

Manufacturing in Ireland

Ireland benefited little from the industrial revolution. In 1926, only 10% of the workforce was employed in industrial activity (120,000). Several factors explain why Ireland remained an agricultural economy and failed to industrialise.

- Lack of raw Materials
- Insufficient energy supplies
- Small domestic market
- Lack of skills
- Absence of existing industrial tradition
- Poor infrastructure
- Limited urban development meant poor provision of services
- British manufacturing protected – limited market for Irish goods – meant Ireland was a supply of cheap labour and food for Britain; Ireland was a market for British manufactured goods.

1926-1958

Government pursued a policy of Protectionism for Irish Industry

- Huge tariffs on imports
- Irish goods relatively cheaper
 - But sometimes expensive and poor quality

By 1951 Industrial employment had increase 50% but there were still problems

- Small domestic market was insufficient to support industrial output
- Irish goods could not compete on the export market
- Produce was expensive at home sue to lack of competition
 - Quality was poor
 - Industrial was not efficient

Late 1950's depression focused government on raising employment levels generally.

1958 First Programme for Economic Expansion

T.K.Whitaker – Dept. Of Finance – report advocated the removal of Protectionism and provided the ground plan for government investment in industrial development.

Key Points:

- Protectionism abandoned for good
- Foreign investment wholeheartedly embraced
 - IDA worked to attract Multinational Companies (MNC's)

The result was a glorious ECONOMIC BOOM!

Economic growth during the 1960's and 1970's due to

- Increase in population - 1961 – first rise in population since 1851!
- Free education in 1967 began to provide a well educated labour force
 - Plentiful, available and cheap.
- Major improvements in transport and communications – Shannon Free Airport Industrial Estate
- Admission to European Community in 1973 provided access to a huge export market
- EEC Common Agricultural Policy increased farm standards of living
- Urban Base expanded – led to an improvement in services (1961 country officially more urban than rural)
- Government policy provided
 - Industrial Development Authority (reconstituted in 1969)
 - Advance plants to Multinational Companies
 - Capital grants
 - Labour Retraining Schemes
 - Export profit tax relief scheme (replaced in 1981 by 10% corporation tax)
 - This eventually became the famous ‘Black Hole’ in the Irish economy as capital was being repatriated.

Multinational Companies were attracted to Ireland by

- Low cost production platform for Branch Plants
- Government incentives
- Low labour costs
- Well educated English speaking labour force
- Access to EEC markets
 - versus Portugal (poor in everything), Spain (politically unstable), Italy (politically unstable).

1966-1968

Series of reports commissioned by An Foras Forbartha (The National Institute for Physical Planning and Research) on economic development in Ireland. The most effective report was the more general Buchanan Report.

- 9 growth centres
 - National
 - Regional
 - Local
- Growth was to be centred around these
 - Would allow for more effective use of resources through concentration rather than spreading scarce resources over the whole country

However the creation of new jobs was mirrored by the loss of existing jobs as a result of the market being open to imports.

1970's

Manufacturing employment increased however the OIL PRICE CRISIS began to take effect. Government tried to maintain standards of living and social welfare system. Fianna Fail and Fine Gael competed for electoral support on the promise of this. Required heavy borrowing on the international market to fund services.

1973-1978 57,000 new jobs created
 55,600 jobs lost
 (net 1,900 jobs created)
 60% of output of new firms was export oriented

1980's

Ireland careered into recession.

- Increase in unemployment – 1984 = 19%
 - Numbers at work decreased by 40%
- Continued borrowing and government mismanagement of economy
- High repayments and lower tax revenues made it difficult for the government to spur a recovery – 90% of income tax revenue to servicing national debt.
 - Money borrowed went to pay for current expenditure such as public sector pay and welfare payments rather than to capital investment. The government was forced to make spending cuts Charlie Haughey's famous 'we must tighten our belts' cuts in Health and Education.
 - Emigration peaked at approximately 45,000 per year. Policy was focused on manufacturing – R&D activities of MNC's took place outside Ireland with lower end manufacturing jobs in Ireland. Graduates left – 'Brain Drain'.

