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# Population Distribution and Economic Development: Trends and Policy Implications

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## CHAPTER 4

### SPATIAL ASPECTS OF ECONOMIC DEVELOPMENT POLICY

#### 1. INTRODUCTION

The purpose of this chapter is to examine the spatial dimension of economic development policies. Economic development policies are for the most part not primarily spatial in nature, but they obviously have spatial implications. Some authors distinguish between sectoral/functional policy on the one hand and territorial policy on the other. In its report on rural development, the Council rejected an excessively strong distinction between territorial policy and sectoral/functional policy. The Council pointed out that most elements of economic and social life had both a sectoral and territorial dimension (see NESc, 1994, p.121-124).

Section 2 traces the evolution of the spatial dimension of economic development policy since 1950. This is followed by a discussion of the spatial dimensions of current industrial policy as reflected in the activities of the IDA, Forbairt, SFADCO and Údaras na Gaeltachta. The spatial dimension of industrial policy remains significant for both IDA and Forbairt, although the spatial pattern of inward investment has changed significantly. There is a need for a greater focus on indigenous investment if a more spatially balanced pattern of development is to be achieved. The evidence reviewed in this section suggests that the experience of regional devolution to Shannon Development and Údaras na Gaeltachta has been broadly positive. Recognising that industrial policy is only one element of the spatial distribution of economic activity, Section 3 focuses on agriculture, fisheries and tourism. Agriculture naturally has a more extensive spatial distribution than industry, although the type of activity and the economic prospects for agriculture vary depending on location. Tourism and fisheries also represent sectors which can be developed outside major urban centres. Fisheries is important in sustaining employment and population in some coastal regions, but there are a number of constraints on further development of this sector. The largest share of tourism revenue is generated in the Dublin region but other regions, especially the Western regions,

earned 55 per cent of total tourist revenue in 1996 and tourist revenue is of greater relative importance in these regions than in the East. The relocation of government offices represents another way of promoting a more dispersed spatial distribution of economic activity; this policy is discussed in Section 4. Investment in infrastructure is a key influence both on national economic development and in the distribution of economic activity between different areas. This issue is discussed in Section 5.

The second half of the chapter shifts focus to institutional issues and possible lessons from other countries for the spatial distribution of economic activity in Ireland. In Section 5 the Regional Authorities structure, dating from 1994, is outlined as are issues leading to the establishment of the Western Development Commission. This is followed by a discussion of recent developments in the area of local development. In Section 6 the focus is on identifying lessons from regional policy in other European countries. This is followed by a discussion of the policy lessons that can be drawn from the NESC study on dynamic European regions.

## 2. ECONOMIC DEVELOPMENT POLICY<sup>1</sup>

### (i) Historical Background

Concerns about the problems of particular areas were reflected in the enactment of the Undeveloped Areas Act in 1952. This act provided for grants to encourage industrial development in less developed areas. Subsequent legislation during the 1950s had the effect of moderating the preferential treatment of the Undeveloped Areas. Other regional policy initiatives in the 1950s were the establishment of Gaeltara Eireann in 1957 to promote the development of Gaeltacht areas and the establishment of the Shannon Free Airport Development Company in 1958.

There was a vigorous debate on the merits of concentration and dispersal of industrial development during the 1960s. An important contribution to this debate was a study by Buchanan and Partners, *Regional Studies in Ireland*, published in 1968. This study advocated a concentrated pattern of industrial development, focused

<sup>1</sup> The first part of the section, that is the outline of the evolution of economic development policy, draws on Bannon and Lombard (1996).

on Dublin, Cork and Limerick/Shannon. As a 'compromise', it also recommended a number of regional growth centres (Galway, Dundalk, Drogheda, Athlone and Waterford) and local growth centres (Letterkenny, Cavan, Castlebar and Tralee). The reasons put forward for this concentrated approach included the availability in large centres of people with a wide range of special skills and qualifications, the easier access to customers, associated companies, government departments, financial institutions, research organisations and various professional and commercial organisations. Other advantages cited were the availability of specialist services and companies able to act as subcontractors. For these reasons, it was argued that development in a large centre would be more likely to grow fast and develop further on its own momentum.

Regional Development Organisations (RDOs) were established in the late 1960s. These organisations were non-statutory bodies and their chief objective was to co-ordinate programmes for regional development in each region. Other regional policy developments in the 1960s included the establishment in 1964 of eight regional tourism organisations. Each region was to be responsible for developing and promoting tourist facilities within its own area. In 1965, a Regional Development Committee was set up to advise on regional policy.

The government's response to the issues raised in the growth centre debate was most clearly set out in a government statement of 1972. The government's view was that:

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.

The statement envisaged strategy over the following twenty years as follows:

- (a) Dublin development to be such as to accommodate the natural increase of its existing population;
- (b) Expansion of the Limerick/Shannon/Ennis area, Galway, Dundalk, Drogheda, Sligo and Athlone and in and around Cork city;

- (c) Development of county or other large towns of strategic importance in each region, including relatively large expansion in towns and areas remote from existing major towns;
- (d) Continuation of special measures for the development of the Gaeltacht.

The statement outlined population ranges for the areas mentioned above for 1991. The IDA was the primary instrument for achieving the goals of regional policy. The government statement endorsed the IDA's plans for regional industrialisation.

The severe economic problems experienced in the first half of the 1980s contributed to regional issues receiving less attention. Unemployment increased in all regions, including the Dublin region. The Regional Development Organisations were abolished in 1987, in the context of widespread cuts in public expenditure. The need for a regional structure soon re-emerged in the context of the preparations for the first Community Support Framework 1989 to 1993. Sub-regional review committees were established for consultation on expenditure in their regional area. This function is now the responsibility of the Regional Authorities which were established in 1994. The boundaries of the new Regional Authorities differ slightly from those of the former planning regions used by the Regional Development Organisations. These differences are outlined in Chapter 3.

The remainder of this section considers the spatial dimension of current industrial policy. The two national agencies responsible for industrial policy, IDA Ireland and Forbairt are first discussed. This is followed by an examination of the role of two regional agencies, Shannon Development and Údarás na Gaeltachta. The primary responsibility of these regional agencies is the promotion of industry and internationally traded services in their respective regions.

#### (ii) IDA Ireland

IDA Ireland is the agency responsible for the promotion of inward investment in Ireland. During the 1960s and 1970s, inward investment had a very significant impact on regions lacking traditional industrial centres and rural areas. This investment was

attracted to Ireland on the basis of lower labour costs and was flexible in terms of its location requirements. In recent years, investment has become more concentrated in the major urban centres. The type of investment which is now being attracted to Ireland is different to the investment of the 1960s and 1970s. Current investment is highly concentrated in a small number of high growth sectors, and a large share comprises internationally-traded services. The availability of skilled labour has become a critical factor for inward investors. Investors have a larger pool of labour skills to draw upon in large urban centres (see Chapter 3). Such centres are also in a better position to provide the specialised services and infrastructural requirements of inward investors. The competition for mobile investment has also become more intense which makes it more difficult to achieve a particular regional dispersal.

The requirements of inward investors are not uniform. Large investment projects, of which there have been several in recent years, will generally not consider locations outside the five main urban centres. With smaller projects, location outside these centres can be a possibility, although many small projects also go to larger centres.

IDA Ireland continues to offer additional incentives for investors to locate outside the major urban centres, although the number of locations which it now promotes has been reduced from a high point in the 1970s. IDA no longer has a substantial budget for the development of industrial sites or advance factories. However, it works with the private sector to try and promote investment in advance factories. There is a limited Business Expansion Scheme (BES) for investment in advance factories. Provision of suitable property for inward investors involves partnership between the IDA, the private sector and local authorities.

Local communities can play a significant role in the promotion of inward investment, by making their areas attractive for such investors. IDA Ireland is willing to work with local communities to achieve this. Local communities which have contributed to the attraction of inward investment have a clear understanding of the competitive process involved. In some cases local communities have been involved in the provision of property for investors. Millstreet and Fermoy are examples of smaller centres in which the

initiative of local communities has been significant in achieving inward investment.

### **(iii) Forbairt**

Following the Culliton Report (1992), Forbairt was established as the national agency with responsibility for Irish-owned industry and internationally-traded services, in order to achieve a greater focus on the indigenous sector. It also has responsibility for all firms (Irish and overseas) in the natural resources area. The former science and technology agency, Eolas, is also part of Forbairt.

Forbairt has a statutory responsibility to promote regional development. Forbairt has a network of regional offices for the delivery of its services on a regional basis. Decision-making in its small business programme is devolved to regional level.

The National Linkage Programme seeks to promote the development of suppliers for multi-national companies. Following a successful pilot programme in the West, this programme has now been regionalised. Regionalisation involves greater participation by small firms in this programme. Not all the small companies interested in participating are in a position to meet the requirements of the multi-national purchasers.

Forbairt promotes interaction between the third level sector and Irish industry at national and regional level. Particular initiatives at regional level involve supporting the development of a number of technology centres in the RTCs to provide specialist services to industry. There are 22 such centres in operation around the country and the focus is on particular technological strengths which each college possesses and on the needs of local enterprise.

Forbairt works to develop each region's potential. It has supported the establishment of enterprise centres in many smaller towns. It seeks to work with the characteristics of each region and then seeks to define what can be done to change the position. Forbairt regional offices are in the process of developing regional strategies which take into account the specific characteristics of each region. The idea is that these strategies will build on individual regional strengths by taking into account their educational, sectoral and infrastructural resources.

