

National
Economic and
Social Council

An Chomhairle
Náisiúnta Eacnamíoch
agus Sóisialach

Designation of Areas
for Industrial Policy

NATIONAL ECONOMIC AND SOCIAL COUNCIL

Constitution and Terms of Reference

1. The main task of the National Economic and Social Council shall be to provide a forum for discussion of the principles relating to the efficient development of the national economy and the achievement of social justice, and to advise the Government, through the Taoiseach on their application. The Council shall have regard, inter alia, to:

- (i) the realisation of the highest possible levels of employment at adequate reward,
- (ii) the attainment of the highest sustainable rate of economic growth,
- (iii) the fair and equitable distribution of the income and wealth of the nation,
- (iv) reasonable price stability and long-term equilibrium in the balance of payments,
- (v) the balanced development of all regions in the country, and
- (vi) the social implications of economic growth, including the need to protect the environment.

2. The Council may consider such matters either on its own initiative or at the request of the Government.

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Five persons nominated by the Confederation of Irish Industry and the Irish Employers' Confederation,

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6. The numbers, remuneration and conditions of service of staff are subject to the approval of the Taoiseach.

7. The Council shall regulate its own procedure.

NATIONAL ECONOMIC AND SOCIAL COUNCIL

Designation of Areas for Industrial Policy

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PREFACE

In September 1983 the Minister for Industry, Trade, Commerce and Tourism, in correspondence with the Council, proposed that detailed and objective analysis be carried out on a regular basis on the relative strength and weakness of both the designated and non-designated areas. In view of the extensive work already carried out by the Council in the area of regional policy the Minister requested the Council to propose objective criteria on which these regular reviews of designation would be based.

The Council has now responded to the Minister's request through this report.* A draft of the report was submitted to the Minister in November 1984. The Minister met with the Council in February 1985 and views were exchanged on the issues raised in the report. Subsequent to that meeting the Council finalised its own views.

*The report was drafted by Mr A. Foley, School of Business Administration, NIHE Dublin, and finally approved by the Council on 21 June 1985.

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

The purpose of this report is to consider the establishment of objective criteria for determining designation status. The term designation arises in the legislation dealing with industrial policy which defines (designates) areas in which higher maximum grant assistance is allowed. Designation was first introduced in 1952 and there has not been any systematic review of its operation since then.

In considering the question of designation the Council is conscious that it is a broad concept, affecting, for example, the general principle of grant-aiding industry, the role of manufacturing industry in regional policy and the overall effectiveness of higher grants versus other instruments for promoting regional development. It must also be admitted that the designation premium affects the viability of projects to different degrees. For some projects it is a bonus because they would have started anyway, for others the extra funds are vital because they are at the margin of feasibility, and for a third they may be wasted because the venture would never have been viable.

The Council realises that it is difficult to withdraw designated status from an area. It is equally difficult to refuse to extend the status to areas which have become more deprived over time, in some cases as a result of the designation of neighbouring areas. The possibility of removing specific designation altogether and replacing it with policy guidelines to grant-giving bodies exists. Furthermore, the question of whether designation of an area is allowed to substitute for investment which would improve the infrastructure – and therefore the competitiveness of the area – must be considered. These issues are not specifically addressed in this report. This report concentrates on considering objective criteria for establishing designation status.

1.2 DESIGNATION BASED ON NEED OR POTENTIAL

The question of objective criteria for designation status can be addressed in two alternative ways. Designation could be based on need in which case the higher grant levels would apply to areas which are defined as economically disadvantaged or underdeveloped. The higher grant level

would be intended to promote a more rapid rate of development in these disadvantaged areas than would occur in the absence of the more preferential grant treatment.

The alternative would be to designate areas on the basis of economic potential. This would result in a grant system which would contribute to a maximisation of industrial growth in the economy. It might require that industry be actively encouraged to locate in centres where growth prospects would be higher and infrastructural costs would be lower through the realisation of economies of scale. The arguments in favour of this approach have been presented in many different reports in the past.¹

Hitherto, need has been the determining factor in granting designation status. The underdeveloped areas in the west of the country were originally designated because they were perceived to be uncompetitive locations for industry. The designation status was intended to compensate for the lack of competitiveness. More recently Limerick City was designated for a short period because of the job loss impact of the Ferenka closure. Dublin's inner city was designated for small industry because of its high levels of unemployment and poor overall economic strength. Parts of Cork City were designated as part response to the relatively high level of job loss experienced in recent years.²

The Council considers that greater emphasis on the potential rationale should be considered in the light of present economic and financial circumstances. Exchequer resources for developing infrastructural facilities are limited. The more selective industrial policy as proposed by the Council (NESC, 1982) and accepted in the White Paper on Industrial Policy can only succeed in the context of a better business environment which itself can only be provided in a few locations.³

¹ See for example: (i) Committee on Industrial Organisation (1963); (ii) Buchanan Report (1968); (iii) National Industrial Economic Council (1968).

² The designation in Cork City was not the designation as usually applied. Grant levels were set between the designated and non-designated levels and applied only to specific locations within the city.

³ The business environment as referred to in the report is narrower than conventionally understood. It includes such factors as the availability of education and training facilities, specialised business services, communications networks, etc. It does not include the cost environment within which businesses operate.

1.3 DISADVANTAGED AREAS IN THE CONTEXT OF A 'POTENTIAL' FRAMEWORK

The Council recognises that, even in a regional policy framework based to a much greater extent on potential, there will still be specifically disadvantaged areas where preferential grant treatment is needed. The Council believes that the criteria for delimiting these areas and the periods for which the preferential grants might be available should be made more explicit than has been the case in the past. Objective criteria and clearly defined periods of time should be specified. The practice whereby large sections of the country are designated, virtually forever, without review should be ended. In this context the Council welcomes the Minister's proposal for detailed analysis on a regular basis of designated and non-designated areas as outlined in the Preface.

1.4 PLAN OF THE REPORT

The background to designation is discussed in Chapter 2. This provides information on the legislative background and the areas designated. It also briefly reviews the criteria which were used in selecting particular areas for designation status and examines the position of areas using a number of indicators. Chapter 3 examines designation in the context of regional policy. Chapter 4 considers the role of designation as an instrument of policy. Chapter 5 discusses designation in the context of the potential approach. Chapter 6 discusses the types of criteria which are used to make inter-regional comparisons and proposes objective criteria for applying designation status on a 'needs' basis. Conclusions are presented in Chapter 7.

CHAPTER 2

BACKGROUND TO DESIGNATION

2.1 INTRODUCTION

This chapter provides the background to the concept of designation. The first section traces the historical evolution of designation. The second section lists the designated areas and changes therein. There follows a brief discussion on the criteria for selecting designated areas. The next section assesses the performance of designated and non-designated areas on the basis of a number of criteria. The final section deals with the designation of areas for non-industrial purposes.

2.2 EVOLUTION OF DESIGNATION

The evolution of the designation concept is outlined in Chart 2.1.

Chart 2.1
Evolution of Designation

1952	Legislation to permit capital grants for manufacturing industry in specified undeveloped areas (land, buildings, machinery/equipment eligible for grants)
1956	Capital grants on a narrower basis (i.e. grants for buildings only) extended to the remainder of the country
1959	Gap in the range of grants between undeveloped and other areas narrowed (i.e. other areas eligible for aid for land, buildings, machinery/equipment) but higher grants for undeveloped areas permitted
1963	Further narrowing of the maximum grant level differential between the undeveloped areas and the rest of the country
1969	Term designation first used in legislation with higher grant aid in designated areas

The idea of non repayable cash grants was initially confined to specific undeveloped areas with grant aid at a lower level being later extended to the rest of the country. The undeveloped areas in the 1952 legislation are, broadly speaking, the designated areas in the 1969 legislation. By grant levels in these sections is meant the maximum grant level permitted by legislation. Actual grants approved are generally below the maximum for large and medium industry.

Undeveloped Areas Act 1952

This act was intended to foster industrial development in poorer areas of the country. These areas were Donegal, Kerry, West Cork and the counties west of the Shannon. They had the worst emigration records in the State and had benefitted very little from the post-1932 industrial development. These were also the areas of the old Congested Districts Board. The main objective of the Act was:

"to give industrial firms establishing in the undeveloped areas such advantages that they would be able to meet competition on more or less equal terms from other firms in the same business located in the East" (NESC, 1975).

It was accepted that firms operating in the undeveloped areas were unfairly positioned because of the economic disadvantages of the areas. The Act specified that aid should be given only in those cases that a competitive disadvantage arose through locating in the Undeveloped Areas. The Act also specified that the Minister could, by order, declare other areas to be undeveloped.

Industrial Grants Acts 1956 and 1959

The 1956 Act applied to all areas other than those covered in the 1952 Act and extended on a more limited basis the notion of non-repayable cash grants to promote industry. As noted, in NESC (1975), the legislation was introduced because of the need to stimulate industrial development throughout all areas of the country. The preferential level of aid to the undeveloped areas was retained but the aid gap between these areas and the rest of the country was narrowed.

The 1959 Industrial Grants Act extended the scope of grant aid to the areas other than the undeveloped areas. Hitherto, grant aid could be provided for land, machinery and equipment in addition to the aid for buildings permitted by the 1956 Act. A higher level of grant aid was still permitted in the undeveloped areas. Overall, however, the 1959 Act had the effect of narrowing the grant aid differential between the undeveloped areas and the rest of the country. This effect of the Act was acknowledged at the time and was justified on the basis that all areas of the country needed a competitive grants package to attract mobile international investment.

Undeveloped Areas (Amendment) Act and Industrial Grants (Amendment) Act 1963

These Acts had, *inter alia*, the effect of further narrowing the grant differential between the two areas. The differential in grant levels for

grants in excess of £250,000 was removed but continued in existence for grants below this level. The Committee on Industrial Organisation had argued for the removal of the grant differential between the undeveloped areas and the rest of the country.

Industrial Development Act, 1969

The 1969 Act defined new grant levels for industry but maintained the distinction between the undeveloped areas and the rest of the country. Designated areas in this Act are defined as:

- (i) the congested areas of the 1952 Act;
- (ii) any areas declared by Order under the 1952 Act to be undeveloped;
- (iii) any area which the Minister declares by order to be a designated area.

The Act provides for temporary designation of areas.

Strength of Designation Distinction Since 1952

It can be seen from the above that the concept of differentiating between the designated (or undeveloped) areas and the rest of the country in grant levels was continuously weakened since it was first introduced in 1952 up to the 1969 Act. This situation evolved from a position where no grants were paid outside the undeveloped areas in 1952, to the introduction of limited grants in these areas in 1956 and the widening of aid outside the undeveloped areas in 1959. In 1963 the differential in the case of large grants was abolished. The narrowing of the differential occurred through the extension of grant aid to the rest of the country, and not through the reduction of aid in the undeveloped areas. The 1969 Act reversed the process somewhat, and the designation differential has been maintained since.

2.3 THE DESIGNATED AREAS

The designated areas are counties Donegal, Sligo, Leitrim, Roscommon, Mayo, Galway, Kerry and West Cork, all of which are the scheduled congested areas. County Clare, except for Shannon Free Airport Area, was designated in 1967. Counties Cavan, Monaghan and Longford were defined as undeveloped areas in 1961. Part of County Limerick was designated in 1963 and parts of County Cork between 1958 and 1967. Part of County Offaly was designated in 1959. All of the above are currently designated. Clara and some surrounding areas in Offaly were temporarily designated between 1970 and 1973. Parts of Counties Tipperary and Kilkenny were temporarily designated between 1972 and 1978. Limerick County Borough and some areas of County Limerick were temporarily designated between 1978 and 1980. Dublin Inner

City is designated for a five year period from 1983 and parts of Cork City have been recently designated at a grant maximum below that of the usual designation maximum.

