration. The increasingly 'dependent' nature of the population, while putting a strain on social capital and also necessitating increased public expenditure, may also be storing up quite substantial employment problems. If the 1971 activity rate of 37.6% is assumed for 1979, then the labour force should have been in the order of 1.265 million people. The fact that it was nearer to 1.15 million would seem to suggest a quite significant decrease in activity rate over the period. With a lower of the average age at marriage and greater natural increase, it can be assumed that a large part of the decrease in activity rate can be attributed to a rise in the proportion of the population in the younger age cohort. As this group will be coming on to the labour market relatively soon, the projection of a per annum increase of 9,000 in the labour force (assuming zero migration) which is forecast in the 1978-81 Development Programme might be considered to underestimate the magnitude of the problem. The main issue then is whether it will be possible to sufficiently step-up present levels of job creation to meet demand. Taking a rather pessimistic, but perhaps nevertheless, a realistic view of the prospects of achieving the full employment target set for the early 1980's, Ross and Walsh (1979 p.26) point out that -

> "If employment growth only follows the best past trends, rather than future targets, the only way the unemployment target could be reached would be by a very substantial rise in emigration."

To an extent this echoes the earlier views of Geary and Dempsey (1977 p.19) who suggested that -

> "migration within the E.E.C. (rather than simply to the U.K.) cannot be ruled out as a possible solution to the rising rate of unemployment."

The unemployment problems of traditional reception areas, such as the U.K., and of the other E.E.C. Members would seem to rule this out as a solution, therefore the unemployment problems in Ireland must be tackled from within.

In spite of the high number of job approvals acknowledged by the I.D.A. in 1978, even they do not envisage more than 75% of these jobs materialising within five years. With mobile investment also on the decrease new initiatives must be sought to promote employment growth. Menion has been given of the steps being taken by the I.D.A. to encourage growth from 'domestic' sources, but perhaps there has been too much emphasis on manufacturing as a source of employment, and not enough consideration given to alternatives. The consequences of moulding a regional development policy around one sector of employment are only too evident in the East Region, which has suffered unduly from the diversion of manufacturing investment to other Regions, resulting in high levels of industrial unemployment in Dublin in particular. What consideration has been given to tertiary sector development?

A recent survey (Bannon et. al. 1977 p.97) pointed out that -

> "regional policy has to date had little concern with the location of service functions in general or of administrative activities, tourism excepted."

Yet tertiary sector employment has continued to expand unabated, and has substantially contributed to the regional employment inbalance which exists at present. In 1971, 43% of office employment in the U.K. was to be found in the South-East, but in the same year in Ireland 59% was in the East region alone (Bannon et. al. 1977 p.42). Until the publication of the 1978-81 National Development Programme there had been no commitment to dispersal of Civil Servants as an element of regional policy. The indication in the Programme that 2,000 such jobs are to be moved out of Dublin to eight medium sized towns is indeed welcome, as it may serve to broaden the employment base of these regional centres, stemming the flow of white collar workers to the capital, and therefore enhancing regional employment opportunities. Some moves have already been announced, such as that of part of the Department of Defence to Galway,' but the decision not to move any real decision making away from Dublin is to be regretted, and once again indicates a lack of real commitment to any policy initiatives which might reduce central authority power.

If manufacturing growth is not to offer a similar employment lifeline in the future to that of the past, there is still an important role for the I.D.A., which could encourage to a greater extent industrial service employment growth, with, for example, more emphasis on programmes of research and development, which would not necessarily be tied by location, although would perhaps be best suited to larger settlements which might better satisfy the 'social' demands of white collar workers. Perhaps it is for this reason that O'Farrell (1978 b.p.36), looking at the possibilities of tertiary employment dispersal from Dublin, suggested that the only effective way to implement such a policy would be to -

> "increase the process of polarization elsewhere in the economy, possibly in one or two counter-magnet cities."

''Irish Press' 23/11/79.

Such a policy would not be in accord with the present penchant for dispersal development, but as increasing reliance is likely to be placed on tertiary sector expansion, both as a regional development measure, and for absolute employment growth, then a properly articulated settlement strategy, to accord with development potential will have to be arrived at fairly soon. Otherwise development will continue to be haphazard and less productive than possible, following the whims of incoming investors and of bodies such as the I.D.A. itself.

Perhaps the most interesting feature of Ireland's recent development history, which has attracted the attention of many observers outside the country, has been the role played by the I.D.A. It has proved particularly useful to have a body which is not simply responsible for attracting and promoting industrial growth at the national level, but also,by varying the level and type of assistance it gives to investors is also able to exercise considerable influence on the location of projects within the country, and thus, in the absence of alternative statutory mechanisms can actively promote a programme of regional as well as national development. It is suggested, however, that a body as powerful as the I.D.A., which can exert quite significant pressure on overall national development policies, and can override the local authority decision making process, has only evolved as a result of unique factors operating in Ireland, namely the urgent need for national development, and the acceptance of a very high level of central authority power to ensure that objectives are achieved in the national interest. It is less certain that in a country such as the U.K., with a more well developed hierarchy of power and a much greater level of autonomy at the regional and local authority level, a body such as the I.D.A. would be acceptable in the form that exists in Ireland. As with the New Town Development Corporations in Britain, the success of the Authority demonstrates what can be achieved with adequate resources and power, and more particularly, when there are no political strings attached in the exercise of that power. At the same time, however, it would not be a model easily adapted to countries which are more economically and politically developed than Ireland is today.

What of the future then for Ireland and for the Regions? Crotty (1979 p.234) presents a rather pessimistic outlook, arguing that -

> "Social pressures are now building up in a manner that has not been experienced in Ireland since the 1840's."

This vision of unrest is further supported by Walsh (1979 p.14) who suggests that, in the face of mounting unemployment, unless the traditional safety valve of emigration does not once more become available -

> ".... it could be that the locus of political instability will eventually shift from North to South."

Perhaps these statements do exaggerate the problem, but the mounting discord which has manifested itself in massive demonstrations against existing tax structures and against unemployment should not go unheeded. The economy today is, to say the least, in a bit of a mess, with public expenditure running way ahead of resources, high inflation and a widening trade deficit.

The future of the country, however, lies increasingly less in the hands of the Irish people, and more in the hands of forces operating outwith Ireland, particularly in the European Community. It is essential that the fullest support is provided from other Member States, both financial and otherwise, to improve the state of the economy, and national development as a whole. This will also entail continued recognition of Ireland as a special case with regard to the operation of particular Community rules which might tend to limit the ability of the government to achieve its development objectives. If this is done then the progress made particularly through the efforts of the I.D.A. over the last two decades might be continued. Two main factors threaten this. The first is the continued rise in oil prices, which, since Ireland to date has no reserves of her own, will increasingly influence investment decisions, and will be a substantial burden on the economy. The second lies in the future of the E.E.C. Should the Community expand to include Greece, Portugal and Spain, all countries with similar developmental problems to those of Ireland, then it might be envisaged that financial benefits which Ireland at present enjoys through membership might be markedly reduced. Perhaps the greatest threat will come from Spain whose location in relative to the rest of the Community is more favourable than Irelands, and with additional benefits through membership might prove a more attrative location for foreign mobile investment than in the past, to the detriment of Ireland.

A further prospect is that policies will have to seek the most productive return on public investment, with the result that social goals will increasingly have to give way to national economic objectives. Regional policy need not be abandoned completely, but the demand will grow for more integrated development planning, necessitating a properly articulated locational strategy for population and productive investment.

The optimism of the 60's and 70's is changing to an ominous pessimism, which will perhaps only be allayed by another 'miracle'.

(c.35,000 words)

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