### **(iv) Shannon Development**

Shannon Development is responsible for promoting economic development in the Mid-West region. Its responsibilities include manufacturing, international services, tourism and rural development. It represents the most significant exercise in regional devolution in Ireland.

An important question to consider is whether the regional devolution in the Shannon region has contributed to innovation and a better socio-economic performance. An OECD report of some years ago commented favourably on decentralisation in the Shannon region:

A new climate has been created in the region, characterised by remarkable entrepreneurial dynamism (OECD, 1987).

More recent research by Andreosso-O'Callaghan, an economist based in the University of Limerick, has examined to what extent the region represents a 'local system of innovation'. A national system of innovation can be defined as a set of specific learning mechanisms, of domestic institutions and of policies whose interactions determine the technological performance of firms in a nation (Andreosso-O'Callaghan and Jacobson, 1997). Analysis of a local system of innovation is concerned with how such mechanisms operate at a sub-national level.

Andreosso-O'Callaghan points out that the region has a number of specific institutions which potentially could foster a local system of innovation. The Shannon free trade zone was created in the 1950s, and represented the first modern version of a free trade zone. It was initially established as a manufacturing industry base, but its activities now include international services and the aviation sector. The University of Limerick was established in 1972 and has developed strong links with the local and regional business community. The major impact of the University is felt in terms of its provision of adequate skills for the region in particular and for the country as a whole. The Plassey National Technological Park was established in 1984 as the first Irish science and technology park, with the University at its core. There are 90 companies established here, including both multinationals and indigenous companies. The Innovation Centre was established in 1980 to provide services for new technology based start-up firms. The major findings of her

research into the innovation system in the Shannon region are as follows:

Manufacturing firms in the Shannon region devote a higher percentage of their turnover to research (narrowly defined) than manufacturing firms in the country as a whole. Also, when assessed on the basis of the percentage of their turnover devoted to R&D, skills and age of equipment, the indigenous firms in the electronic and mechanical engineering industries systematically outperform their foreign counterparts. The emergence of a strong electronics and mechanical pool of indigenous innovation driven firms in the Shannon region is proof that a technical culture, albeit confined to some types of industries and firms, is gradually appearing in this region (Andreosso-O'Callaghan, 1997, p.18).

Andreosso-O'Callaghan does not specify the specific factors which encourage the emergence of this pool of indigenous innovation driven firms. 'Whether this emergence is due more to the pragmatic building up of research and training structures (the University) or to the presence of multinationals in these advanced sectors is debatable'. She argues that the Shannon region can be regarded as having a local system of innovation, but this local system of innovation is weak. One weakness is the lack of local financial structures. Second, the level and depth of interactions and synergies between firms and research bodies are tenuous. Multinationals have very thin links with the local economy and there are still numerous cultural barriers between the indigenous business and the research communities in this region and elsewhere.

A recently launched programme, the 'Regional Innovation Strategy' involving the Shannon region with 19 other European regions may be a first step in addressing the problem of cultural barriers between business and research communities. The Regional Innovation Strategy seeks to build a partnership and develop consensus among regional actors, in particular, between the public and private sectors in order to promote innovation.

The trend in employment provides a more direct measure of performance of the Mid-West region. The Mid-West has a clear superiority to other regions in terms of employment in Irish-owned manufacturing firms. Between 1986 and 1996 the rate of growth of employment in indigenous manufacturing in the Mid-West was

three times the rate of growth of such employment in the rest of Ireland. It cannot be proved that this superior employment performance is due to regional devolution, but this does provide positive circumstantial evidence that regional devolution has been beneficial in this region.

In a report on regional performance under the Community Support Framework (CSF), Fitzpatrick Associates used a range of indicators to construct a composite index of regional performance (see Chapter 3). Under this composite index, the Mid-West had the third best performance, after the Mid-East and the Midlands. They also categorised regions on the basis of their socio-economic position at the beginning of the CSF period (i.e. around 1993). The Mid-West was characterised as having a relatively high socio-economic position. The Mid-West was the only region which was characterised as having an original relatively strong socio-economic position and which performed above average during the CSF to date.

#### (v) **Údarás na Gaeltachta**

Údarás na Gaeltachta is responsible for promoting economic, social and cultural development in Gaeltacht areas. The agency has developed modern industry in peripheral locations. Údarás na Gaeltachta supported industries include textiles, engineering, electronics, agriculture, other natural resources, the audio-visual and telecommunications industries. One in every three of the Gaeltacht labour force is employed either full-time or part-time in an Údarás na Gaeltachta assisted enterprise, making the Gaeltacht one of the most industrialised peripheral regions in the EU. There was an overall increase in employment of 22 per cent in Údarás assisted industry between 1990 and 1995. This comprised an increase in full-time employment from 5,600 in 1990 to 6,800 in 1995 and an increase in part-time and seasonal employment from 1,900 to 3,940. In part, the increase in employment reflects the general economic upturn since 1994.

Notwithstanding the progress that has been made in economic development, many of the companies in the Gaeltacht in low technology sectors face growing competitive pressures. There were gross job losses of 712 in 1995. The Gaeltacht has lost some business to low cost locations in Central Europe. Údarás na

Gaeltachta is seeking to address the competitiveness problem by helping companies to develop new markets, new products, new technology and strategic relationships. It is assisted by the EU research and development initiative, Measure 1. Údarás na Gaeltachta is engaged in ongoing R&D activity in aquaculture. The industry benefits from association with research in this area in University College Galway.

Údarás na Gaeltachta appears to have had a favourable impact on the economic and social development of Gaeltacht areas. The cost of a job in Údarás assisted companies is generally in line with the national average for small to medium sized industries and the average level of grant approval per job has been declining in recent years (NESF, 1997).

#### (vi) Conclusion

During the 1970s, the IDA managed to promote significant inward investment in areas outside major urban centres. In recent years, however, the nature of inward investment is such that in most cases the requirements of investors can only be met in major urban centres although the IDA continues to offer additional incentives for smaller regional locations. The prospects of achieving a more dispersed pattern of investment are greater for indigenous industry. Forbairt uses a range of measures to promote regional development, including regionalisation of the National Linkage Programme and support for technology centres in RTCs. Shannon Development appears to have had considerable success in promoting the development of indigenous industry in the Mid West. Údarás na Gaeltachta has been able to develop modern industry in peripheral locations.

### 3. AGRICULTURE, FISHERIES AND TOURISM

This section discusses policy issues in a number of sectors which support employment and population outside major urban centres.

#### (i) Agriculture

The decline in agricultural employment has a major impact on settlement patterns in rural areas, particularly in areas lacking an

urban structure. The pressure on the agricultural sector derives from a combination of supply and demand influences. On the supply-side the potential output of food grows rapidly, driven by technological progress. The growth of demand for agricultural output tends to lag behind the growth of supply. This places downward pressure on prices and tends to result in excess capacity in the agricultural sector.

It is possible to identify three strategic responses to the problem of excess capacity in agriculture:

- (i) Price and markets policy;
- (ii) Competitiveness policies;
- (iii) Rural development (Matthews, 1991).

Price and markets policy is implemented in the EU through the Common Agricultural Policy (CAP). The CAP has contributed to moderating the decline in employment in the agricultural sector. However, previous reports of the Council have pointed out that the CAP has accentuated the dualistic structure of Irish agriculture. In a position paper for the Council, Sheehy (1992) found that on average nominal farm incomes increased by 30 per cent between 1984/85 and 1990/91. However, the best performing group achieved an increase of 85 per cent in nominal terms while the worst had a decrease in their nominal incomes of 58 per cent over the same period. In another paper for the Council, Commins (1992) observed that 'as is now well known, the impact of CAP price policy was to widen the farm income gap between the larger and smaller producers' (Commins, 1992, p.193).

The CAP is subject to ongoing reform. Sheehy (1992) has pointed out that real agricultural prices have been falling since 1977. The reform of the CAP in 1992 introduced the principle of providing compensation in the form of direct payments for price reductions. The Commission has stated that it proposes to deepen and extend the 1992 reform through further movement from price supports to direct payments, as well as developing a coherent rural policy to accompany this process.

Competitiveness policies, which seek to assist farmers in adjusting to market pressures, have long received far less attention compared to prices and market policy. This has changed somewhat in recent years. Current competitiveness policies for Irish agriculture are

mainly contained within the Operational Programme for Agriculture, Rural Development and Forestry (1994-1999). This programme provides support for on-farm investment, structural improvement, farm diversification, research, training and forestry. However, by far the largest element of this programme is compensatory headage payments, which have accounted for over 50 per cent of expenditure in this programme to date. These payments help to maintain farm incomes in areas designated as disadvantaged. However, a review of the Operational Programme was critical of these payments as they do not contribute to long-term structural reform.

Since the late 1980s, the Commission has recognised the need for a broader rural development policy to respond to the problems of rural areas. Some support for rural development is provided under the Operational Programme as noted above. In addition, support is provided under the LEADER Programme which promotes enterprise in rural areas. Other local development organisations also assist development in rural areas (see Section 8 below). There is no conclusive evidence on the effectiveness of the various rural development measures in terms of employment or population stabilisation. It is difficult to quantify these impacts, since many are geared towards improving the supply-side of the rural economy in the longer term. However, over time, the supports introduced should deepen the enterprise culture within rural communities, and help these communities to harness the support and assistance of state and local agencies.