In general the designated areas are the undeveloped areas in the 1952 Act, which in turn, are the original congested districts with the addition of Counties Cavan, Monaghan and Longford in 1961. The Gaeltacht areas are also designated. Many other small areas have been temporarily designated for specific periods. Apart from the temporarily designated areas, no area has had designation status removed. The extent of designation is indicated on Map 2.1.

At present, a total of eleven counties are designated as well as parts of Dublin City and West Cork. These counties, which were designated in their entirety in 1981, constituted 26.0% of the total State population, i.e. 896,046 persons. With the addition of West Cork and Dublin's Inner City the designated population is further increased. When viewed as a percentage of the non-Dublin population the designated population amounts to 36.7% of the total. The share of these eleven counties was 28.7% of the total State population in 1961. Their percentage share of the non-Dublin population was 38.6.

2.4 CRITERIA FOR SELECTING DESIGNATED AREAS

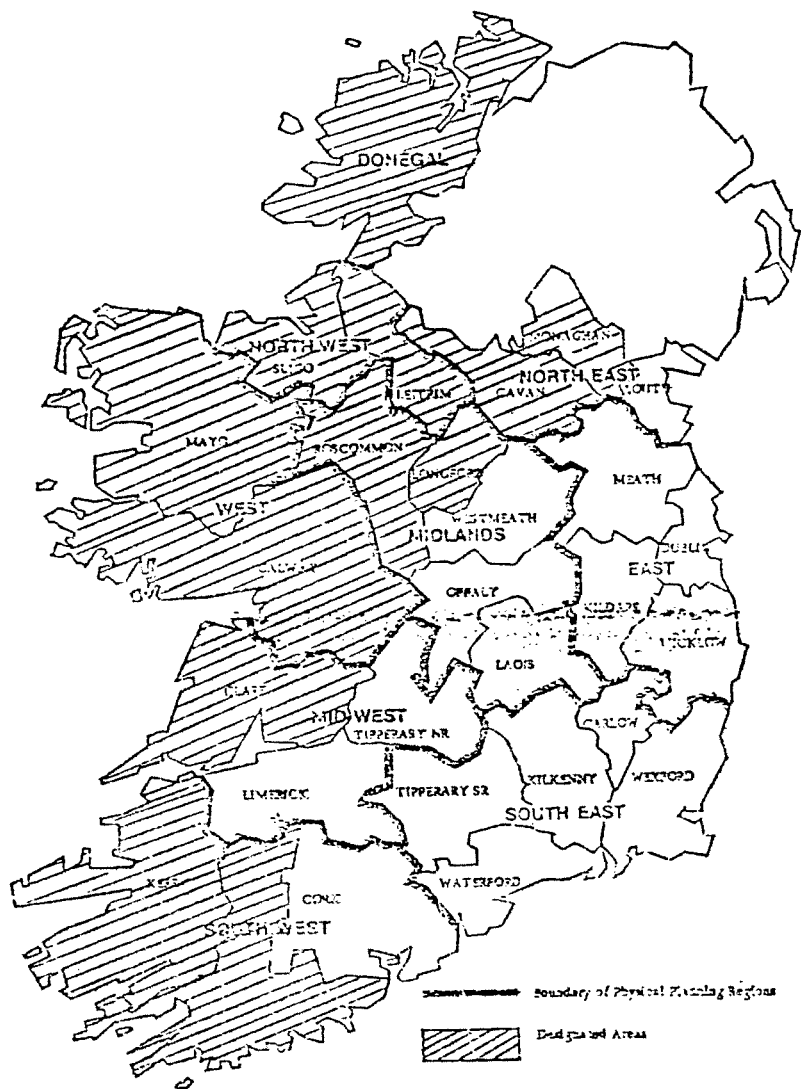
There is no explicit or quantified method used in determining designation status at present. This, however, does not mean that valid criteria or differentiating characteristics have not been used. The undeveloped areas of the 1952 Act were so specified because of their high levels of emigration and slow pace of industrial development.

In 1961, for example, the Donegal, North-West and West regions, all of which are designated, had the three highest agricultural shares of total employment of the nine planning regions:⁴ West 63.8%, North-West 62.1% and Donegal 54.9%. The only other region with an agricultural share in excess of 50% was the Midlands (53.8%) of which Roscommon was designated in the 1952 Act and Longford was designated later. The same three regions had the lowest industrial shares of total employment: West 10.8%, North-West 12.1%, Donegal 16.6%.

In recent years designation status has been given because of (i) severe and sudden industrial losses, as in Limerick, when Ferenka closed with

⁴ Ireland is divided into nine physical planning regions. These regions which have no statutory basis, provide a framework for the co-ordination of physical planning and are used by the IDA in its industrial development programmes.

Planning Regions and Designated Areas



Note: This map excludes designated areas which are within non-designated areas, e.g. Dublin Inner City.

Source: Review of Regional Policy, NESC No. 4.

sudden and major job losses, and (ii) in an attempt to offset significant urban decay, as in the case of Dublin's Inner City. In broad terms it is difficult to argue against the severity of the economic problems in any of these cases. There may, however, be cases where the relative positions of designated areas are less serious than other non-designated areas. The absence of an objective method of defining designation status increases the possibility of including areas which should be excluded and of excluding areas which merit inclusion. As designation is essentially concerned with ranking or assessing one area against another, it is obviously important to have objective criteria with which to do the ranking.

2.5 PERFORMANCE OF AREAS

A brief overview of the relative positions of the existing designated and non-designated areas is presented in this section. The analysis is presented at the regional and county levels for a limited number of indicators. The designated counties number 11. For the purposes of this exercise West Cork is included with County Cork as non-designated. The designated counties are included in the three fully designated regions: North-West; Donegal/West; and the four partly designated regions: North-East; Midlands; South-West and Mid-West. Only two regions have no designated counties, East and South-East.

The Census of Population provisional county results provide demographic, labour force and employment data for 1981. The most recent income data relate to 1973, for counties, and 1977 for regions.

Income

On the personal income per capita criterion, designated counties in 1973 filled rankings 26 (i.e. lowest income per capita) 25, 24, 23, 21, 20, 19, 17, 15, 14, 12. The non-designated counties, with per capita incomes below the highest per capita income designated county, were Wexford (rank 13), Westmeath (rank 16), Offaly (rank 18) and Laois (rank 22) (Table 2.1).

On a regional basis in 1977 the partly designated Midlands occupied place number 7 (out of 8 regions). The two fully non-designated regions were ranked 1 and 3. The partly designated South-West was ranked 2 (Table 2.2). In this region however, there is a significant difference between income per capita in Cork and in Kerry.

Population Trends

All counties experienced population growth between 1971 and 1981 with the exception of Leitrim. The percentage increases for the desig-

nated counties were: Longford 10.2%; Clare 16.7%; Kerry 8.9%; Galway 15.3%; Leitrim -2.6%; Mayo 4.8%; Roscommon 1.9%; Sligo 10.3%; Cavan 2.4%; Donegal 15.5% and Monaghan 10.7%. The State increase was 15.6%. The only counties experiencing less than 5% growth were four designated counties. The three non-designated Midlands counties grew by 12.5%, 13.1%, 14.8%.

Table 2.1
Income Per Capita by County, 1973

County	Per capita income in 1973 at current prices	
	Level	Index with State = 100
<i>Leinster</i>		
Carlow	721	90
Dublin	976	122
Kildare	786	98
Kilkenny	758	95
Laois	651	81
Longford	627	78
Louth	782	98
Meath	711	89
Offaly	668	84
Westmeath	687	86
Wexford	706	88
Wicklow	773	97
<i>Munster</i>		
Clare	700	88
Cork	817	102
Kerry	687	86
Limerick	792	99
Tipperary	757	95
Waterford	831	104
<i>Connacht</i>		
Galway	676	85
Leitrim	584	73
Mayo	625	78
Roscommon	655	82
Sligo	660	83
<i>Ulster</i>		
Cavan	657	82
Donegal	607	76
Monaghan	707	88
All areas	799	100

Source: NESC No. 30.

Migration Patterns

The State as a whole experienced net inward migration between 1971

Table 2.2

Per Capita Incomes by Region 1977 (£)

	£ 1977
East	1,821
South-West	1,581
South-East	1,504
Mid-West	1,496
North-East	1,436
West	1,358
Midlands	1,242
North-West/ Donegal	1,209
State	1,578

Source: NESC Report No. 51.

and 1981. Five counties had net out migration. Three of these were designated and the remaining two were Offaly and Tipperary North. In the more recent 1979/81 period the State as a whole had net emigration. Fifteen counties had net out migration in this period. Of these only six were designated, the others included Dublin and Cork.

Employment Structure

Table 2.3 provides a general ranking based on agricultural share of employment for 1961, 1971 and 1981. As is readily apparent, the regions which contain only designated areas (North-West and West) have the highest agricultural share of employment over the full period. The partly designated Midlands has overtaken Donegal in ranking.

Table 2.3

Agricultural Share of Total Employment (%)

	1961	Ranking	1971	Ranking	1981	Ranking
East	9.2	9	6.2	9	4.0	9
South-East	43.8	7	33.4	6	23.4	5
South-West	39.0	8	29.2	8	19.9	8
Mid-West	47.4	5	34.5	5	22.7	7
North-East	44.7	6	32.8	7	22.8	6
Midlands	53.8	4	43.3	3	28.4	3
Donegal	54.9	3	42.3	4	25.6	4
North-West	62.1	2	50.1	2	31.8	2
West	63.8	1	51.6	1	32.2	1

Source: NESC Report No. 4; Census of Population, 1971, Vol. III; Census of Population, 1981 Regions Provisional Results.

These four continue to occupy the bottom four places. At a county level in 1981 the situation in the Midlands was: Laois 28.2%; Longford 32.2%; Offaly 23.6%; Westmeath 20.3% and Roscommon 39.8%. The two designated counties, Longford and Roscommon, have the highest agricultural shares. It is necessary, however, to compare the three non-designated counties in this region with other designated counties to establish their relative position. For the same indicator, the results are: Cavan 37.8%; Monaghan 30.8%; Kerry 30.2%; Galway 29.2%; Mayo 36.9%; Sligo 27.6%; Leitrim 40.2%; Donegal 25.6%, Clare 29.8%. Only Laois, with 28.2% of the three non-designated Midlands counties exceeds the agricultural shares of Sligo and Donegal.

Unemployment

Rapidly rising unemployment has been experienced in all areas, including the more prosperous developed areas, over recent years. Table 2.4 presents data on the increase in registered unemployment over the period 1980 to 1984. The increase for the State as a whole was 122.8%. The three designated regions (West, North-West and Donegal) experienced unemployment increases below the national increase. The two non-designated regions had increases above the national increase. Of the four partly designated regions, the North-East and Mid-West were below the national increase and the Midlands and South-West were above.

Table 2.4

% Increase in Live Register Unemployment May 1980/May 1984 by Region

Region	Percentage increase
East	152.5
South-East	148.5
North-East	90.6
Midlands	143.3
South-West	136.5
Mid-West	106.9
West	76.7
North-West	67.3
Donegal	50.2
State	122.8

Source: CSO, Analysis of the Live Register by Area of Residence.

Data on counties is presented in Table 2.5. The national increase was 122.8% between 1980 and 1984. Fourteen counties had increases greater than this. Of these only two were designated counties and these

ranked 9th and 14th in terms of magnitude of percentage increase. Of the Midlands region, Counties Laois, Offaly and Westmeath were above the national increase while the two designated counties were below.

Table 2.5

Summary of Percentage Increase in Unemployment by County 1980/84

% increase	Number of counties	Number designated	Number non-designated
200% or greater	3	0	3
170% to 199%	5	0*	5
140% to 169%	5	1	4
110% to 139%	2	1	1
80% to 109%	6	5	1
50% to 79%	4	3	1
20% to 49%	1	1	0
Total	26	11	15

*Cork is included as non-designated.