Unemployment continued to rise. 1987 Economist Magazine referred to Ireland as a Third World Country. By early 1990's unemployment reached 25% of the labour force. Structural unemployment began to set in.

1982 Telesis Consultancy Group Report

Commissioned to investigate Ireland's industrial policy. Recommended attracting high value enterprises with products aimed at specialist markets and requiring high quality and good design.

Industrial output increased and there was good growth rates however unemployment remained high and emigration soared particularly to UK.

At the same time a number of initiatives were being undertaken to gear Ireland towards more industrialised development and to promote job creation:

- Tax incentives for the regeneration of the Dublin City and others (Urban Renewal Scheme)
- Tax incentives for the creation of the Financial Services Centre
- A new Agency for the Management of the national debt
- First moves towards ‘social partnership’ in 1987 – bring Unions, Employers and Government together to develop a job creation strategy.

Partnership agreements since 1987

- General aims
 - To stabilise the economy
 - Wage restraint
 - Guarantee workers set wage increases
 - Keep interest and inflation rates low
 - Encourage an economic climate attractive to investors

The Programme for National Recovery 1987-1990

The Programme for Economic and Social Progress 1990-1993

Partnership 2000 1997-2000

Programme for Prosperity and Fairness 2000-2003

Achievements

- Stable labour market
- Fewer strikes
- Employer's know their salary liabilities for the few years and this allows the to plan investment in their business without the worry of unforeseen pay demands.
- Ireland has become very attractive to foreign investors especially American multi-nationals.
- Ireland became more competitive
- Favourable wage rates have also contributed greatly to more multi nationals choosing Ireland to invest in, and often base their European operations here rather than other countries in Europe.
 - Ireland has 1% of the E.U. population but receives 26% of US investment in Europe

Northern Ireland

The ‘Troubles’ painted a poor picture of Ireland internationally. A key element in presenting Ireland as a stable country, never mind a country with a stable economy, was to find some solution to the Northern Ireland conflict.

In 1993, John Major and Albert Reynolds signed the Downing Street Declaration which outlined the principles which would underline an agreement between Unionists and Nationalists in the North.

“In 1992 I had two goals. to try to bring peace to Ireland because a bad message was going out of bullets, bombs and violence and to develop the economy. I felt that the two issues were interrelated because if we could get peace in Ireland then we could project a different marketing message around the world. It was a failure of leadership to ignore it. We now had the economy sorted out and here was the big chance to make it all happen”.
(Albert Reynolds in interview)

1998 Good Friday Agreement was signed.

EU to the Rescue!

European Core vs European Periphery

European Union attempts to reduce the economic differences between regions.

Structural Funding

- European Regional Development Fund (ERDF)
- European Social Fund (ESF)
- Agricultural Guidance
- Committed under the Maastricht Treaty (Treaty of European Union)

- Cohesion Funds
 - Established to assist four weakest countries (Greece, Ireland, Portugal, Spain)

Funding was/is allocated on the basis of development objectives

Objective 1 Regions

- Most problematic of E.U. Regions
- GDP per capita < 75% of E.U. average
- Periphery of E.U.
- High rates of unemployment
- High Dependency on Agriculture
- Weak transport infrastructure

<u>Funds allocated to Ireland</u>
1989-1993 IR£3.4 Billion
1994-99 IR£6.9 Billion
Further funding will be made for the Border/Midlands/Western Region

National Development Plans

Funding is allocated as part of National Development Plans. Irelands last plan ended in 1999 and is to be replaced by a new national development plan with capital spending of IR£45 Billion. Just over 50% of this will be spent in the East/South East. The remainder will be allocated to the Border/Midlands/Western Region. Funding follows the principle of concentration of investment and focuses on

- Job Creation
- Transport infrastructure improvement
- Reducing social exclusion