It is clear from Chapter 3 that employment in agriculture will continue to decline. Only 23 per cent of farms are economically viable on a full-time basis. At the same time the CAP is subject to ongoing reform and cannot solve the problem of low income farmers. Commins (1992) has shown that the household economy of smaller farms is not primarily dependent on CAP price policies, but on non-agricultural employment, state transfers and compensatory payments. There is some scope for farm diversification and the development of specialised food businesses. The Department of Agriculture and Food is currently preparing a White Paper on rural development; rural development is a very significant part of the EU's Agenda 2000 as the critical proposals involve further movement from price support to direct payments to farmers.

## (ii) Fisheries

The fisheries sector covers sea fishing, aquaculture and inland fishing. This industry is of vital importance to a number of coastal regions. In these regions the industry not only provides direct employment in landings, aquaculture and, in some instances, processing, but also sustains indirect employment in net making, boat repair, etc. Brophy *et al* (1991) estimate, for example, that fishing supports approximately 17 per cent of the total workforce in Donegal. This compares to a figure of roughly 1.5 per cent of the national labour force. Many of the areas in which the fisheries industry is important are also areas which have difficulties in attracting other forms of investment.

Bord Iascaigh Mhara (BIM) is the state agency with primary responsibility for the development of the seafood industry and also has responsibility for aquaculture. BIM's responsibilities include provision of financial support for the industry, education and training, marketing and technical services.

In 1995, the value of sea fish landings was £129 million, while exports in the same year were valued at £213 million. The aquaculture industry has achieved considerable growth in recent years, and now accounts for over 25 per cent of total fish production. Output was valued at £49 million in 1995. Total employment, including full-time and part-time, in sea fisheries and aquaculture is 15,500. The main economic value of inland fisheries is in tourism angling, with over 150,000 tourist anglers a year visiting Ireland and generating estimated annual revenue of over £50 million (Department of the Marine, 1997).

Given its status as an island economy, Ireland has a surprisingly underdeveloped fisheries sector. The sector's economic importance is at present limited by the existence of various structural and institutional constraints on the expansion of the sea fishing industry, including low quota entitlements for some fish species and the obsolescent nature of parts of the fishing fleet. In contrast to sea fishing, fish processing and aquaculture have become increasingly important in employment terms over the last decade. The Department of the Marine is currently undertaking an overall review of marine policy.



### (iii) Tourism

Bord Failte is the primary agency responsible for implementing tourism policy in Ireland. It markets Ireland internationally and also provides grant aid for investment in tourism facilities. It operates through a network of Regional Tourism Authorities.

Tourism has a number of attributes which make it attractive as an instrument of regional policy. Many of the less developed areas are those of outstanding natural beauty. In many of these areas, opportunities for industrial investment are limited. Many tourism enterprises are relatively small scale and can facilitate widespread participation. Tourism contributes to higher living standards for the inhabitants of many rural areas by supporting the provision of infrastructure and other facilities that might not otherwise be viable. Tourism is also a high growth industry (Walsh, 1995).

The largest share of tourism revenue is captured by the Dublin region (24.9 per cent), but revenue for this industry is disproportionately concentrated in other regions relative to population. The combined western regions account for 43 per cent of the population, but captured 55 per cent of the revenue from this industry in 1996. Hence, revenue per capita from tourism is above average in some of the poorer regions (see Chapter 3).

Sustainable growth of the industry requires addressing problems of regional concentration and seasonality. For tourism growth to be sustainable, it is important that due recognition be given to an area's carrying capacity and the provision of funds to new enterprises. In its latest *Strategy* the Council recommends that a greater emphasis be placed in future on overcoming weaknesses in lagging areas (NESC, 1996).

## 4. RELOCATION OF GOVERNMENT OFFICES

The movement of government offices to locations outside Dublin is often termed 'decentralisation', although this term is not entirely appropriate since the offices relocated perform specific centralised administrative functions (e.g. processing of V.A.T. returns) from another location. Nonetheless, whatever the terminology, the relocation of government offices brings benefits to the towns concerned. Over 11,000 out of a total of around 29,000 civil servants are now employed outside Dublin. Since 1989, approximately 4,000 Civil

Servants have been transferred or are planned to be transferred from Dublin to 19 provincial locations. The numbers transferred to each location are listed in Table 4.1 below. The locations involved include the other cities as well as several medium sized towns. However, the impact extends beyond the towns directly concerned to smaller places within commuting distance of the towns involved. Civil Servants taking up residence in smaller centres can help in maintaining the viability of public services in such centres, through, for example, maintaining the requisite number in a primary school.

TABLE 4.1

Total Numbers of Staff Relocated Since 1989 or in the Process of Being Relocated

Town	Number
Athlone	200
Ballina	122
Cavan	114
Cork	378
Dundalk	150
Ennis	146
Galway	189
Kilkenny	150
Killarney	126
Letterkenny	176
Limerick	554
Longford	178
Nenagh	220
Portlaoise	331
Roscommon	50
Sligo	319
Tullamore	324
Waterford	180
Wexford	550

Source: Department of Finance.

The objectives of the relocation programme are:

- (a) promotion of regional development and reduction of pressures on the Dublin region;
- (b) spreading public sector jobs more evenly.

Relocation of civil servants helps to economise on the use of office space in the Dublin area. Since 1989, it has not been necessary to lease any significant amount of office space in Dublin. Demands for new space have been met by reallocating existing space, including space released through relocation.

The programme of relocation appears to have been successful. However, it is now proving difficult to find staff willing to relocate from Dublin.

## 5. INFRASTRUCTURE AND UTILITIES

Settlement patterns are a key influence on the need for investment in infrastructure. On the one hand, strong population and employment growth in the East region is creating problems of congestion which require considerable investment in infrastructure, particularly in public transport, if growth is to be sustainable. On the other hand, the highly dispersed nature of Irish settlement patterns generally creates significant diseconomies in the provision of infrastructure and results in a greater need and demand for road transport infrastructure in Ireland (Operational Programme for Transport 1994-1999).

### (i) Transport and Logistics

#### *Logistics*

Transport infrastructure is one element of the transport and logistics dimension which is becoming increasingly significant for competitive advantage. The importance of transport and logistics is highlighted in a recent Forfás (1996a) report, *World Class to Serve the World*. Logistics has been defined as 'the strategic process of managing efficiently and economically the flow and storage of materials and the information necessary to meet customer requirements' (Rioja, 1994). The Forfás report emphasises that transport is only one element of logistics. In addition, it also

includes warehousing and distribution facilities and systems, inventory control and materials management, information technology, telecommunications, purchasing and invoicing, order assembly and, perhaps most importantly, the overall integrated management of all these components. Logistics is becoming more important due to the application of advanced telecommunications and information technology and due to the demands by purchasers for shorter delivery times and tighter specifications regarding precisely what, when and how goods and services should be delivered. The implication of these trends for Ireland is that sustaining and enhancing competitiveness requires continued improvement in (i) transport infrastructure, (ii) transport services and (iii) rapid achievement on the part of both the industrial and transport sectors of world class capability in the area of logistics management.

#### *Urban Transport*

The most serious capacity constraints in terms of infrastructure arise in the area of urban transport, particularly in Dublin. Following a process of widespread consultation, a strategy for transport in the Dublin area was prepared under the aegis of the Dublin Transport Initiative (DTI). The DTI strategy recommended a major investment in public transport in the Dublin area including construction of a light rail transit (LRT) system, the provision of substantially enhanced bus services particularly through the introduction of Quality Bus Corridors (QBC), the upgrading of passenger services on existing suburban railways, the introduction of integrated ticketing on public transport and the introduction of a network of park and ride sites close to the C-ring serving DART, LRT and QBCs. The DTI also recommended the upgrading of the national road system in the Greater Dublin Area but it recommended no increase in radial road capacity within the C-ring except where justified on environmental or safety grounds or to support economic development. An emphasis on improved management of the transport system was recommended, including enhanced traffic management and enforcement systems, better sign-posting and road markings, improved facilities for cyclists, pedestrians and mobility impaired and disabled people and traffic calming measures in the City Centre and residential areas. Other recommendations included increased parking restraint within the C-ring to reduce the attraction

of commuting by car, improved access to Dublin Port and the preparation of strategic land use planning guidelines for the Dublin area.

Implementation of the most high profile element of the DTI strategy, the construction of a light-rail system has been delayed. This is now the subject of a consultancy study to examine whether or not an underground system would be preferable. However, this is only one element of the DTI strategy. Given the current problems it is vital that progress be made on the implementation of the other elements of the strategy.

Some aspects of public policy appear to have contributed to the problem of traffic congestion in Dublin. As Honohan (1997) points out, 'some tax incentives have implicitly – and inadvertently – subsidised urban car usage by promoting provision of the off-street car parks'. This is contrary to the DTI recommendation of parking restraints. In addition, the rules of benefit-in-kind taxation implicitly encourage commuting by car. While the tax advantage of company cars has been eliminated, the provision of free parking by employers does not attract benefit-in-kind taxation while provision of a bus pass does. Hence, city centre employers in Dublin do not provide free bus passes to their employees but do provide free car parking (McCarthy, 1997, p.10). This illustrates that the solution to the urban transport problem not only requires major infrastructure investment but also demands a consistent approach across a range of public policy areas.