Source: CSO, Analysis of the Live Register by area of residence.

Performance of Areas: Summary

This brief review examined the county and regional situation in terms of income, population, migration, employment structure (agricultural share) and unemployment change. There is a wide range of other indicators which could be used. The particular weightings applied to the different indicators and also the relative weights attached to level (evidence of existing situation) and change over time (evidence of narrowing or dispersal) will influence the eventual ranking of regions. As an illustration, however, we present a summary of the ranking of the designated counties and the non-designated Midlands counties on two indicators: income and structure of employment (Table 2.6).

To allow comparability with income, the highest agricultural share gets lowest rank, i.e. 14. Monaghan ranks highest on income but in the lower middle on agriculture share. Laois ranks in the lower middle on income but in the top four on agriculture share. The necessity for weighting and aggregation and detailed specification of objectives is well illustrated by these two criteria.

Overall, with the exception of some slight movements at the margin, the designated areas are still likely to prove the most underdeveloped on any synthetic index based on the above indicators. The question of how many are designated if the needs criterion is used then depends

Table 2.6

Summary of Designated County Ranking and Midlands Counties

	Income per head 1973	Rank	Agricultural share of employment 1981	Rank	Income	
Laois	651	10	28.2	4	14	8
Offaly	668	6	23.6	2	8	2
Westmeath	687	3	20.3	1	4	1
Longford	627	11	32.2	10	21	11
Roscommon	655	9	39.8	13	22	12
Sligo	660	7	27.6	5	12	7
Leitrim	584	14	40.2	14	28	14
Donegal	607	13	25.6	3	16	9
Cavan	657	8	37.8	12	20	10
Monaghan	707	1	30.8	9	10	4
Clare	700	2	29.8	6	8	2
Kerry	687	3	30.2	8	11	6
Galway	676	5	29.2	5	10	4
Mayo	625	12	36.9	11	23	13

Source: Data on income obtained from NESC 1975, data on employment derived from Census of Population.

on the criteria for a threshold, i.e. ten counties, or 25% of population, or 20% below the State average or some minimum deviation from the East region position. These comments do not refer to the emergence of the industrial decline type regional problems with their high unemployment increases. Ranking of areas on other criteria e.g., growth in unemployment, could of course produce a different division of designated and non-designated areas.

As is generally recognised even the relatively well developed areas of the country have experienced substantial increases in numbers unemployed over the past decade. Data was presented illustrating the growth in unemployment levels. Consequently, it can validly be argued, that most areas are unemployment black spots on an absolute level, even if regional differentials still exist. Indeed, the designated areas generally fared better in terms of unemployment increase than did the non-designated areas.

2.6 DESIGNATION FOR NON-INDUSTRIAL PURPOSES

Designation of areas for the purposes of this paper refers to the industrial policy designation. Certain areas are also singled out for other policies.

In agriculture, for example, special aids are available through the Common Agricultural Policy for farmers in mountain areas, and areas defined as 'more severely handicapped' and 'less severely handicapped'. The issue of area designation for purposes other than industrial policy is not considered in this report.

CHAPTER 3

DESIGNATION AND REGIONAL POLICY

3.1 INTRODUCTION

This chapter examines the problems involved in the classification of regions which is an inherent part of designation (section 3.2). It is shown that this classification depends upon regional policy objectives. The chapter then examines the stated objectives of regional policy in Ireland (section 3.3). The final section of the chapter examines the main policy instrument (manufacturing industry) used to achieve these regional objectives.

3.2 DELINEATION OF REGIONS FOR REGIONAL POLICY

Regional policy is concerned with achieving a more even geographic pattern of economic development. It operates through the selection or delineation of particular areas, or regions, which are assisted through regional policies. In some countries aid for industrial projects may be confined to the assisted areas. In others, as in Ireland, aid is available for all areas and the distinction between different areas is made through the level of grants, i.e. differential grants are available in designated and non-designated areas.

The identification of designated areas is simply a process of classification (Armstrong and Taylor, 1978). Areas are divided into two groups, designated and non-designated. There is no single unique way of undertaking this classification. What is generally recognised, however, is that the classification of regions must depend on the policy objectives. Specific objectives are also important for the selection of appropriate policy instruments and for evaluation of policy.

The Council's report on *Personal Incomes by County 1973* (NESC: 1977) provides a useful illustration of how the policy objectives will influence the classification. The data on personal income per capita show that three counties had levels above the national average, six had levels of 95% to 99% of the national average, one between 90-94, seven between 85-89, four 80-84, three 75-79 and one 70-74 (Table 3.1).

If one were to use income levels as a basis of identifying designated

Table 3.1

Counties Classified by Income Per Capita, 1973

Index with State = 100	Number of Counties	Names of Counties
100 or more	3	Dublin, Waterford, Cork
95-99	6	Limerick, Kildare, Louth, Wicklow, Kilkenny, Tipperary
90-94	1	Carlow
85-89	7	Meath, Wexford, Clare, Monaghan, Westmeath, Kerry, Galway
80-84	5	Offaly, Sligo, Roscommon, Cavan, Laois
75-79	3	Longford, Mayo, Donegal
70-74	1	Leitrim
Total	26	

Source: Derived from Table 1 (NESC No. 30).

and non-designated areas it would be necessary to decide a criterion. If the objective is to assist all areas below the national average then 23 of the 26 counties would be designated. If the objective is to assist only those areas with per capita income levels more than ten percentage points below the State level then 16 counties would qualify.

In classifying areas, it should be borne in mind that there are different types of regional problem area, each with their own characteristics and potential solutions. Some characteristics might be common to all regional problem areas, e.g. unemployment rate, but others may be specific to the type of regional problem area.

The different regional problems as referred to in the literature generally can be classified into four groups:

- (i) regions which are traditionally less developed (these have large agricultural dependence and generally poor infra-structural facilities);
- (ii) industrialised areas with a heavy concentration of declining industries, e.g. mining, steel, textiles;
- (iii) frontier areas;
- (iv) congested inner city areas.

The region types are not necessarily exclusive, i.e. frontier areas may also experience the problems and characteristics of the agricultural areas. Of the groups identified above, group (ii) is generally not applicable

to Ireland. There are areas suffering from the decline of traditional industries, but not with the severity encountered in the industrially declining areas of the EEC.

There are therefore many characteristics of regions which are relevant to selection criteria such as migration, stage of development, level of unemployment, etc. The use of the income characteristic above was intended to illustrate the need for clear objectives before defining areas for regional policy purposes. The following section examines the objectives of regional policy as articulated in Ireland.

3.3 OBJECTIVES OF REGIONAL POLICY

The 1969 Government Statement on regional policy stated an objective of achieving a more dispersed geographical distribution of (economic) activities. It also referred to keeping population dislocation to a minimum. The Statement referred to developing to the full the potential of each region. An objective of policy was, as far as possible, to provide local employment. It also specifically referred to the need to assist the under-developed areas (Paragraph 9).

The most recent official statement of regional policy is the 1972 Government Statement, "Review of Regional Policy". It is reproduced in full in Appendix I. A central theme of the review was that an overall regional strategy:

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

No specific quantified regional objectives have been defined. The broad objectives implicitly and explicitly declared in various Government statements and papers are:

- to minimise population dislocation
- to ensure a wider distribution of economic activity and employment
- to assist development in the under-developed areas.

There was however specific endorsement of the IDA regional targets for manufacturing employment in the 1972 Statement. That Statement also projected target population ranges for the main towns and cities for 1991.

The Council has already stated in report No. 45 *Urbanisation and Regional Development in Ireland* that the main objectives of regional

development should be to reduce the regional inequalities in living standards, job opportunities, unemployment and involuntary net migration.

An additional regional objective evolved in the latter half of the 1970s, i.e. to improve employment in those areas of the country which experienced high levels of job losses during the 1974/76 recession, e.g. the Dublin area and County Louth. As already noted, other priority areas were identified in recent years, such as Limerick City and Dublin's Inner City.

In summary, therefore, the objectives of regional policy have been defined in a qualitative way, such as minimising population dislocation, narrowing regional disparities and maximising the spread of economic development. An exception to this is the detailed quantification of the IDA's regional and sub-regional manufacturing job targets which the Government has endorsed.

3.4 MANUFACTURING INDUSTRY AND REGIONAL DEVELOPMENT

There is a wide range of potential policy instruments available to promote regional development, ranging from regionally differentiated taxation rates to locational policies for State firms and agencies. While regional development in Ireland is assisted by, *inter alia*, agricultural and tourism policies, the main instrument of regional development has been manufacturing industry.

The industrial development effort in Ireland has been characterised by a dispersed pattern of industrial location. The 1973/77 IDA Industrial Plans set manufacturing job targets for 177 towns and villages, not including the Gaeltacht areas and the Mid-West region. The approach of promoting a wide spread of industrial projects had already been rejected in a number of reports prior to the 1973/77 Plans. These are briefly summarised in NESC (1975), viz:

- *Economic Development (1958)* recommended that "we must site our industries at, or convenient to, the larger centres of population".
- *CIO Report (1963)* recommended that the distinction between the designated and non-designated areas should be abolished and that new enterprises should be encouraged to locate in a smaller number of selected development centres. It suggested that these centres should have a higher level of grant.
- *NIEC Reports (1968) (1969)* recommended that a small

number of growth centres should be adopted and expressed concern that the industrial location strategy (i.e. dispersal) was inconsistent with the required expansion of industrial output.

- *The Buchanan Report (1968)* recommended that development should be concentrated on Dublin, Cork, Limerick/Shannon, Waterford, Dundalk, Drogheda, Sligo, Galway and Athlone. Certain towns were also recommended as suitable local growth centres. The Buchanan policy was based on three tiers or levels of growth. Cork, Limerick/Shannon and Dublin were intended as main centres for industry. Accelerated development was proposed for the first two and Dublin would grow in line with its natural rate of population growth. At the second level it was proposed that development should be encouraged at Waterford, Dundalk, Drogheda, Galway, Sligo and Athlone. It was proposed that for the first three the focus would be on industrial expansion, at Galway the focus would be a mixture of industrial and tourism expansion and regional functions. The emphasis on the last two would be regional functions. A number of local growth centres was proposed for isolated areas in the West and North-West. These would be focal points for private development and centres for the provision of public services. The centres named for this purpose were Tralee, Letterkenny, Castlebar and Cavan.

In contrast to Buchanan's small number of centres an alternative strategy is to encourage industrial location in a large number of centres throughout the country and this is, broadly speaking, the strategy which has been adopted by the Government and the IDA. The 1965 Government Statement on Regional Policy had as an objective

“to encourage the development of small towns and rural areas so that people seeking work will still be able to find it at convenient locations”.

The locational issue is not about whether or not there should be a regional dimension but rather how dispersed should be the regional dimension. The benefits and costs of concentrating on a limited number of centres are discussed in Chapter 5.

CHAPTER 4

DESIGNATION AS A POLICY INSTRUMENT

4.1 INTRODUCTION

This chapter examines the issues which are relevant to a consideration of designation as a policy instrument. The chapter firstly sets out the rationale for designation and then looks at the effects of designation. In section 4.4 the grant cost of designation is assessed. While an assessment of the impact of designation and the grant cost of designation is necessary in any consideration of designation it is also essential to look at designation in the context of overall industrial policy. The future direction of industrial policy and its implications for designation are considered in section 4.5.