#### *Road Infrastructure*

The public authorities are currently engaged in a major programme of infrastructural investment, co-financed by the European Commission. The most significant element of this in terms of physical infrastructure is investment in roads, which accounts for over 10 per cent of Structural Funds expenditure. It is the government's objective to complete the development of the national primary network by the year 2005 at a standard which will permit an inter-urban travel speed of 80 kmph to be achieved. From the perspective of regional development, the upgrading of the primary road network is very significant since a reduction in travel time reduces problems associated with peripheralities and helps ensure the

benefits of growth spread to all regions. Investment in regional airports and the railway network also contributes to this objective.

Notwithstanding considerable general investment in infrastructure, there are significant deficiencies in infrastructure in rural areas which need to be addressed. Both the Report of the Rural Development Policy Advisory Group (1997) and the recent Mid Term Review of the Structural Funds by the ESRI (Honohan, 1997) argued that public policy in relation to rural areas had placed too much emphasis on income support measures to the neglect of essential elements of economic infrastructure. The increased competitive pressures in terms of logistics may compound the difficulties of firms in rural areas and reinforces the importance of quality infrastructure for such firms.

The most significant deficiency in rural physical infrastructure is the quality of non-national roads in many parts of the country. In 1995, it was estimated that about 30 per cent of all regional and county roads could be regarded as deficient, or critically deficient, in terms of pavement structure and/or surface. Most regional and county roads were not designed to carry heavy lorries and the other kinds of traffic generated by industrial, forestry and tourism development, and by the changes in agriculture, agribusiness and the rural economy generally which have come about in the last 15 years. Increased vehicle weights have caused enormous damage to roads. In addition, wider vehicles plough up road margins, compress and block roadside drainage and break down pavement edges (Department of the Environment, 1995). The poor quality of roads makes it more difficult for towns to act as local growth centres for their rural hinterlands. Most of the investment in roads supported by the Structural Funds is in national primary and secondary roads, although limited support is provided for specific grants for improvements in non-national roads. In 1995, the government recognised the need for additional investment in county and regional roads, and a ten year restoration programme for improvements in such roads was launched. By its nature, this programme is orientated towards rural areas. Over the first eighteen months of this programme, 9.5 per cent of the network of regional and county roads have benefited. For 1997, £93 million has been allocated to the restoration programme while total central government grants to local authorities for non-national roads were £173 million.

### *The Rail Network*

There are significant deficiencies in the rail network due to past under-investment. Much of the track and signalling infrastructure on the network is obsolete. In 1993, it was estimated that the investment needs for the entire railway network were approximately £800 million over a 30 year period. The upgrading of the rail network is being supported by the Operational Programme for Transport with the focus on the key rail corridors emanating from Dublin.

The share of freight carried by rail has fallen steadily (Barrett, 1991, p.112). Between 1990 and 1995 the volume of goods carried by rail increased by just 2 per cent (measured in tonnes) which implies a continuation of a decline in market share. The number of passengers carried by rail between 1990 and 1995 increased by over 8 per cent. In Europe the market share of rail for carrying goods has also been subject to long-term decline. However, governments across Europe are now promoting the use of rail in order to relieve congestion on motorways and for environmental reasons. British Steel is an example of one corporation which has recently moved freight from road to rail (*Financial Times*, 07/10/97).

#### (ii) Utilities

Public utilities include services such as electricity, telecommunications, water, energy, waste management all of which require large scale investment and planning. Efficient public utilities are a critical component in the modernisation of all aspects of economic activity.

Until recently, the provision of utilities has generally been dominated by monopoly providers, monopoly state providers in the case of Europe and monopoly private companies in North America. In many parts of the world, there has been a general movement towards the introduction of competition in the provision of utilities (i.e. liberalisation). It is generally agreed that liberalisation can achieve improvements in economic efficiency and thus provide aggregate social gains. However, it is also the case the impact of liberalisation is generally not distributionally neutral.

The distributional impact of liberalisation arises through the threat of 'cream-skimming':

This arises because the incumbent state firms are required to

provide services on terms which make it uneconomic to do so. Rural customers, for example, do not bear the full cost of being linked to the network but are cross-subsidised by other consumers. In such circumstances the removal of restrictions on entry may cause new entrants to concentrate on those segments of the market where the costs of providing services are lowest and where they will be able to undercut the price of the incumbent firm since they do not have to cross-subsidise operations elsewhere (Massey and O'Hare, 1996, p.18).

The distributional implications of liberalisation arise not only between different geographic areas but also between different social groups. The more marginal urban consumers may also be adversely affected. This can arise, for example, through the balance between fixed and variable charges. The fixed cost of delivering electricity, for example, is considerably higher than the marginal cost of a unit of electricity. Competition is likely to bring prices more in line with costs, which is likely to result in lower variable and higher fixed costs. This may result in higher costs for those users whose consumption is low. Research on the impact of deregulation of the energy sector in the UK has shown that 'energy forms a large share of the budgets of the poor, and that both the level of charges and the precise nature of the charging structure can have significant distributional effects', (Burns *et al*, 1995, p.20).

Opinions differ on the appropriate response to the distributional implications of liberalisation. One approach emphasises the distinction between efficiency and equity, and argues that the regulation of utilities should be based solely on efficiency considerations. If there are concerns about the equity implications of this, then according to this approach these should be addressed through the tax and social security system, rather than through the pricing structure of utilities. However, it has also been pointed out that in practice a separation of equity and efficiency is not straightforward: 'any change in taxation and benefits affects the structure of incentives and has the potential to distort efficiency' (Hancock and Price, 1995, p.83).

One possible mechanism to address the distributional implications of competition would be to ensure that charges (on new entrants) for access to the transmission and distribution networks reflect the cost of providing uneconomic services in order to prevent cream-skimming (Massey and O'Hare, 1996, p.18). The issue is somewhat

analogous to that of competition in the health insurance market. In this case, arrangements have been put in place to maintain the principles of open enrolment and community rating and by levying new providers who stand to benefit from a younger client base through the use of a 'risk equalisation fund'.

As a result of actual or pending EU directives, there will be considerable liberalisation of utilities markets in the years ahead. While the EU Directives define the broad regulatory framework, there is a need for the national authorities to implement the new regulatory regime. A regulator for telecoms has recently been appointed and there is a need for new regulatory arrangements in the energy sector. It is important that the regulatory authorities address the efficiency and equity implications of competition in a transparent way.

While regulation must address the maintenance of existing patterns of the provision of utilities, there is also the question of investment in major new networks. In the case of telecommunications, a number of reports, including Forfás (1997) have pointed to the urgent need for an early investment by Ireland in a broadband telecommunications network<sup>2</sup> if Ireland is to compete successfully in a range of knowledge intensive sectors. While access to the basic telephone network is by no means universal, there is the danger that the development of new forms of communication may contribute further to social and geographic polarisation. The Forfás report suggested that access to broadband telecommunications in remote areas could be best addressed by 'wireless' technology. There is also a need for investment in the electricity network, particularly in rural areas, to address problems posed by the age of the existing network and the rising demand for electricity in rural areas. This investment is being undertaken by ESB and represents significant investment in rural development.

## 6. REGIONAL AND LOCAL INSTITUTIONS

There are a number of institutions which seek to promote the co-ordination of state agencies and other actors at regional and local level. These institutions can influence economic development

<sup>2</sup> Broadband telecommunications networks can link people around the world in real time, facilitating the exchange of huge amounts of data, including image and voice. (Information Society Steering Committee, 1996).

policy within their areas. The experience of these institutions is discussed in this section.

### (i) Regional Authorities

Regional Authorities, as referred to in the National Development Plan, came into operation in 1994. The country is divided into eight regional areas for this purpose. The primary function of the authorities is to co-ordinate the provision of public services in their regions. Each of the authorities has produced a regional report; these reports are reviewed in Appendix 1 below. The Regional Authorities also have responsibility for reviewing the implementation of the CSF in their areas and making recommendations to the monitoring committees.

The effectiveness of the regional review process in the CSF has been examined by Fitzpatrick Associates (1997). They identified many problems with the review process. These problems include a lack of clarity as to what reviewing the implementation of the CSF at regional level means; the very large and diverse nature of the CSF and the large number of organisations involved makes the process difficult; many of the members of regional authorities found the information supplied to them unsatisfactory. They characterised the overall position as follows:

The overall picture emerging, therefore, is of a series of mutually reinforcing difficulties. This in turn is giving rise to a degree of confusion and disillusion at both ends of the system, with Regional Authorities frequently regarding their attendance and input as pointless and government department representatives regarding the regional review process as time wasting and meaningless (Fitzpatrick Associates, 1997, p.15).

They made a number of recommendations to improve the regional review process. These include the preparation of a set of clear guidelines on the review process, the initiation of a process of institutional building for regional authorities; provision of increased technical assistance to enable Regional Authorities to carry out some regional research and a review of the information requirements of the Regional Authorities.

The issue of the performance of the regions under the CSF is distinct from the difficulties encountered in the regional review

process. Regional performance under the CSF was discussed in Chapter 3. It is worth noting here that Fitzpatrick Associates found that all regions are performing well under the CSF.