4.2 RATIONALE FOR DESIGNATION

Grant aid is available for suitable industrial projects in all areas of the country. The designation of areas means that higher grant aid may be available in certain areas. Consequently the effect of designation is a differential in maximum grant. As mentioned earlier the introduction of grant aid for designated areas was justified on the basis of the more difficult business environment in these areas: their poor infrastructure, peripheral location and lack of industrial skills and traditions. It was argued that since economic disadvantages attached to locating in these areas, market forces would not generate the required level of activity. Grants were introduced to compensate for those disadvantages and permit competitive equality between regions. The extension of the grant system to other areas obviously reduced the attractiveness of the designated areas. The maintenance of the differential is presumably a reflection of the same argument but at a lower level.

The original intention of the premium was to equalise competitive conditions between east and west. Another possible effect is to more than compensate for locational economic disadvantages, thereby generating a higher rate of return than elsewhere, and encouraging a preference among foreign projects for location in the designated areas (or parts of them). There are no readily available indicators of competitive disadvantage or changes in this factor over time. There are grounds for arguing that the competitive disadvantages of 'peripheral' areas relative to the rest of the country have narrowed over time.

Educational infrastructure has been strengthened and physical and telecommunications infrastructure disparities may have narrowed. It needs to be clarified whether the intention of the premium is to bring the attractiveness of different locations up to the same level or if the intention is to increase the potential rate of return above that of the non-designated regions.⁵ In either case it would be more efficient to give consideration to the specific competitive disadvantage which it is believed exists rather than simply applying a higher capital grant.

After the Ferenka closure in Limerick the city was temporarily designated. The basic competitive capacity of the location would not have altered because of the closure. Its attractiveness as a location, however, may have been damaged by the closure. Consequently, it may have been felt that the designation premium would have encouraged potential projects to place less weight on this 'bad' profile. Another reason may have been to give the higher grant to find a replacement project more quickly.

4.3 EFFECTS OF DESIGNATION

One can distinguish between the 'redistributive' and 'growth' effects of the higher aid available in designated areas. The strengthening of the policy package for a specific area, *ceteribus paribus*, increases its share of the total flow of inward foreign investment locating in the specific area, i.e. the redistributive effect. The growth effect refers to the fact that the higher grant aid available in designated areas may raise the total flow of inward investment to the country as a whole and may, of course, generate a higher level of domestic investment in the areas of higher grant.

The redistributive impact would be strongest between designated areas and adjacent non-designated areas because the overall business environments would not be as different as between, for example, designated areas and the East region.

On any reasonable *a priori* grounds it must be argued that the higher grants permitted in the designated areas must generate a greater flow of foreign projects than would occur in the same areas in the case of a lower grant regime. The magnitude of the influence is not known. It is not known how many firms locating in designated areas would have chosen the same location if the lower grant regime had operated through-

⁵O'Farrell (1975) for example found that there was no statistical difference between failure rates in designated versus non-designated areas. O'Farrell and Crouchley (1983) in a later analysis found that closure rates did not vary by town size over the 1973-81 period.

out the country. Nor indeed is it known how many projects have located in Ireland as a result of the higher grants in designated areas. An assessment of this nature would require detailed interaction on the specific details of projects with IDA personnel: an exercise which is outside the timespan of this project. Even then precise estimates of the impact of designation would be difficult to arrive at.

Whatever the reason(s) – grant levels, promotional activity, local amenities – the designated areas have done relatively well in terms of new manufacturing industry. Over the 1973-77 Plan period, while the total net increase in manufacturing employment was only 5% of target, the West exceeded target, North-West achieved 85% of target and Donegal achieved 40% of target. Achievement of targets, however, does not give any indication about the growth of employment or the base from which such growth takes place.

Just as the designation status is likely to have improved the flow of projects to the designated areas it is also likely to have reduced the relative attractiveness of the non-designated areas. This is particularly true for areas adjacent to designated areas and having the same broad locational features for industrial projects.

The assessment of the designation premium as an instrument of policy is complicated by the fact that the legislative maximum grants are rarely paid in the case of new large industry. Small industry programme projects have generally received the maximum in the past although a more discretionary approach may be adopted in the future. The IDA operates with administrative grant maxima below the legislative limit. These administrative guidelines form the ceiling against which bargaining takes place. The relationship between actual grant levels and the maximum depends on the quality of the project, its projected employment and the strength of need for the project, e.g., its willingness to locate in a specific location or its role as a market leader. The role which the designation distinction plays in such bargaining is important in assessing its value as a policy instrument.

Location decisions are based on a number of other factors in addition to the size of grant. These include the level of IDA promotion of particular areas, e.g. the number of visits by potential investors, availability of advance factories, the alternative locations proposed, infrastructural facilities and labour skills.

As part of normal internal planning the IDA identifies (in the context of its industrial plans) priority areas for particular short-term intensive

promotion. All of these factors, in particular, IDA promotional priority must be assessed as part of any comprehensive assessment of designation as an instrument of policy. The policy of encouraging the dispersal of industrial projects has been operated within both the non-designated and designated areas. This is a separate influence to the role of higher grants between the types of areas.

4.4 GRANT COST OF DESIGNATION

Details of approved grant costs for designated and non-designated areas are presented below in Table 4.1. The data is derived from the 1982 IDA Annual Report, volume on Capital Expenditure. The analysis is confined to the New Industry Programme and Small Industries Programme. In the case of new industry projects the legislative maximum is rarely reached. Consequently, grants as a percentage of capital expenditure, are lower than 45% and 60% in non-designated and designated areas respectively.

Table 4.1

Grants as % of Capital Expenditure (Approvals) 1952-1982

	New industry		Small industries	
	Designated	Non-designated	Designated	Non-designated
1. Grants approved	290.9	797.9	60.6	91.0
2. Capital expenditure approved	891.8	2849.1	106.8	206.2
3. (1) as % of (2)	32.6	28.0	56.7	44.1

Note: "Grants approved" are adjusted to exclude training grants.

Source: Derived from 1982 IDA Annual Report.

By applying the non-designated area percentage grant to the designated areas approved capital expenditure it is possible to derive a rough indication of the designation premium. This figure, however, refers to *approved* grant. Actual grant and actual capital expenditure are generally significantly below approved figures. The 1978/82 IDA Industrial Plan notes that for new industry projects 52% of total approved grants are paid by year seven from date of approval.

Applying the non-designated percentage to the designated capital expenditure reduces new industry approved grants by £41.2m and small industry approved grants by £13.5m, giving a total of £54.7m. Not all of this would have been paid as noted above. Therefore not all of the

£54.7m would have been saved if the premium had not existed. If 50% of approved grants were paid the savings would have been approximately £27m over the period. Total grant payments between 1952 and 1982 were £456.5m (new industry) and £77.0m (small industries), a total of £533.5m. Applying the same broad differentials to 1982 the grant payments in 1982 would have been reduced by approximately £5m.

It is important to note that this is a simplified estimate of the grant saving. It does not allow for differences in the sectoral composition of projects between designated and non-designated areas. It works on the assumption that the percentage grant differential is entirely a function of the location.

The exercise is solely concerned with the grant implications. It ignores the wider economic costs and benefits. Some of the designated area's foreign projects might not have located in Ireland if the higher grant level had not been given, and some indigenous small firms might not have started, or expanded, if the designation premium had not been available.

4.5 FUTURE DIRECTIONS IN INDUSTRIAL POLICY

In its recent review of industrial policy (NESC Report No. 59) the Council examined the role of infrastructure in industrial development. Among the factors contributing to the infrastructure deficiencies was that:

"... in the event (infrastructural) resources have been spread too thinly so that the country has been able neither to solve the problems of urban congestion – witness the traffic and water supply problems in Dublin – nor to develop the smaller towns and rural areas that can readily absorb new industry – witness the telephone and water problems in Donegal".

One of the main policy issues identified in the infrastructure analysis is the extent to which the provision of infrastructure should be concentrated in certain areas. In the past, the IDA has succeeded in obtaining a very dispersed pattern of industrial location despite infrastructural deficiencies, at probably a greater grant cost. Infrastructural deficiencies are, however, likely to pose a greater obstacle to industrial development in future years than they have in the past. The objective of securing high technology foreign projects will impose more exacting demands on infrastructure. Likewise, the aim of attracting head office activities, in addition to the more traditional production activities will require high standards of infrastructure, and will result in the infrastructure input

constituting a more significant input than in the past. In addition, international competition for mobile foreign investment is intense. One of the important factors in the locational decision is the level of infrastructure.

The Council's infrastructure report established that the cost to industry of the existing infrastructural deficiencies are not significant (NESC, No. 59). However, given the new direction in industrial policy indicated in the White Paper on Industrial Policy, and NESC Report No. 66 (i.e., attraction of functions additional to the manufacture/assembly functions), these deficiencies will become more significant.

A major objective of industrial policy must be the development of strong indigenous companies which will have the capacity to export. To realise that objective, industrial policy must be more selective and more focussed. The creation of strong export oriented indigenous companies is likely to be facilitated by location in centres with adequate levels of business services, skill availability, support services and communications. Industrial policy for the future will be more selective and more quality oriented than hitherto. Just as with the actual projects the infrastructural input will also need to be more selective and more quality oriented to ensure the minimum efficient level of facilities to foster desired projects with the implication that a greater concentration of resources will be needed.

A designation approach based on need would encourage a pattern of location which would be at variance with the overall requirements for industrial development. Disadvantaged areas by their nature, are not likely to provide the most appropriate business environment. A pattern of infrastructural investment consistent with a 'needs' designation would result in limited funds being thinly spread and not realising the maximum potential economic return.

CHAPTER 5

DESIGNATION CRITERIA BASED ON POTENTIAL

5.1 INTRODUCTION

As discussed in Chapter 1, designation criteria could be established on either a 'need' or a 'potential' basis. With regard to need, the most disadvantaged regions or areas would be identified. They would then be designated with the objective of promoting accelerated economic development. These areas, whether through weak urban structure, poor infrastructural resources or peripheral location, might have weak potential for achieving self-sustaining economic development.

If designation is approached from a potential point of view areas would be selected primarily because they are already relatively strong industrial locations, or have sufficient resources to become strong.

The two approaches need not always be mutually exclusive. An analysis based on need might identify a region with weak development potential. If Government considered it necessary, from a social point of view, to develop the region, it could concentrate resources on a single centre and so raise it to a 'potential' level.

It is the Council's view that increased emphasis should be accorded the potential approach in regional industrial policy.

This chapter examines, firstly, the criteria which could be used to delimit development areas (section 5.2). It then examines the various steps involved in selecting these areas (section 5.3). Finally, the chapter examines the issue of location in non-designated centres (section 5.4).

5.2 DESIGNATION CRITERIA ON A 'POTENTIAL' APPROACH

It has been argued that economic growth would be improved through the concentration of industry in a few large centres. The Buchanan Report has identified the benefits of locating in large centres:

"The presence of other industry, of colleges of technology and of other kinds of higher education implies availability of people with the wide range of special skills and qualifications needed for the more sophisticated modern industry. There is easier access to

customers . . . financial institutions . . . export and import agencies . . . and other professional and commercial organisations. There is usually a higher standard of public services and a useful number of specialist industrial services”.

It also comments that an essential element in building up an industrial base is “to concentrate a large part of industrial development in a few well planned major industrial centres . . .”.

The 1963 CIO report summarised the strengths and weaknesses of both approaches to industrial location (see NESc, 1975). Among the disadvantages of dispersal were listed the lack of essential technical services, the limited range of education and training facilities in many locations, difficulties caused by inadequate transport facilities, the cost of developing infrastructural services in a large number of locations. The advantages of concentration, according to the CIO report, are economies of scale in the provision of infrastructural and training services and the possibility of generating a self-sufficient growth capacity.

The criteria for delimiting development or growth centres are very different from those used in identifying problem regions. The criteria must be capable of identifying areas with the greatest growth potential. Such characteristics have been discussed by the Committee on Development Centres and Industrial Estates, which reported in 1964, and in the Buchanan Report. The criteria for the location of industrial estates included:

- (a) size of town
- (b) labour availability
- (c) infrastructural facilities
- (d) communications
- (e) existing industry as evidence of attractiveness of linkage possibilities.

The Buchanan analysis of the development potential of towns also examined settlement patterns and functions of towns. Buchanan evaluated towns in terms of their ranking as service centres and industrial centres. The two rankings were then aggregated to provide an overall picture of relative potential. The grouping of towns is reproduced as Chart 5.1 and Map 5.1. They are ranked in order of development potential.

The ranking of towns on the basis of potential was undertaken in 1967. While it is likely that substantial changes in ranking would not have occurred since then, it is still desirable that an updating of

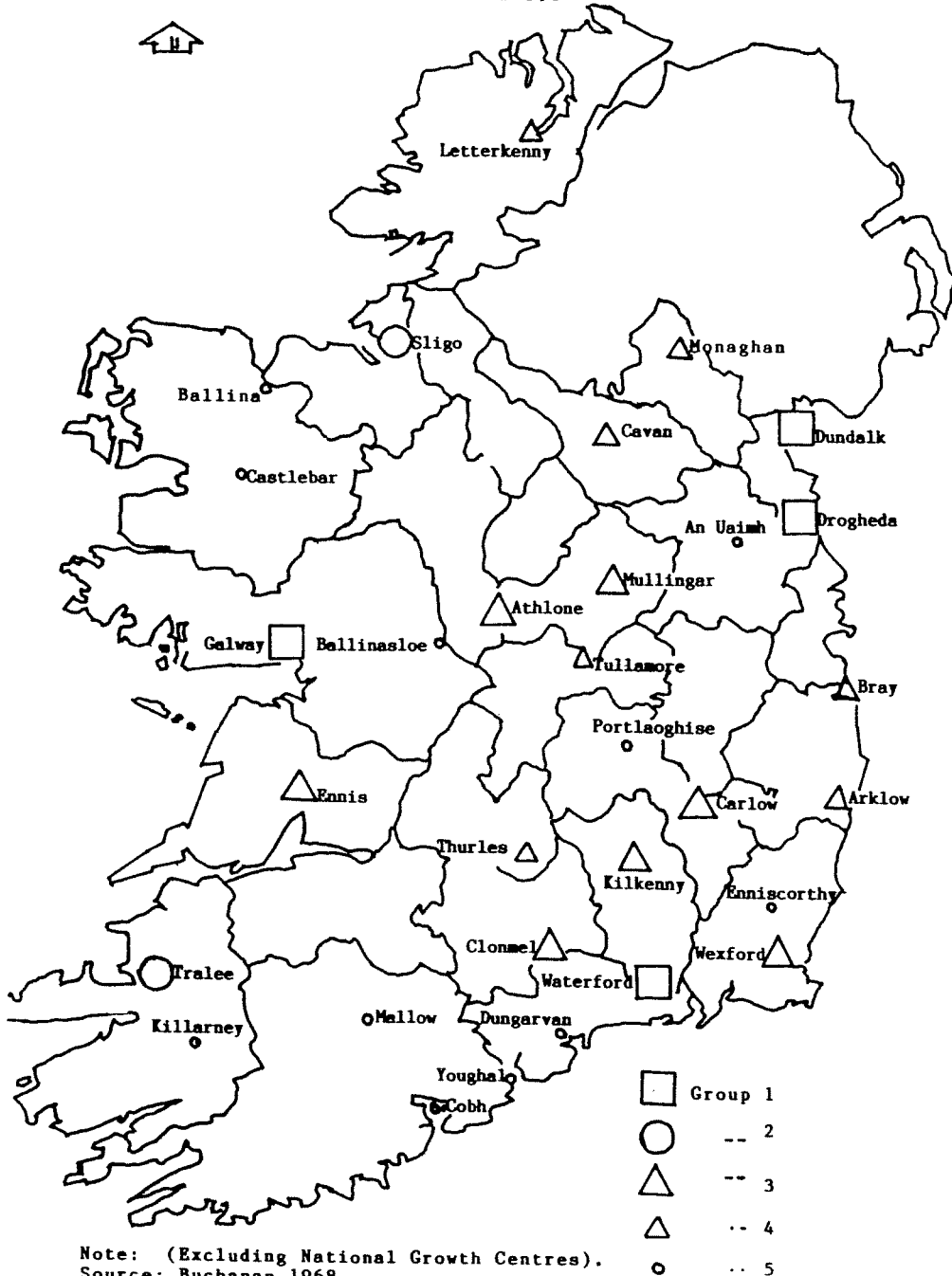
CHART 5.1

Ranking of Towns by Development Potential

National Growth Centres	Dublin, Cork, Limerick, Shannon
Development Potential of Towns	
Group 1:	Waterford, Dundalk, Galway, Drogheda.
Group 2:	Sligo, Tralee
Group 3:	Wexford, Kilkenny, Athlone, Mullingar, Clonmel, Carlow, Ennis.
Group 4:	Tullamore, Bray, Thurles, Monaghan, Cavan, Letterkenny, Arklow.
Group 5:	Ballina, Castlebar, Enniscorthy, Cobh, Mallow, Portlaoise, Navan, Killarney, Ballinasloe, Dungarvan, Youghal.

Source: Buchanan. (1968).

MAP 5.1



the assessment should occur, if it is intended to pursue a growth centre strategy. The methodology could broadly follow that adopted in the earlier assessments but must, of course, take explicit account of the specific requirements of modern industry and the expected patterns of economic activity.

The purpose of such an exercise is to define, in measurable terms, the potential of a location for reaching particular objectives. This assessment would take into account the potential for the development of indigenous industry and for serving as a location for mobile foreign investment. Essentially we would be defining objectives for industrial policy and assessing the potential both spatially and structurally of realising these objectives.

5.3 COMPONENTS OF A DESIGNATION METHODOLOGY BASED ON POTENTIAL

A designation methodology based on 'potential' requirements would include the following:

- (i) *Acceptance of principle of concentration*
This reflects the view that the achievement of maximum growth and cost minimisation is best achieved by a concentrated approach to industrial location rather than a dispersed approach;
- (ii) *Identification of relevant characteristics*
The characteristics must indicate the potential of the location and must be related to the specific needs of modern industry. The Buchanan methodology provides a useful starting point;
- (iii) *Establishing threshold values for centres*
Locations would be ranked according to their assessments on (ii). The choice might be to select a number of centres or to designate all centres which are ranked above a particular threshold. Given the situation with regard to urban structure and size of town a small number of centres would seem to be most appropriate;
- (iv) *Monitoring and review*
The performance of these centres should be reviewed every year with a view to identifying and resolving difficulties. The designation, on the basis of potential, is a long-term decision. It is not envisaged that changes in the ranking of towns would occur over a short period of time (e.g., two years).

5.4 LOCATION IN NON-DESIGNATED CENTRES

A policy of increased emphasis on a limited number of growth centres does not mean the neglect of other locations. Such a policy could mean that a particular share of projects and infrastructural finance would be directed to these centres. The allocation of infrastructural and other resources should be consistent with and supportive of the declared locational strategy.

The IDA 1978-82 Industrial Plan proposed an overall target of 75,000 new grant aided jobs. The top seven locations (as per Buchanan) were allocated targets as follows:⁶

Dublin	13,500
Limerick/Shannon	2,600
Cork	5,800
Waterford	2,200
Dundalk	2,100
Galway	2,200
Drogheda	1,600
	<u>30,000</u>

The plan's locational strategy, therefore, aimed to locate only 40% of the job target in the top seven Buchanan centres. The outturn, however, resulted in a higher percentage share of jobs going to these seven towns.

There have been no analyses of job creation performance by town size in recent years. O'Farrell (1975), however, has analysed the 1960-1973 performance, and has also undertaken research on employment changes classified by town size for the 1973-81 period, which is in the course of being published. Between 1960 and 1973 there were 44,822 jobs created in 352 grant aided manufacturing establishments under the New Industries Programme (i.e. excluding small firms). Of these, 27,000 were in towns with a population of 10,000 people or less (Table 5.1). The operation of a more concentrated locational approach over these years would have produced a distribution of jobs more heavily weighted in favour of the large towns.

Even without being encouraged by promotional measures to locate in non-designated centres certain projects would still prefer to locate in

⁶This total over estimates the share allocated to these towns as the plan in a number of cases allocates targets to town groups which include other towns in addition to the above.

Table 5.1
Total Employment (1973) Created in Grant-Aided Manufacturing Establishments, by Town Size, 1960-1973

Town size	Year														
	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	
1,500<	F	16.3	2.4	11.9	6.5	6.5	2.0	22.6	10.0	23.6	12.5	37.0	4.2	3.2	49.5
	E	136	49	238	187	154	61	470	552	613	920	1441	162	116	1364
	M														
1,500-5,000	F	21.0	23.7	53.9	9.8	22.4	82.9	51.4	19.8	13.3	10.5	19.3	39.9	35.2	10.2
	T	175	470	1082	282	535	2497	1069	1099	346	770	754	1553	1275	281
	M														
5,000-10,000	F	24.4	10.6	0	1.5	55.9	13.0	0.7	7.5	19.1	23.8	6.0	4.8	26.6	34.3
	T	203	210	0	43	1334	391	15	415	496	1746	236	186	960	944
	M														
10,000-25,000	F	38.2	20.1	4.0	33.1	0	2.1	4.2	26.4	6.7	6.8	20.9	2.4	2.2	0.9
	T	318	399	79	956	0	62	88	1464	175	501	813	95	79	27
	M														
25,000-150,000	F	0	16.4	15.5	24.2	11.2	0	1.4	28.4	5.4	31.9	5.9	40.2	19.7	4.9
	T	0	325	312	701	267	0	30	1572	140	2342	232	1563	713	135
	M														
>150,000	F	0	26.8	14.7	25.0	4.0	0	19.7	7.9	31.8	14.4	10.8	8.5	13.0	0
	T	0	531	296	723	95	0	409	439	827	1060	423	330	471	0
	M														
Total	E	832	1984	2007	2892	2385	3011	2081	5541	2597	7339	3899	3899	3614	2751
	M	118.8	116.7	125.4	160.7	140.3	215.1	115.6	230.9	96.2	124.3	102.6	97.3	103.2	125.0
	F	7	17	16	18	17	14	18	24	27	59	38	40	35	22
S.D.	102.3	98.2	110.3	168.9	201.1	308.5	139.9	362.3	136.2	265.1	122.9	230.9	125.3	265.7	

Notes: Table includes successful establishments: i.e. those operational in June 1973 (n = 352).

E = Total employment (at 1973) created in grant-aided manufacturing establishments.

T = Total employment for town size group i where i = 1 . . . 6 expressed as a percentage of year total j where j = 1960 . . . 1973.

F = Establishment frequency.

M = Mean establishment size.

S.D. = Standard Deviation of establishment size.

Reproduced from O'Farrell (1975).

Source:

such centres. Small industries servicing local consumer and intermediate markets would do so. Larger foreign projects, seeking to avail of specific resources, such as water would also locate outside the main centres. There is already a significant number of large projects located in small towns throughout the country. Expansion of these projects would generally occur in existing locations. Overall, the locational policy which is focussed on a small number of centres, would not result in other areas being completely deprived of new industrial projects. In addition, some smaller centres may have surplus infrastructural resources and projects would be encouraged to avail of these.

CHAPTER 6

DESIGNATION CRITERIA BASED ON NEED

6.1 INTRODUCTION

It was indicated in Chapter 5 that the Council's view was that increased emphasis should be accorded the potential approach in regional industrial policy. However, within this overall emphasis there will still be areas requiring priority treatment. This priority status should only be accorded on objective criteria. The methods by which areas are designated on a needs basis are discussed in this chapter and the Council's recommendations on objective criteria are presented.