A report on reform of local government, *Better Local Government: A Programme for Change* was published by the Department of the Environment in 1996. This document outlines the following measures to be taken with regard to Regional Authorities:

- (i) Many of the services provided by local authorities have spill-over effects in respect of other local authority jurisdictions. Such functions will remain with local authorities but the regional authorities will become the focus for strategic planning for these services. County/City Managers of the Local Authorities will be required jointly to prepare periodic reports for submission to the Regional Authority, with specific proposals for co-ordinating local government services in the region;
- (ii) A County/City Manager will be assigned overall responsibility for the Regional Authority to provide better co-ordination and linkage with local authorities;
- (iii) The other public bodies represented on the Operational Committees of the Regional Authorities will be required to make modest financial contribution to the Authorities and to submit periodic reports of their activities in the region and of future plans;
- (iv) The Government has already decided that the Dublin and Mid-East Authorities should play a role in drawing up strategic planning guidelines for the greater Dublin area;
- (v) Important new responsibilities are to be given to the regional authorities in the promotion of sustainable development;
- (vi) Regional boundaries (particularly the Border and Dublin/Mid East regions) are to be reviewed when planning for the next round of Structural Funds gets underway;
- (vii) A review of the current organisational requirements will also be carried out and implemented in the context of the next round of Structural Funds.

These changes would suggest a strengthening of the role of regional authorities.

#### (ii) Western Development

In 1994, a report on development of the West, *A Crusade for Survival*, was published. The preparation of this report was initiated by the Bishops of Connacht and Donegal. This report was considered by a Government Task Force which in turn produced a report containing many recommendations for national policy. The report of the Government Task Force led to the establishment of the Western Development Partnership Board. The Western Development Partnership Board has produced an Action Plan for Western development.

The Action Plan proposed the establishment of a Western Development Commission, reporting to the Department of the Taoiseach. The Western Development Commission would replace the Western Development Partnership Board. Another recommendation was the establishment of a programme, the Programme for the Identification and Linkages of Opportunities and innovative approaches and Technologies (PILOT). The idea of the programme is to co-ordinate the role of all the key players leading to the establishment of new enterprises in five strategic sectors. The programme would link the activities of the state agencies, educational institutions, financial institutions and the private sector. It was proposed that a sectoral advisory Council be established for each of the following sectors:

- (i) Natural resource-based products;
- (ii) Manufacturing;
- (iii) The marine;
- (iv) Tourism, Arts and Heritage;
- (v) Information Technology and Telecommunications.

The Action Plan also recommended the establishment of a Western Investment Fund. Local Enterprise Networks (LENs) should be established as a self-sustaining economic development system on the basis of spatial areas of approximately 20,000 population. A Regional Social Development Unit should be established to co-ordinate a parallel social development programme for the region

through Local Partnership Networks (LPNs) and other organisations.

The government accepted the recommendations on the establishment of Western Development Commission and a Western Investment Fund (WIF). This new Commission is now in place. It considered that the functions of the proposed PILOT Programme could be best discharged as part of the management of the Western Investment Fund. The government indicated that further consideration would be given to the proposal for a Social Development Unit for the West. It also accepted the recommendation that NESCF be requested to undertake a study of settlement patterns.

### (iii) Local Development

The main devolution of power to sub-national level in recent years has not been to regional level but to local level. Local development bodies seek to achieve development based on partnership between statutory agencies, social partners and community groups. Most of the local development initiatives are part of the Operational Programme for Local, Urban and Rural Development. This Programme comprises three sub-programmes:

- (i) Local enterprise. County Enterprise Boards provide support for small enterprises. Unlike the mainstream agencies, their support is not confined to the manufacturing and internationally-traded services sectors;
- (ii) Integrated development for disadvantage. This sub-programme provides support to Area-Based Partnerships to tackle social disadvantage;
- (iii) Urban and village renewal. This sub-programme provides support for the improvement of the physical environment in both large and small urban areas.

The LEADER Programme is not part of the Operational Programme but also uses a partnership approach to support enterprise in rural areas. Local development initiatives at county level are co-ordinated by County Strategy Groups. The purpose of these groups is to ensure a coherent approach to local development within the county and to avoid confusion and duplication.

An OECD study group led by Sabel has recently undertaken a review of Ireland's experience of local development. This review

found that the preliminary results of this effort to foster development are extraordinary promising, if still inconclusive:

Some local partnerships have used methods of organisation usually associated with advanced multinational enterprises to construct programmes to retain and place the long-term unemployed in potentially self-sustained firms that provide both training and jobs for transferring marketable skills to vulnerable groups and communities, unexpectedly providing the opportunity for them to participate in the kinds of activity broadly characteristic of the modern sector of the economy, from the which they are normally excluded, while addressing fundamental problems of day-to-day survival (Sabel, 1996, p.8).

However, despite the achievements to date, Sabel identified a number of threats to the continued vitality and expansion of this approach. First, the survival of the initiative in its present form outside the context of EU funding is uncertain. Second, there are concerns about proliferation and duplication of local development initiatives. Third, vulnerability arises from the partnership's anomalous character. Finally, it is unclear what lessons the central offices of government agencies and social partner associations or the local partnerships themselves are drawing from the successful partnerships:

But if successes are not generalised through some combination of national reform and local adaptation, it will be impossible to test whether, taken together and extended, the innovations can make a large enough improvement to the well-being of communities to justify the substantial engagement of volunteers on which their progress until now has depended. If local business groups and community associations despair of progress, their representatives will stop volunteering, the local consensus that animates the partnerships will weaken and co-operation will turn to opportunism (Sabel, 1996, p.9-10).

The Mid-Term Evaluation of the Operational Programme has recently been completed by Goodbody Economic Consultants, in association with a number of other consultants. The experience of the Operational Programme is also discussed in the ESRI's overall Mid-Term Evaluation, based on the evaluation by Goodbody, although not always sharing the same conclusions.



Expenditure on sub-programme 1, the County Enterprise Boards, is around £0.5 million per annum. Most of the expenditure is on grants to small entrepreneurs and in most cases the grant expenditure was around £4,000 per job. The targets in relation to new enterprise and job creation have been exceeded. The evaluation by Goodbody identified the need to develop the proactive, strategic role of the County Enterprise Boards. This would involve working with local business, identifying local business opportunities and achieving more impact by influencing the activity of other relevant agencies, both public and private.

One of the concerns that arises in the evaluation is dead-weight (i.e. grant-aiding activity that would happen in any event). The Goodbody evaluation considered that the use of repayable grants would help reduce potential dead-weight. 'This would support a more strategic and targeted orientation by Boards, allowing them to support a limited number of larger scale projects and to recycle funds' (p.vii). The ESRI evaluation was also concerned about dead-weight but raises the question as to whether the use of loans rather than grants would undermine the activities of credit unions. The Council's previous report on local development recommended greater use of loans rather than grants but envisaged that these could be administered by a local credit union. The role of credit unions in supporting local business merits further exploration.

The second sub-programme seeks to tackle social disadvantage by supporting Area-Based Partnerships and to a lesser extent, other community organisations. This sub-programme is an extension of the original pilot programme initiated under the Programme for Economic and Social Progress (PESP). The pilot programme was limited to twelve areas. The areas covered by partnership companies now represent more than half the population. This wider geographical coverage is consistent with a focus on disadvantage, since research indicates that disadvantage is geographically widespread (see Chapter 2).

The evaluation by Goodbody noted that limitations on the availability of data meant that a full review of the effectiveness of this sub-programme was not possible. Hence, they retained an open mind about its effectiveness. A new performance monitoring system is now in place which should facilitate later evaluation. The effectiveness of the partnership approach clearly depends on the willingness of other organisations to support the initiative. As was

the case with earlier evaluations of the pilot programme, Goodbody found that the co-operation of the statutory sector continues to be uneven: 'There are a number of very positive examples, (but) there is scope for improvement' (p.xi). Goodbody recommended that Area Development Management (the intermediary body responsible for this sub-programme) and the Department of the Taoiseach should take initiatives to ensure maximum commitment from all elements of the state sector to the partnership model of local development.

The final sub-programme supports urban and village renewal. Funding is provided for the Temple Bar Area, five flagship projects in major urban centres and investment in a wide range of towns and villages. The evaluation by Goodbody recommended that greater funding be considered for urban improvements, given that county towns function as key centres for the rural economies of each area. It was noted that there is a strong case for ensuring that the level of funding made available to each county relates to the evidence of need, as well as to the quality of the action plans which local authorities were required to submit to obtain funding. The ESRI evaluation acknowledged that the funding for local authorities for urban and village renewal had been beneficial, but considered that this was an inappropriate way of funding what should be the normal responsible of local authorities. It was recommended that these measures should be terminated as soon as adequate funding arrangements for local authorities generally have been accomplished.

The general recommendations of the Goodbody evaluation seek to address the concern raised by Sabel about the necessary arrangements if lessons are to be drawn from the experience of local development. It is recommended that a new objective be adopted by the Monitoring Committee as follows:

To discover and share, through a process of learning by monitoring, new and more effective ways of achieving local development and of impacting on mainstream activities.

To achieve this objective, Goodbody recommend that the Monitoring Committee support the national implementing bodies in providing incentives to support such a process of learning and innovation.

At present, elected local authorities have a limited list of functions,



less than they had in the decades following the foundation of the state. As a consequence, recent initiatives in local economic development have so far evolved outside the local government structure. Consideration must be given to the relationship between local economic development and local administration of services. This subject is discussed in more detail in Section 5 of Chapter 5.

## 7. REGIONAL POLICY IN EUROPE

There is growing interest in regions as economic and political entities in Europe and elsewhere. The involvement of the European Union in regional policy has been growing. This section reviews recent trends in regional policy in EU countries and then identifies lessons from successful European regions, drawing in particular on the Council's recent report on dynamic European regions (NESC, 1996).