6.2 INDICATORS FOR INTER-REGIONAL COMPARISONS

As noted in Chapter 3 the process of dividing areas between designated and non-designated is a classification problem. There is an extensive range of indicators or characteristics which can be used in making inter-regional comparisons (see NESC Report No. 58). These indicators fall into ten separate categories: population; employment; income; housing; health; education; security; communications; cultural amenities and environment. Each of these headings would have a number of specific constituent indicators (see Table 6.1). Employment, for example, could include (i) participation rates, (ii) employment change, (iii) the unemployment rate, (iv) the youth unemployment rate, (v) change in unemployment, (vi) structure of unemployment, and (vii) projected unemployment rate. A selection of potential indicators is presented in Appendix II.

Previous Applications of Indicators in Ireland

There has been extensive use of indicators in assessing regional conditions in Ireland, although not for designation related reasons. As noted in Council Report No. 58 the Buchanan report used the following indicators: population, employment, income, housing, health, education, communications, environment and cultural amenities. The 1973/77 IDA Plans identified priority areas by assessing population, unemployment, income, industrial employment and IDA grants. The 1978/82 IDA Plans used three indicators: income, population and manufacturing employment. In addition the various reports of the Regional Development Organisations in 1970/71 used a variety of indicators to assess regional conditions. The specific selection of indicators varied from

RDO to RDO. An Foras Forbartha (AFF) evaluated regional performance over a comprehensive range of indicators including population, employment, income, investment.

Use of Indicators in the EEC

The EEC Commission has considered how to objectively assess and rank the regions in the Community for regional policy purposes. The 1973 proposals for regional policy (EEC, 1973) used the following characteristics to classify regions. The areas must already be aided under national regional policy and must have a GDP per head less than the EEC average. Each eligible area also had to have at least one of three alternative types of regional problems:

- (i) heavy agricultural dependence (classified by two characteristics, shares of employment in agriculture and industry);
- (ii) declining industry dependence (classified by weight of declining industries, unemployment and out-migration);
- (iii) fundamental structural problems (classified by unemployment, out-migration and GDP per capita).

These proposals also identified threshold values, e.g. 1 to 2 times the national unemployment rate, and a specific net out-migration rate.

In its 1977 Regional Policy Guidelines (EEC, 1977) the Commission identified a number of important indicators for assessing regions including activity rates, sectoral employment, unemployment forecasts, net migration, GDP per capita, fiscal capacity and infrastructure.

The second EEC Periodic Report (EEC, 1984) contains material on the measurement of regional disparities. In this the Commission has developed a quantitative index which is referred to as the 'synthetic index' of regional disparities using GDP and unemployment, aggregated with equal weighting. The unemployment rate used is the average of 1977, 1979 and 1981. The GDP concept is the average of GDP per head, and GDP per occupied person, for the same period. The regions which are worst off are so defined through being positioned at more than one standard deviation below the EEC average.

In addition to the synthetic index, considerable attention is devoted in the report to the use of a broader range of indicators in an attempt to more fully understand the nature of regional problems. The report states that emigration, demographic pressure, high dependency and depopulation must also be taken into account. It is not clear how this relates to the use of the index which of course is confined to GDP and

unemployment. The report also presents details of a factor analysis of regional problems in the EEC. This type of analysis attempts to represent a given large number of indicators by a relatively small number of underlying factors. It is however subject to various methodological problems.

To a certain extent indicators are interrelated. Low levels of GDP per head are often associated with a large agricultural sector and/or a high dependency rate. High unemployment would often be highly correlated with net out-migration. However, the indicators may not be so highly correlated as to need to use only one indicator to present an appropriate assessment. For example, using 1973 data and the two indicators (out-migration and unemployment) it was found that only 68% of EEC regions with high unemployment also had high out-migration.

Appendix III contains brief summaries of the designation criteria used by individual EEC countries. The details were obtained from 'European Regional Incentives 1984'. The majority of countries do not use complete objective methodologies.

However all countries make use in some way of indicators such as unemployment rate, dependence on agriculture, level of income per head and migration to identify the most disadvantaged areas. Denmark, however, used a comprehensive objective approach. This encompassed: selection of indicators, higher weighting for income per head and unemployment; ranking and aggregation of indicators, to form a composite index.

6.3 COMPONENTS OF A DESIGNATION METHODOLOGY BASED ON THE NEEDS APPROACH

Any method of approach to designation based on 'needs' must contain either explicitly or implicitly the following components:

- identification of relevant indicators;
- aggregation and weighting of selected indicators;
- establishing threshold values for indicators;
- definition of region/areas;
- monitoring/review.

The first three components which are discussed below, are inter-linked. They deal with the different aspects of the criteria for ranking areas. The main issues to be considered in these three components are outlined here. The identification of relevant indicators would involve decisions on the type of indicators on which classification and ranking would be based. Such indicators could be population change, income

disparities, structure of employment. The choice depends on the objectives of policy. Also involved here is the question of detailed specification of the indicator, e.g. population change 1971-81 or 1976-81. If more than one indicator is used there has to be some method of aggregation to obtain a composite measure for ranking. This in turn requires explicit or implicit weighting of the indicators.

We have already seen that the EEC synthetic index allocates equal weighting to the GDP and unemployment indicators. This involves a value judgement. An alternative view might define unemployment as being more important and allocate it a weighting of, for example, 0.75 which would generate higher priority for the regions with higher unemployment. The weighting must ultimately be determined by value judgements and not by objective criteria. Factor analysis could be used for aggregation and grouping of indicators as outlined in the EEC approach. Its contribution, however, lies more in indicator selection rather than region ranking. Cluster analysis can be used to develop typologies or groupings of regions, but again, its contribution to ranking of regions within each grouping is weaker.

For the purposes of establishing threshold values for indicators, regions would be ranked according to their value on the indicators. Obviously not all areas would be designated. Therefore, there is need for a cutoff point. This could be on the basis of deviation from national average, e.g. 10% below national average or below some objective absolute standard, e.g. 25% of agricultural share of employment.

The definition of regions/areas and monitoring/reviewing are discussed in greater detail later in this chapter.

All the foregoing steps must take account of the data constraints. Data and information are not costless commodities. One could propose an entire new set of data specifically for assessment and review of designation status. There are two objections to this. The first is on the grounds of cost. The exercise would impose additional requirements on limited Exchequer finances. The second is the possibility that substantial new data would not greatly alter the perception and assessment of areas undertaken on more limited data. There is, however, one glaring data deficiency in that there are no official data on regional income. The most recent county income data are those compiled by NESO for 1973 (NESO Report No. 30). The only official output data on a regional basis for the manufacturing sector are provided in the special analysis of the Census of Industrial Production (latest data relates to 1980). If this indicator is to be used in review procedures, resources would have

to be provided for the collection of this specific data. The ESRI is undertaking a project for the EEC estimating value added on a regional basis. No county estimates are being undertaken. Because of the time lags between publication and collection of data, reviews would be on a lagged basis. Comprehensive employment data on a county basis for a current review are related to 1981 and are available in 1983. These data do not provide information below broad aggregates, e.g. at the level of overall manufacturing but not at manufacturing sector level.

Five year reviews would not have been possible in the 1970s. A full Census of Population was undertaken in 1971. The next Census was in 1979 and this was only a limited one. The next full Census was not undertaken until 1981. The Labour Force Survey provides comprehensive employment data at the regional level but not at the sub-regional level, except for the East region. Depending on this source would limit designation review and assessment to the regional level, which in our view is too large an area for efficient review.

While data availability is one factor influencing the choice of indicators, another factor which should be borne in mind is the acceptability of the criteria. Regional policy is often an emotive issue. This is hardly surprising in that it involves differentials in levels of assistance and rates of growth. The merit of objective criteria is that it provides a common reference point for areas to assess their rankings. If this desirable feature is to be realised, it is essential that the objective criteria be readily understood, rather than being the result of an incomprehensible and unacceptable 'black-box' procedure. This consideration might encourage the adoption of relatively simple techniques and indicators instead of more sophisticated factor analysis or large numbers of indicators.

Identification of Relevant Indicators

The EEC Commission used factor analysis on a selected set of variables (13 in all). These covered demography, labour market, output/income and peripherality. From this, it was established that the income/output factor accounted for 50% of the explained variance in the indicators, while labour market and demography each explained half of the remaining variance. The single most important variables were unemployment rate, productivity and income per head. As noted above an index was then compiled from these characteristics with equal weighting for unemployment and productivity/income. The factor analysis thus reduced the large number of characteristics to a more easily manageable three, i.e. unemployment, GDP per head and GDP per occupied person.

In the absence of such analysis, however, it is still possible to identify

priority indicators. In a regional policy context certain indicators have been accorded higher priority than others. In general the priority characteristics tend to be *income/output* characteristics, *employment* characteristics and *population/demographic* characteristics. As NESR Report No. 58 notes:

The goal of regional policy is to eliminate *involuntary population movement* and maintain a *viable growing population in peripheral areas*. The existence of *net outward migration* from particular regions reflects the *lack of employment opportunities* and the *low levels of income per head* compared with other regions (page 4).

There is, however, more than one specific indicator relating to each of these three characteristics (see Table 6.1 and Appendix 1).

Table 6.1

Constituent Indicators Within Broad Categories

Characteristic \ Indicator	Income/Output	Employment	Population
	Output her head	Unemployment level	Population change
	Output per occupied person	Agricultural share	Migration
	Output growth	Employment growth	Age profile
		Growth in unemployment	Population density
		Participation rate	

In Ireland, regional policy statements have focussed on population and migration, with the particular concern being population decline due to out-migration. Consequently the particular concern is really with involuntary migration. While the unemployment rate would be expected to reflect population/migration issues, it could understate the employment problems, due to low activity rates and migration. While there are obvious difficulties involved in distinguishing between voluntary and involuntary migration (people will migrate in response to choice of job as well as possibility of job) net migration is added to the EEC set of variables.

The Council recommends that the concept of need on which designation should be based would be labour market imbalance. We have seen in the previous paragraphs that a wide range of indicators can be used to rank areas. In the past designation has primarily been based on income/employment/unemployment/migration. Our concept of labour market

imbalance is a narrower designation criterion than hitherto, but is broader than the generally used concepts of unemployment.

The choice of labour market imbalance reflects the view that in present economic circumstances, the single most important issue is unemployment and its related elements. It also reflects the practical considerations that data at a disaggregated geographic level are limited. The Census of Population, if carried out on the five year basis, would provide an excellent data base, from which to quantify the criterion. Live register and job loss data would also be important inputs in quantifying the concept. In terms of principle it is close to the EEC index where unemployment is accorded a high priority. GDP per head of population would also have been a potential criterion. However, GDP data at a detailed disaggregated geographic level are not available and would be costly to collect. It is our view that the incremental cost benefit ratio in terms of getting a 'better' criterion does not warrant the exercise. The fundamental problem over the foreseeable future is the level of labour market imbalance.

Labour market imbalance is intended to be a comprehensive assessment of the unemployment situation both past and future. The official live register unemployment data would underestimate the 'needs' ranking of an area if out-migration has occurred. The unemployment rate would have been higher in the absence of migration. Urgent labour market imbalance can arise, through the closure of a substantial employer, in a particular location. Labour market imbalance may be projected for the future due to a high rate of growth of labour supply. Ideally the designation criterion should (a) recognise priority needs on the basis of past performance, (b) anticipate priority needs in terms of projected labour force increase and (c) be capable of responding quickly to sudden and significant job losses.

The specific indicators which the Council recommends for measuring labour market imbalance are:

- (a) unemployment as a percentage of the 1981 Labour Force;
- (b) percentage increase in numbers unemployed, 1981-85;
- (c) migration of labour force age persons as percentage of labour force, 1971-81;
- (d) growth in labour force on assumption of no migration, 1981-91.