### (i) Regional Policy in EU Countries<sup>3</sup>

Traditional forms of regional policy are in decline in most Northern member states. In Germany for example, regional incentives in the West have been cut back in order to focus on the problems of the Eastern regions. In the Netherlands, regional aid has been restricted to a small area in the North of the country. However, regional policies in the Southern member states have been more stable and even expanded in recent years. Overall, there has been a narrowing of the range of regional incentives available, with an increased focus on capital grants. In the past there was a greater diversity of regional incentives in terms of labour subsidies, soft loans, tax concessions and so on, although some of this diversity still remains. Regional policy has become targeted more specifically on job creation through start-ups, extensions or reallocations. Projects designed to safeguard employment have become subject to very stringent conditions. Since the late 1980s, supports for investment in fixed assets have been complemented by other 'softer' supports, such as company development through consultancy. Regional policy has generally not provided much support for services. While producer services are now generally eligible for support, regional policy continues to offer restricted support to the services. Greater

<sup>3</sup> This sub-section draws on Bachtler and Michie (1993).

selectivity in regional incentives is also evident in the range of areas supported by regional policy; in Northern member states, regional policy incentives are being restricted to fewer areas.

Bachtler and Michie (1993) have identified a number of common factors underlying these changes. First, there has been a downgrading of the importance of regional policy in Northern member states, associated with a reappraisal of the role of government. Secondly, there has been a widespread devolution of policy responsibilities to regional and local levels. Third, governments have become increasingly concerned with performance and cost effectiveness and this has led to a move from regional aid being available on an automatic basis to the provision of aid on a more discretionary basis. Finally, the European Commission has exercised a growing influence on regional policy, both directly and indirectly. There has been greater involvement by the Commission in controlling the availability of aid in richer member states, while the less developed EU member states have been given more freedom to offer high levels of aid. The nature of EU regional policy is examined in NESC (1997).

### (ii) Policy Lessons from Dynamic European Regions

The Council has recently published a comparative study of enterprise support policies in those European regions which have achieved dynamic, high employment economies. Careful consideration was given to the selection of regions. Regions from which Ireland may usefully learn are not those in which large, world leading, corporations are dominant, nor those whose success is based primarily on expensive, fundamental, research and development. The regions of most relevance for comparative study of policy from Ireland's point of view are those in which SMEs predominate. Based on these considerations, the following were chosen: Emilia Romagna (Italy), Baden-Württemberg (Germany), Denmark, Wales and Steiermark (Austria). The general lessons which emerged from these case studies were as follows.

#### *The Role of the Co-Operation in Competitive Advantage*

The most important finding of the five case studies is that co-operation between firms, and co-ordination between agencies, can

play a significant role in enhancing the competitive advantage of enterprises and regions. The development of co-operation is perhaps at its most advanced in the industrial districts of Emilia-Romagna. An industrial district is a network of small firms, each specialising in various stages of a particular product. In these industrial districts, firms interact through dense networks of sub-contractors. The supportive *milieu* in which the firms operate allows the district to be competitive on international markets, despite the small size of the individual firms. While most SMEs do not operate in industrial district type settings, the benefits of co-operation and networking transcend the specific industrial district context (Axelsson and Easton, 1992; Grabher, 1993).

#### *Co-Operation can be Encouraged by Policy Action*

The second most important finding of the case studies is that the level of co-operation between enterprises can be enhanced by business associations and public policy action. Indeed, encouragement of co-operation between firms and agencies is the most consistent theme in enterprise support policies in the five study regions. Experience from a number of the other case studies shows that it is possible to consciously support inter-firm co-operation in different contexts. For example, this was done in Denmark with the introduction of a Network Programme. The Programme provided support for firms to form networks to co-operate in specific areas of activity, such as marketing. Network brokers played a key role in identifying opportunities and bringing firms together. The Danish experience has informed the development of networking programmes in several other locations, including Wales and a number of states in the US.

#### *Learning and Innovation are Key Attributes*

The case studies show that regions which succeed in the turbulent modern economy are those in which learning and innovation are effective. While some innovative firms and regions undertake extensive and advanced R&D, economies dominated by SMEs tend to rely on inter-firm collaboration. The advanced division of labour, facilitated by close inter-firm collaboration, facilitates innovation and flexibility, by allowing extreme specialisation (Amin and Robins, 1990). Co-operation also facilitates innovation, by sharing

costs and risks which are inherent in innovation. Collaborative relations between users and producers also facilitate innovation. Indeed, this user-producer, or interactive, view of innovation is a major theme in emerging research on innovation (Lundvall, 1992; Dosi, 1988). This form of innovation does not preclude acquisition of advanced forms of technological knowledge from research institutes or foreign sources.

#### *The Importance of Clusters*

The case studies confirm that clusters are an important feature of successful economic development. A cluster is a set of industries connected through vertical and/or horizontal relationships, in interaction with public and private enterprise support services. It is clear that different types of clusters can exist. They range in scale from some of the Italian industrial districts to Baden-Württemberg's regional engineering clusters.

#### *Clusters can be Built Around Inward Investment*

The case studies, and wider research, show that while Porter's seminal work on clusters emphasised the role of domestic firms, clusters can be developed around FDI. Two clusters of this type have emerged in Wales, in automotives and electronics. What distinguishes a cluster based on FDI, from FDI in general, is the extent to which FDI is embedded in the local economy. The Welsh FDI clusters comprise the core enterprises, supply chains, related and supporting industries, private and public sector support infrastructure and public and private R&D in each cluster.

#### *The Role of Business Associations*

Another striking feature of successful economic development is that actions of a public nature to encourage development are not the sole responsibility of state organisations. For example, the Business Service Centres of Emilia-Romagna are supported financially by both private and public bodies, including the Regional Development Agency, local authorities, chambers of commerce and trade associations. This is partly for financial reasons, but the inclusion of these different organisations also helps to establish the commercial

credibility of the centres. In Steiermark, a number of business support programmes, in the areas of marketing and innovation, are provided by the chambers of commerce. In the 1990s in Wales, the role of the state in development has been reduced, while industry itself plays a greater role through clubs, partnerships, supplier groups and consortia. A number of different terms are used to describe this form of policy making and implementation. While some use the term 'partnership', others describe it as a 'negotiated' approach, 'associative governance', or 'private interest government' (Amin and Thomas, 1996; Hirst, 1994; Schmitter and Streeck, 1985).

#### *Implications for Ireland*

The immediate policy priority identified by the Council was the introduction of a pilot network programme in Ireland, to support co-operation among firms. A network is a group of firms who agree to co-operate in certain activities for mutual gain. The development of networks among firms was regarded as providing the basis for the subsequent development of clusters.

There is general agreement that it is not feasible for regions to try and replicate the industrial structure of successful regions such as Emilia-Romagna. However, what can potentially be replicated is the creation of a broad-based regional productivity coalition (i.e. a regional partnership of business state agencies and trade unions) and the adoption of regional strategies tailored to the special needs of the region's economy.

The consultant's comparison of Ireland with five selected regions led him to characterise Ireland as having 'a model of state led modernisation' and, in comparison to other regions or countries, 'there continues to be a heavy reliance on state agencies to address collective problems in Ireland, and that the role of private association and co-operation by companies is underdeveloped' (Cooke, 1996). The Council supported the Consultant's argument for a further move from state responsibility and state provision to a partnership or network approach.

The absence of regional identity in Ireland and the limited effectiveness of the regional authorities might suggest that the potential for the emergence of genuine regional productivity coalitions is limited. However, there is other evidence which

suggests there may be potential for this approach. Shannon Development has expressed an interest in such an approach. The Chief Executive of Shannon Development has stated that 'regional development programmes, when adapted to the specific needs of local industries, have a vital role to play in building a strong Irish-owned industrial sector'. He argued that policy should focus on a wide range of development sectors with growth potential through a 'truly co-ordinated and partnership approach' (Irish Independent, 27/7/95).

Regional Innovation Strategies (RIS) are an EU pilot project designed to promote innovation on the basis of a decentralised partnership model. RIS seek to promote co-operation between SMEs, the research community and public administration to assess technology requirements and to audit local needs, capabilities and potential with a view to improving the innovative capacity of a region. The scheme relies on:

- (i) An analysis of firms' research and technological development and innovation needs and demands, including those which are latent;
- (ii) Building partnership and the development of consensus among regional actors, between the public and private sector in particular;
- (iii) The exchange of experience between participating regions (Landabaso 1996, p.16).

One of the pilot regional innovation strategies is taking place in the Shannon region. This pilot project could offer valuable lessons on the potential of a decentralised partnership approach to development in Ireland.

## 8. CONCLUSIONS

The spatial dimension of economic policy which receives most attention generally is the location of new inward investment. There is some basis for the attention given to FDI. Even though IDA jobs account for a relatively small proportion of total employment, the attraction of a large inward investment project to an area probably has more impact than any other single initiative. During the 1970s, inward investment had a major impact on rural areas. However, as argued in Chapter 3, the current nature of inward investment makes

it very difficult to achieve a similar pattern of dispersal. The key decisions with respect to inward investment, both whether to locate in Ireland or elsewhere and where to locate within Ireland, are not within the control of Government or the IDA. The IDA continues to offer more favourable incentives for investors to locate outside major urban centres and continues to promote inward investment in towns outside these centres. There is evidence to suggest that local communities can play a role in attracting inward investment to smaller towns.