The choice of indicators reflects (i) the principle of according priority to labour market imbalance, (ii) the important aspects of labour market

imbalance and (iii) the current and likely availability of data. The indicators are not a perfect representation of labour market imbalance. For example, one would like 1981-85 migration data to complement the growth in unemployment. These, however, are not available.

Aggregation and Weighting of Selected Indicators

The four indicators now have to be aggregated to form a single criterion for selecting areas. The approach recommended by the Council is as follows. Each indicator is rated relative to the national average. For example, if unemployment in area A is 8% above national average, it would be recorded as 108. The aggregate or average of area A's four indexes would then be compared to other areas. Migration would generally be a problem in this system as it can be positive or negative. The same problem could arise with labour force growth in that areas could have labour force decline. It is also possible, of course, to have declining numbers unemployed. One solution would be to define zero migration as 100 and treat area A with 4% out-migration as 104 and area B with 14% in-migration as 86. The national index would be defined in the same way and each area could then be expressed as an index of the national value. This type of index, however, has the indirect effect of implicitly reducing the weighting of the indicator.

The effect of weighting is as follows:

Area	1	2	3	4	National
Unemployment Rate	10%	20%	30%	20%	20%
Index	50	100	150	100	100
Migration Rate (all -)	10%	20%	30%	20%	—
Index	110	120	130	120	—

In terms of influencing the composite index the unemployment gap between Area 1 and Area 2 is 50 points while the gap on migration is 10 points although the relative difference between the regions is the same on both indicators. The measure proposed for migration, therefore, underestimates the true relative difference between the areas. It takes account of the additive rather than the multiplicative difference. Each indicator must follow the same direction, e.g. lowest is bad (good) and highest is good (bad).

An example of this approach for four areas is given below:

	(i) Unemployment National average = 100	(ii) Growth in unemployment National average = 100	(iii)* Migration 0 = 100 in < 100 out > 100	(iv) Growth in Labour Force National average = 100	Aggregate
Area					
1	108	102	104	101	415
2	112	96	100	96	404
3	92	104	86	110	392
4	104	92	112	92	400

* Area indexes based on assumption of zero national migration, i.e. 100+0.

The broad interpretation is: the higher is unemployment, the higher is growth in unemployment, the higher is out-migration and the higher is labour force growth the more likely is the area to be designated. In the above example the area with greatest need is area 1 although area 2 has a higher unemployment rate. Area 3 has the highest growth in unemployment but is best of the four areas on the aggregate basis.⁷

In the example we have accorded the same weighting to each indicator. According different weightings to indicators is essentially a subjective decision. The unemployment indicators are arguably more important than the other two. The Council recommends that higher weighting be given to the unemployment indicators. We suggest the following weightings: 2: 2: 1: 1 respectively in the order as listed in the example.

Threshold

Even if a single index is established and the counties are ranked 1 to 26 relative to the national average the question of which should have designation status on the needs approach still has to be tackled. The solution may be in terms of:

- defining a maximum population to be covered, e.g. 25% of labour force;
- defining a deviation threshold, e.g. all areas more than 20% below the national average;
- defining a maximum number of counties or locations;
- defining an acceptable deviation from the East region.

⁷ In periods when indicators (ii) and (iv) might take either positive or negative values for different areas it would be necessary to use the formula which has been used for migration for these indicators. In such cases it would be desirable to use the formula also for indicator (i).

The quota solution, (a) or (c), has the merit of limiting the designation category, while (b) reflects a norm to which policy aspires.

If the priority selection which is implicit in the designation concept is to be meaningful the Council believes that a specific threshold should be established which would define the maximum coverage of designation. It is recommended that the designated areas should not exceed more than 25% of the stated labour force at any one time.⁸

Using a 25% maximum, without specifying a differential at which designation comes into operation (e.g. deviation from the national average) would result in areas being designated up to the 25% limit permanently. This is not necessarily desirable. The Council, therefore, recommends that designation status should only operate when regions experience a certain deviation from the national average. The differential at which designation status is accorded is again a somewhat subjective issue. An informed choice of differential must await the outcome of the quantitative assessment of areas on the basis of the proposed objective criteria.

Definition of Regions/Areas

A decision is also required on what constitutes a region/area for designation purposes. Each regional statistic is a weighted average of the smaller areas of which it is comprised. Therefore, an area which might rank poorly when compared with other areas could include sub-areas which would rank ahead of other areas.

In 1981, the share of agriculture in the North-East's employment was 22.8%. The three counties comprising the North-East had agricultural shares of 37.8%, 30.8% and 8.6% respectively. If designation was made at the planning region level it would include counties with relatively good economic performance and structure. The same argument holds for designation at the county level. In 1971 County Galway's agricultural share of employment was 48.2%. However, Galway municipal borough had 9,300 persons employed, of which only 200 worked in agriculture. Any region which is designated will itself have intra regional disparities. Therefore, some of its constituent areas will be above and some below the region average.

At the extreme one could classify the country at the electoral division level. This would have the attraction of focussing the regional develop-

⁸In 1981 the designated areas (i.e. excluding Limerick and Dublin's Inner City) accounted for about 30% of the labour force.

ment effort on specific targets. On the other hand there is no economic basis to most electoral divisions. They are usually fully integrated with larger areas in terms of labour markets.

As we have seen the general pattern with Irish designation originally was to take complete counties. Since then, however, parts of counties have been designated, e.g. parts of Limerick County, additional parts of Cork, certain townlands in County Offaly and certain district electoral divisions in Tipperary and Kilkenny.

It is difficult to reach a conclusion on the appropriate minimum size of area. It is more clear at the other end of the scale to argue that the county, and not the regional level, is the appropriate maximum area to be taken as a single unit for consideration of designation status on a needs basis. It could lead to inequities and inefficiencies if the county is to be the minimum size. Cork as a single county might not qualify for designation status with obvious undesirable implications for West Cork. Some regional problems are more relevant to sub county size, e.g. areas of industrial decline and/or major job losses. In general it is desirable for designation to be possible for smaller areas than a county, notwithstanding the difficulties of definition.

The UK regional policy has defined its 'designated' areas in terms of 'travel to work' area. These are the smallest identifiable areas in which most people (at least 75% of the labour force) both live and work. In 1983 these designated areas covered 28% of the labour force compared to 44% in 1979 (European Regional Incentives 1984).

It is the Council's view that, ultimately, designation should be focussed on areas below county level. In most cases, however, there are data problems in so doing. As a first step it is proposed that reviews should generally occur at the county level pending the availability of data. The guiding principle, however, should be to focus designation on the minimum area.

Monitoring/Review

A designation methodology should include a monitoring/review component. The availability of data is an important determinant of review timing. In addition, fundamental changes in disparities will occur only over the longer term, if at all. Consequently, the reviewing of designation status for most areas would need to occur at relatively long intervals. The most realistic period is probably five years. This, however, should be the maximum period between reviews. Where possible reviews should occur at shorter intervals.

It is necessary to retain a degree of flexibility within the 25% limit so that urgent unforeseen cases can be accommodated without the equally urgent redesignation of other areas to remain within the threshold. One alternative is to give complete discretion on short-term designation. This, however, goes against the principle of objective criteria. It is the Council's view that where a major issue is anticipated in an area, for example the closure of power stations, there should be a planned approach to dealing with it through integrated economic and social policies rather than regularly making use of the designation instrument. Where sudden unanticipated job loss occurs the area would be assessed on the indicators as recommended in this report.

Since designation is a ranking concept it would be more efficient if all areas were designated at the same time and reviewed at the same time. We recognise, however, that specific short-term designation requirements will arise. The uniformity of implementation and review times should, however, be possible for the great majority of areas.

6.4 CONCLUDING REMARKS

As can be seen from the above discussion and the details of designation criteria in other countries there is no completely objective and scientific basis for delineating regions between designated and non-designated. Ultimately it involves a subjective decision, e.g. (a) are underdeveloped agricultural areas a higher or lower priority than urban areas experiencing significant job loss, or (b) what is the necessary differential between national average and area level before designation status is awarded. Whatever criteria are adopted, therefore, involves an element of arbitrary choice.

It must be remembered, however, that designation is precisely concerned with according priority to one area over another. The non-designated level of grant aid will continue to be provided in areas which are not designated. It is a separate issue to question the adequacy of the present level of grant aid to promote industrial development in a national sense. The granting of designation reflects the recognition that the area's needs are special and greater than national average needs. Current levels of unemployment are high in all locations. There are, however, areas with higher than average unemployment. Designation should therefore apply only to a relatively small part of the economy which is selected on the basis of its above average need.

CHAPTER 7

CONCLUSIONS

7.1 DESIGNATION STATUS AND INDUSTRIAL LOCATIONAL POLICY

Industrial location policy in Ireland has encouraged extensive dispersal of industrial projects. It has attempted, with a high degree of success, to bring jobs to the people rather than concentrating jobs in a few locations. Consequently, many small towns have had industrial projects located in them. Designation is an instrument whereby, in certain areas, higher maximum grant assistance is allowed than in areas which are not designated. The dispersed locational policy and designation are therefore two separate but inter-related issues. Dispersal of projects has been encouraged in both the designated and non-designated areas. Our comments and conclusions on designation status, therefore, also have significant consequences for industrial location policy.

7.2 SHOULD THERE BE A REGIONAL POLICY?

The Council has already noted that an objective of regional policy is to reduce existing regional disparities. The historic trend of the growth of the East region relative to other areas is undesirable, primarily, from a social viewpoint, but also from an economic viewpoint. The Council believes that a regional dimension to industrial policy is essential. However, the Council does not believe that a pattern of relatively extensive dispersal of industrial projects should be continued. There are compelling reasons for adopting a more concentrated approach to industrial location. The Council believes that an approach to regional policy with a greater emphasis on 'potential' would contribute to economic growth to a greater extent and should be accorded higher priority.

The Council recognises that there are areas of particular economic need and that serious localised economic problems can arise through, for example, very high unemployment levels or unemployment growth. It does not, therefore, propose that the existing concept of designation should be abolished. The ability to offer up to 60% grant, for selected areas, and for reasonable periods of time, is a useful policy instrument in dealing with serious economic problems. The Council recommends, therefore, that designation should be retained for certain specific dis-

advantaged areas, defined on the basis of objective criteria, and subject to review after specific time periods.

The changes in emphasis in regional policy and in locational policy are interrelated and form part of the same objective of maximising industrial development. As already noted in the report, designation is concerned with according a preference to one area over another. The non-designated level of aid will continue to be provided in non-designated areas. It is an entirely separate issue to question the adequacy of the overall level of aid to industrial projects. This is not the purpose for which designation is intended.

7.3 GAINS FROM CONCENTRATION

The Council's report on infrastructure noted that many firms were operating satisfactorily in remote locations and that infrastructural deficiencies imposed limited extra costs. In terms of what is expected from industrial policy in the future, however, it would be wrong to extrapolate from past experience. The objective of policy is to develop functions other than production, i.e. marketing and distribution, research and development and head office activities. These key business functions often lead to higher infrastructural demands. Providing high level infrastructural facilities in a few locations is a more feasible proposition than upgrading many locations. Projects incorporating key business functions generally prefer to locate in relatively large urban locations. These centres provide access to the skilled manpower, education and training facilities, communications networks, specialised business services and sub-supply capacity which are essential for success in such businesses. Focussing on a limited number of locations would produce gains in terms of:

- (a) savings in the provision of infrastructural facilities;
- (b) enhancing our attractiveness as a location for foreign investment through providing a number of well endowed industrial locations;
- (c) contributing to increased growth through attracting high-quality foreign projects and providing a better competitive environment for domestic enterprises.