Apart from inward investment, what are the other options for towns and rural areas? The prospects of achieving a somewhat more dispersed pattern of growth is greater in the case of indigenous industry. While employment growth in indigenous manufacturing and internationally traded services is also concentrated in major urban centres, it is noteworthy that over the past decade the strongest growth of employment in this sector has been in the West and Mid-West, as shown in Chapter 3. Forbairt seeks to promote indigenous development in all regions. Forbairt is helping smaller firms to become suppliers to multi-nationals through the regionalisation of the National Linkage Programme. It promotes interaction between the third level education sector and Irish industry at both national and regional level. Forbairt is preparing regional development strategies which take into account the specific characteristics of each region. The idea is that these strategies will build on individual regional strengths by taking into account their educational, sectoral and infrastructural resources. The development of a network programme, as discussed in the Council's report on dynamic regions (NESC, 1996) could be of considerable benefit to indigenous industry. The idea of a network programme is to encourage smaller firms to co-operate with other firms in specific activities in order to overcome some of the disadvantages of small scale. Shannon Development and Údarás na Gaeltachta appear to have had considerable success in promoting indigenous manufacturing and internationally traded services in their respective regions. A group of innovative indigenous firms in electronic and mechanical engineering has emerged in the Shannon region. The pilot Regional Innovation Strategy being undertaken by Shannon Development could offer valuable lessons on how innovation can be supported at regional level. New proposals for regional policy in a recent report by Shannon Development are presented in Appendix 2.

Investment in infrastructure is critical both for national development as well as regional and rural development. Transport infrastructure is one element of the transport and logistics system which is a key factor in maintaining competitiveness. The most immediate problems on this area arise from deficiencies in urban transport. There is a need to put in place appropriate regulatory mechanisms to manage the deregulation of utility markets in an efficient and equitable way.

There is a range of other national and EU policies which seek to promote development in rural areas and towns. These include policies for agriculture, forestry, fisheries and local development policies including local partnerships, County Enterprise Boards and LEADER groups. The development of tourism is also of particular benefit to some areas outside major urban centres. Clearly a wide range of responses is required to promote development in an extensive and sustained way. Local area based partnerships offer the prospect that policy instruments can be made appropriate to the needs of different areas.

## APPENDIX 1

### Reports of the Regional Authorities

Each Regional Authority has recently produced a Regional Report, as required under the Establishment Order by which they were set up. A review of these reports provides further insights into the current position on regional policy. The terms of reference which the Regional Authorities were required to follow in the preparation of these reports were as follows:

- The Regional Report must review the overall needs and development requirements of the regions;
- It must review the development plans of local authorities in the region and, if relevant, the development plans of local authorities in adjoining regions;
- It must review the provision of public services in, relating to or affecting the region, and the need for, adequacy of and possibilities of improving co-ordination of the provision of such services or any one or more of such services.

The reports could also consider other related matters as the authority considered appropriate. These three elements of the terms of reference are directly reflected in the contents of most of the reports. Typically, the reports also include a profile of the region. The reports cover the main policy areas, such as agriculture, tourism, industrial development, transport, the environment, settlement patterns, local development plans and so on and typically make many policy recommendations in these areas. The issue of EU funding and the Community Support Framework features prominently in the reports. All of the reports, except the South-East and West devote a section to reviewing EU Structural and Cohesion funding in their region.

All of the reports give considerable attention to promoting economic development in their regions. Several discuss the possibility of developing 'clusters' based on regional competitive advantage and refer to the commitment to this approach in the National Development Plan.

A core responsibility of the Regional Authorities is co-ordination of public services in their regions. This subject is addressed in all of

the reports, as required by the terms of reference. The authorities undertook surveys of the co-ordination of public services in their regions. Most of the reports contain a matrix of policy areas and agencies with responsibility in each area. These matrices illustrate the complexity of achieving co-ordination.

The reports identify several obstacles to effective co-ordination. Most of the reports explicitly mention that inconsistency of regional boundaries is a problem. For example, it is stated in the Dublin Regional Report that:

Chief among the barriers to effective public service co-ordination is the fact that not all agencies operate within the same regional boundaries. The co-ordination of public services in the Dublin region is complicated by a lack of consistency among regional boundaries of public service providers within the region. Common boundaries are essential for collecting data, for planning and for relating the activities of different agencies to each other (Dublin Regional Authority, 1996, p.35).

Several of the reports identify the absence of an overall regional policy framework as an obstacle to co-ordination. Other obstacles to co-ordination identified in various reports include the over-centralised nature of government and the increasingly competitive environment in which most public agencies operate.

One approach taken to the complexity of the challenge of achieving co-ordination is to focus efforts on a number of discrete projects. This approach is taken in the Midlands and South-West Reports. The Midlands Report emphasises that the aim in each of its planned projects is a tangible 'product', rather than a report. Examples of the projects outlined in the Midlands Report are the promotion of the Midlands health care cluster, the promotion of alternative settlement patterns and the promotion of flexible transport systems. The South-West Report identifies four priority projects as follows: establishment of scenic landscape bureau for the region, a pilot village/rural community development programme, co-ordination of energy generation initiatives in the region and the creation of a database containing information on recipients of grant and other assistance provided by public agencies in the region.

## APPENDIX 2

### **New Proposals for Regional Policy: A Report by the Regional Policy Advisory Group to Forfás**

#### *Strategic Options*

A report on regional policy was recently published by Shannon Development as an input to the preparation by Forfás of *Shaping our Future – A Strategy for Enterprise in Ireland in the 21st Century*.

The report considered three broad strategic options regarding regional policy. The first option is one of non-intervention. This approach argues that the issue of increasing employment and incomes is best addressed by national programmes. This approach would rely on the market for allocating activity spatially. A second approach is solely concerned with *redistribution*. This strategy emphasises the use of policy instruments to divert investment and economic activities from more favoured to less favoured areas on the grounds of equity and fairness. The third strategic option identified by the report is that of *selective intervention*. This approach envisages a role for regional policy in overcoming market failure and building on particular regional strengths. The Shannon Development report rejects both the non-intervention and redistribution perspectives. It rejects the non-intervention strategy on the grounds that 'national development policy requires a spatial approach, and that such a spatial approach is justified on the basis of overcoming market failure, contributing to higher national output'. It rejects the redistribution approach on the grounds that 'the whole of Ireland experiences relatively high unemployment and low incomes, and that diversionary strategies will not add to the national stock of wealth or jobs'. The report favours the selective intervention approach for the reasons mentioned above.

#### *Location Strategy*

The report identifies an emerging settlement hierarchy in Ireland as follows:

- large city regions;
- embryonic city regions;
- more favoured rural areas;
- less favoured rural areas;
- remote areas.

The large city regions in this hierarchy are Dublin and Belfast. It is pointed out that the location structure of the island of Ireland is dominated by an urban corridor of Belfast, Dublin and intermediate towns. The report sees potential for strong growth along this corridor as trade intensifies and complementarities develop between the two cities. It sees benefits arising from this process:

Ireland has never experienced large growth centres of international scale capable of competing in the face of the London/Milan axis. The Belfast/Dublin area, with over 2 million population, offers such an opportunity. The positive possibilities need to be grasped. A planning and action framework to do this should be created, in the context of inter-regional co-operation between adjacent EU member states (Shannon Development, 1996, p.21).

However, difficulties are identified in this scenario. These difficulties are the problem of congestion in the East and the depletion of the skilled population in the West, which could reduce national output.

A second tier of regional policy would focus on exploiting the competitive strengths of the emerging city regions which are identified as Cork, Limerick/Ennis/Shannon, Galway, Derry, Waterford and other (unnamed) appropriate centres. The third element in this approach is a regional rural policy.

#### *Institutional Arrangements*

At national level, it is recommended that an inter-departmental committee for regional policy be established to develop and oversee a national framework for regional strategies and policies. At a regional level (to be defined), it is proposed to establish a limited number of Regional Development Companies (RDCs). Each RDC would have the objective of initiating and supporting economic

development in its area. It would have development functions in the areas of industry, tourism, trade, technology and training. It would deliver the majority of grants to Irish-owned enterprises in these sectors.

The local level of this proposed institutional structure would focus mainly on the provision of information. It is recommended that County Enterprise Boards be developed as local 'one-stop shops' for information and advice. County Enterprise Boards would be resourced to achieve this through support from the RDCs.

## CHAPTER 5

### ISSUES RELATED TO THE SPATIAL DISTRIBUTION OF PUBLIC SERVICES

#### 1. INTRODUCTION

Public services comprise a wide variety of types of services with varying degrees of complexity. In this chapter we define public service provision to include not only services provided by statutory and semi-state agencies but voluntary, non-Governmental agencies involved in the provision of publicly financed services and also that private commercial provision which involves some statutory support. For example, most schools and many hospitals are in the voluntary sector, although they provide a public or universal service that is funded in full, or in major part, by the state. The provision of public services cannot always meet the same criteria of efficiency that apply to the production and distribution of marketable commodities. Nevertheless, public services can and should be efficiently provided. Indeed the rationale for public funding of certain services is based on a combination of efficiency and equity arguments, as for example in the case of health care funding (NESC 1990, Report No. 89 Chapter 9).

Public service provision includes social services, such as health, education and housing, and utilities, such as electricity, gas, water, refuse and sewage disposal services. In addition to social services and utilities there are public services which are aimed specifically at the development and maintenance of enterprise and economic development. These different categories of public services entail different types of issues in the context of their geographic distribution.

The purpose of this chapter is to examine the interplay of economic, social and spatial dimensions of public service provision, that is to examine spatial aspects of public services in the context of efficient and equitable provision. Public services targeted to enterprises and infrastructural services and utilities were examined in the previous chapter, as part of economic development policy, and will be referred to here only where they have a bearing on the discussion of other public services.