It is probably the case that a concentrated locational policy, with the same type of foreign and domestic projects as we have had over the past two decades, would not have produced a significantly better growth performance, although there would have been infrastructural cost savings. This is so because most foreign projects were production units with limited linkages to the domestic economy. Domestic projects

generally did not develop into successful export oriented businesses.

The more selective and quality oriented industrial policy as proposed by the Council, can only succeed in the context of a high quality business environment which itself could only be provided in a few locations.

7.4 DEGREES OF CONCENTRATION

The concentration of industrial development as opposed to the existing widespread dispersal pattern does not necessarily mean that development would be concentrated in the East region or the Dublin sub-region. The centres as proposed by Buchanan could be adopted *or* each region might have one centre for priority allocation of development resources *or* each county might have a centre. The guiding principles should be that (a) given the likely available resources the number should be such as to permit the development of adequate infrastructural support and (b) each centre could be capable of facilitating the development of high quality projects.

In view of these criteria we believe that it is not practicable to identify a major centre in each county. The recommended number should reflect the principles outlined at (a) and (b) above. The identification of centres could only be done in the context of industrial policy and with the assistance of the IDA in assessing locations.

The approach as proposed here does not imply that the potential for indigenous enterprise expansion through new and existing small firms in the smaller towns and villages will be ignored. Grants will be available here as in other areas. Some firms, because of their inherent nature, may be locationally more suited to the smaller towns while some firms will not suffer any competitive disadvantage through locating there. If infrastructural investment is considered essential for new firm formation in specific smaller towns the overall return on allocating scarce exchequer and community resources would be assessed relative to the returns in other locations. The essence of our proposals is that a larger share of resources would be focussed on a smaller number of locations, with the obvious implication that less would be available for the many small towns and villages. The objective is to get the highest return on exchequer resources, subject to the location constraints implicit in our approach.

The Council has already expressed concern at the absence of clear systematic analysis of the costs and benefits of individual infrastructure programmes and their impact on industrial development (NESC Report No. 66, page 40). It is essential that such analysis would take place as

to ensure the efficient allocation of scarce resources.

Industrial policy has succeeded in generating a level of indigenous new firm formation which has been relatively good by international standards and very high relative to the UK (O'Farrell and Crouchley 1984). In addition new firm growth has been relatively stronger in the smaller towns than in the large urban areas. However, as generally recognised, most of those are small concerns which are very unlikely to expand into even medium sized enterprises selling overseas (O'Farrell & Crouchley op. cit.). In view of this and other factors noted above it is essential to consider how the return on industrial development resources could be increased.

These proposals on locational strategy are broadly in line with the proposals made by the Council in its report on Urbanisation and Regional Development.

7.5 OBJECTIVE CRITERIA FOR DESIGNATED STATUS

While recommending that designation status should be retained for certain specific disadvantaged areas, the Council believes that the criteria for delimiting these areas, and the periods for which the preferential grants might be available, should be drawn much more tightly in future. Specifically, the Council recommends that designation status should be given for a maximum period of five years after which it should be reviewed. Designation status should encompass, at most, 25% of the country's labour force. Ideally, designation would be focussed on as small an area as possible. Data limitations, however, suggest that in most cases the county would of necessity form the basis of the review. Designation status itself should be awarded only on the basis of objective criteria and specific position relative to national average. The criterion on which designation status should be assessed should be labour market imbalance which is intended to encompass a comprehensive measurement of unemployment. The indicators which should be used are unemployment rate, growth in unemployment, migration and labour force projected growth. These indicators should be aggregated with a higher weighting for the unemployment variables.

APPENDIX I

REVIEW OF REGIONAL POLICY

1. In May 1969 the Government, having considered the report "Regional Studies in Ireland", prepared by Colin Buchanan and Partners, issued a statement setting out in general terms their aims in regional policy and indicating that they would further consider the Buchanan recommendations in the context of proposals for regional development generally. A Regional Development Organisation was established in each of the nine planning regions, mainly representative of the local planning authorities. These Organisations were asked to prepare reports on their regions, and have done so. The Government have now reviewed their regional policy, taking account of these regional reports and all other relevant material. They have also considered the proposals of the Industrial Development Authority: "Regional Industrial Plans, 1973/1977".
2. The Government are anxious to make regional policy more effective and to aid the development of the economy as a whole. There is also the need to be in a position to derive maximum benefit from the aids to regional development which will be available in the EEC.
3. Accordingly the Government have decided to adopt an overall regional strategy, while recognising that the effectiveness of any regional strategy in a democracy with a free enterprise economy is subject to limitation by the decisions of private individuals and firms.
4. Government policy is to secure a continuing decrease in the number emigrating, to the point where there is no involuntary emigration. According as this policy succeeds, population and employment will increase. Recent analysis shows that if a consistently high rate of economic growth were achieved, the total population could be in the region of 3.8 million by 1991. Population growth of such a magnitude would demand fast urban expansion. Half the population now lives in towns of 1,500 or more, including Dublin. If Dublin's future growth is held to its natural increase, giving a 1991 population of 1,200,000 or less, the aggregate population of the remaining cities and towns would have virtually to double over the 1966 figure.

5. The present urban structure is weak, especially in the north-western part of the country. The preliminary report of the 1971 Census has brought to light more favourable trends in the level of population in the under-developed areas generally. These areas remain, however, in need of special development effort. The Regional Development Organisation's reports reflect the action which they feel is necessary to deal with the involuntary emigration.

6. In the Government view an overall regional strategy should not merely seek the attainment of required national growth rates but should also provide for the maximum spread of development, through all regions, giving an increased and wider range of economic and social opportunities and so minimising population dislocation through internal migration.

7. Accordingly, the strategy which the Government envisage should be pursued over the next 20 years or so, is as follows—

- (1) Dublin development to be such as to accommodate the natural increase of its existing population.
- (2) expansion in and around Cork City, of the Limerick/Shannon/Ennis area, and of Waterford, Galway, Dundalk, Drogheda, Sligo and Athlone.
- (3) development of county or other large towns of strategic importance in each region, including relatively large expansion of towns in areas remote from existing major towns.
- (4) continuation of special measures for the development of the Gaeltacht.

8. To provide guidance for physical planning and programmes of infrastructure, the Government have accepted that for the main urban centres the population ranges set out below may be used as a planning base—

	Estimated 1991 Population Range	Estimated 1971 Population
	('000)	('000)
National	3,600 – 3,800	2,971
Dublin	1,125 – 1,200	850
Cork Area	300 – 360	175
Limerick-Shannon-Ennis Area	165 – 175	79
Waterford	50 – 60	33
Galway	55 – 65	29
Dundalk	40 – 45	24
Drogheda	36 – 40	20
Sligo	30 – 35	14
Athlone	16 – 20	11

The application of these figures as a planning base does not imply a projection or target for 1991 in respect of each place for a specific year, but is intended to indicate the potential scale of development in these areas. Strong urban areas are necessary to counter regional imbalance by, among other things, providing elsewhere some of the qualities which make Dublin so attractive a centre for population and employment.

The feasibility of reaching these figures will be determined largely by physical and economic factors but the figures quoted should be of assistance to planning authorities whose development plans will be the main instrument for the implementation of the strategy at local level.

9. Apart from the nine urban centres mentioned there will also be a substantial overall growth in other towns. Not all of these will grow to the same extent but it is envisaged that overall they will show an increase of 65-70% over the 1966 level of population.

It should be made clear that the smaller urban areas will also share in this expansion process.

10. The IDA Regional Industrial Plans cover the period 1973/77 and assign job targets in manufacturing industry to each region in that period. Details of the Plans are being announced separately. The number of additional jobs envisaged by the IDA over the period of their plans is consistent with the employment increase forecast in the White Paper on Accession to the EEC. The Government endorse the approach adopted by the IDA which is consistent with the longer-term regional strategy outlined above. The IDA Plans will be continually updated and this will enable them to be kept in line with the overall regional strategy as measures to implement it are developed. In this implementation the IDA will play a major part.

11. Assistance will be available from EEC institutions for development purposes. The Government's regional strategy will provide a framework within which projects suitable for the support of the European Investment Bank will be identified. The Government's regional strategy will also provide a basis on which support will be sought from other Community sources, namely, the European Social Fund and the Guidance Section of the Agricultural Guidance and Guarantee Fund.

12. The Government consider 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 consideration will be given to the possibility of increasing harmonisation of regional systems which have grown up for different purposes.

APPENDIX II

SELECTION OF POTENTIAL INDICATORS

Demographic aspects

- | | |
|-------------------------------|---|
| 1. Population density | Total population per km ² , 1979. |
| 2. Birth rate | Live births per 1000 population, average of annual figures, years 1970 to 1980. |
| 3. Death rate | Deaths per 1000 population, average of annual figures, years 1970 to 1980. |
| 4. Migration rate | Net migration per 1000 population, average of annual figures, years 1970 to 1980. |
| 5. Recent migration rate | Net migration per 1000 population, average of annual figures, years 1974 to 1980. |
| 6. Population increase | Percentage rate of population increase, 1970 to 1980. |
| 7. Recent population increase | Percentage rate of population increase, 1974 to 1980. |
| 8. Population 0-14 | Share of population of age 0-14 in total population, 1979. |
| 9. Population 65+ | Share of population of age 65+ in total population, 1979. |
| 10. Dependency ratio | Population of ages 0-14 and 65+ over population of age 15-64, 1979. |
| 11. Demographic pressure | Percentage rate of population increase of age 15-59, 1980-1990 (NEI study). |

Labour market aspects

- | | |
|-------------------------------|---|
| 12. Male participation rate | Male (restricted) labour force 14-64 as % of male population 14-64, 1981. |
| 13. Female participation rate | Female (restricted) labour force 14-64 as % of female population 14-64, 1981. |
| 14. Employment rate | Employed labour force (restricted) as % of population of age 14-64, 1981. |

31. GDP per head in PPS	GDP per head at current prices and purchasing power parities, 1979.
32. Recent increase of GDP/head in PPS	Rate of change of GDP per head in PPS, 1973-1979.
33. Productivity	GDP per person employed in ECU, at current prices and exchange rates, 1979.
34. Physical productivity increase	Rate of change of GDP per person employed at constant 1975 prices, 1970-1979.
35. Recent physical productivity increase	Rate of change of GDP per person employed at constant 1975 prices, 1973-1979.
36. Industrial capital endowment	Industrial investment in ECU, at 1975 prices and exchange rates, years 1970-78, per inhabitant 1978.
37. Industrial capital intensity	Industrial investment in ECU, at 1975 prices and exchange rates, years 1970-78, per person employed in industry, 1978.
38. Infrastructure stock	Overall index, EC = 100, 1978 (BIEHL study).
39. Centrality-peripherality	Economic potential in ECU at current prices and exchange rates, per KM, 1979 (KEEBLE study).

	<ul style="list-style-type: none"> – The Regional Development Council then made recommendations to Government based on these criteria.
<i>France</i>	<ul style="list-style-type: none"> – Main criteria are employment and unemployment, other criteria are economic prospects of the region, degree of urbanisation, demography, services potential and distance from Paris.
<i>Germany</i>	<ul style="list-style-type: none"> – Redesignation in 1981 was based on five indicators, projected employment shortage in 1985, unemployment shortage in 1985, unemployment rates (1976-1980 average), GDP per head (1978), wages and salaries per head (1978), a measure of infrastructural provision; <ul style="list-style-type: none"> – Each indicator was given equal weight; – These criteria formed the basis for discussion between the Federal and Lander Governments; – Bremen was designated in 1983 based on unemployment levels and amount of labour due to be made redundant from steel and shipbuilding; – Growth centres must have a minimum population of 20,000 and catchment population of at least 60,000 (this is under review).

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