In Sections 2, 3 and 4 we examine issues related to the spatial distribution of public services. In Section 2 we discuss those related to health care, social services and education and, in Section 3, those related to housing and transport. In section 4 we examine innovative approaches to matching public services with the distribution of need. Section 5 considers the issue of institutional innovation, with particular reference to devolution and regional co-ordination and their relationship to settlement patterns. In Section 6 we examine key issues relevant to the relationship between public service provision and settlement patterns in a more general context. Section 7 outlines the main conclusions and policy implications of the analysis.

## **2. SPATIAL ISSUES IN HEALTH AND EDUCATION SERVICES**

Different public services require different distributions between head office and front-line functions. The civil service provides a national service whereas some public services are inherently local. The issue of where to locate head office or central functions and the scope for decentralising them is quite distinct from the provision of community level services such as health care, primary education or Gardaí. The location of headquarters functions in smaller urban centres is motivated not by a local need for these services but by supply-side considerations such as providing employment in regional centres and county towns, stimulating demand for housing and local consumer services and providing opportunities for the dispersion of qualified people in smaller or peripheral centres. Additionally, it can be justified on social grounds in providing opportunities for some people, who have migrated from areas of population decline, to re-locate nearer to their place of origin. To some extent the decentralisation of headquarters functions depends on available supply of such candidates. Data on this aspect of decentralisation were considered in Chapter 3. In contrast, the location of the social services has to be driven by patterns of distribution of need and demand among local populations. In this section we analyse distributional issues related to two key public services: education and health.

### **(i) Health and Social Services**

#### *Regional and Local Organisation*

Demographic characteristics, and by implication settlement patterns, have provided a starting point for health service planning and distribution. The Health Act, 1970, provided for eight regional health boards, which, with some exceptions, comprise groups of counties. These regions are sub-divided into community care areas, 33 in all, which usually also comprise one county, except in a few instances where a region takes in part of a county, and in Dublin, which is subdivided into eight community care areas (CCAs). Each CCA has an average of 100,000 population, though, by definition, this is as variable as county population levels. Below this level are sub-divisions described as districts (e.g., in the care of the elderly) or sectors (in the psychiatric services); the latter are sub-county divisions, but are not rigidly defined. The specification of regional, CCA and district levels provides the basis of an implicit hierarchy of provision whereby certain services will be provided at a given level. The district concept is, perhaps, more useful in areas where population is dispersed than in areas where population density is higher. For example, the North Western Health Board (NWHB) has a strong district level structure whereas, in the Eastern Health Board (EHB), the community care area tends to be the focus of organisation, despite the implicit use of sectors and districts. This suggests that, in discussing regions or sub-regions for the purposes of service provision, both population size and the degree of population dispersion are important.

Health service provision is multifunctional, covering many specialised fields. Likewise, the organisation of health services in Ireland has followed functional lines, usually with divisions between acute hospital services, special/psychiatric hospital services and community care services. Each of these services or programmes exists at the level of the regional health boards, but is implemented at different spatial levels. The satisfactory blending of area based and functional lines is very important to the success of health care provision. The problems that most frequently confront health service organisation and planning include how to bring about co-ordination across functional lines. Functional divisions in health services can be particularly invidious because, given the demand for services, there is pressure on each functional division to spare its



own resources by defining more narrowly its responsibilities. In the last ten to fifteen years, for example, a difficult re-division of responsibilities between community based and hospital based provision has been taking place. This applies in the case of psychiatric services, and general hospital services, and also in relation to services for dependent elderly people.

The extent of population density and its growth in the EHB area, which is much larger than the other boards, has led to the planned restructuring of the EHB on the basis of three area based authorities. This should provide an opportunity to redesign both the functional and area dimensions with a view to improving scope for co-ordination between services in acute, community care or other service sectors.

In contrast to the challenge of population density in the EHB area, some health boards cope with very dispersed populations, many of whom as noted in previous chapters, are elderly people and frequently living alone. In the past, this has led to a reliance on institutional care, where general medical and nursing services can be combined with day to day social services. Now, with a stronger emphasis on the promotion of independent living there are greater pressures to provide these services in a domiciliary setting. Health Boards face particular difficulties in providing such services to scattered populations.

#### *Acute Hospitals and Community Care*

The location of acute general hospital services was the subject of the Fitzgerald Report. This Report, named after the Chairman, Dr. Patrick Fitzgerald, was produced by the Consultative Council on the General Hospital Services (1968). It commenced in November 1967 and reported in 1968. It recommended a selective regional approach to acute hospital development on the basis of 12 general hospitals and 4 regional hospitals with more specialist functions; two in Dublin, one in Cork and one in Galway. The controversial aspect of the Report, which met with considerable political resistance, and was ultimately rejected, was that county hospitals which were not to be upgraded would also be re-classified as "community health centres" (Hensey 1988).

It was some time before the principle of regional centralisation of certain services was implemented. Political factors, driven by local

pressures, may have been particularly important in delaying this rationalisation. To some extent, the resistance to rationalisation was prompted by a concern to maintain employment in particular areas, rather than by health criteria. It was only in the context of the fiscal pressures of the 1980s that some of the most difficult aspects of rationalisation were addressed.

An important corollary of rationalisation of acute care is the development of community care services to enable more people to receive medical care in ways that minimise the disruption of their lives as well as to contain the cost arising from lengthy admissions to hospital. Since the 1970s, a range of community health services has emerged at local level. However, it is important to emphasise the interdependent roles that community and acute hospital services must perform. Without this it would not be possible to achieve safe increases in the provision of day hospital procedures and reduced average length of stay. But, clearly, community based health services are more widely dispersed than hospital based services. Therefore, in addition to the complementary role of acute and community services there are differences in their spatial organisation. It is necessary to achieve functional integration both at each spatial level and between different spatial levels. That is, there is a need for a spatial hierarchy of health care provision whereby central, regional and local service provision is co-ordinated around shared objectives.

#### *Effectiveness of Health Care*

The Health Strategy (1994) approaches health policy from a different perspective, with the emphasis on the attainment of a series of outcomes constituting health and social gain, as opposed to a given ratio of service provision to population at different spatial levels. The Strategy, therefore, while acknowledging the continued importance of demographic factors as a basis for planning levels of provision, places even more emphasis on the measurement of health and social gain in assessing the effectiveness of services.

Accepting the aspirations set out in the Health Strategy does not imply that resource allocation need not follow a spatial hierarchy. In addition to the traditional focus on the size, structure and distribution of population it builds into health policy a much stronger recognition of economic and social influences, lifestyle

factors and indicators of health status on the demand side, and of efficiency and equity on the supply side. These factors have come to the fore in recent decades, and have implications for how the effectiveness of health services is judged. They also provide the platform for a much stronger focus on the concept of health promotion, in addition to curative measures.

#### *Ageing Population Structure, Health Care and Pension Provision*

The issue of population ageing has been cited as having major implications for health and social services, as well as for pensions. In relation to health care, it is important to acknowledge that ageing has not, historically, been the greatest influence on medical cost increases. Supply side factors, rising expectations, wider coverage, ability to pay and new technological possibilities all combine to inflate cost.

Fahey (1995) has argued, that health care consumption in recent decades throughout the OECD was not principally related to ageing, but has depended on what societies and individuals – through insurance and tax funded arrangements – can afford and choose, at political and individual levels, to provide for themselves. The attempt to reform health care systems has less to do with ageing populations than the achievement of efficiencies in a service, the cost of which tends to expand for reasons other than demographic change. However, ageing is of increasing importance. Apart from the fact that populations are living longer and the proportion of older people is everywhere on the increase, the focus of medical research and treatment is increasingly on diseases associated with old age. While there are countervailing factors such as improved health among the retired population, there are several factors, along with ageing itself, that will put increasing pressure on health care budgets – both individual and collective (National Council for the Elderly, 1995).

In relation to pensions, Fahey and Fitzgerald (1997) have argued that concerns about a “pension timebomb” could be exaggerated, on the grounds that the prospect of demographic ageing in Ireland is more distant and less dramatic than is the case in most other EU or OECD countries. They suggest, therefore, that the pressure on the pension system will not be as great as elsewhere.

The recent publication of the first of a series of 5-yearly Actuarial

Reviews of Social Welfare pensions attempts to quantify the implications of population ageing in Ireland for Social Welfare pensions (Irish Pensions Trust 1997). The Actuarial Review attempts to quantify the scale of ageing and its implications for pensions up to 2056. It confirms that the cost pressure due to ageing will be greatest from 2006 onwards.

The comparatively favourable demographic position of Ireland in the medium term should not lead to complacency. The pension system relies on a mixture of public and private provision. Public provision – both for social welfare and public service pensions – is based on the ‘pay as you go’ principle, and private provision on the funded principle. Inevitably, rising earnings will create further pressures to increase and improve the level of flat-rate old age and retirement pensions in line with rising incomes. In addition, failure to expand private provision sufficiently over the next few decades would add to existing pressures on public pension provision. The National Pensions Policy Initiative (NPPI) is currently analysing ways to promote increased take-up of private and occupational pensions, and is expected to report in 1998.

Furthermore, many countries are now faced with the prospect of costly long term care provision for dependent or ill elderly people. The health services, the social welfare system and most pensions are not designed to meet this prospect. The issue of financing long term care in old age, therefore, must be addressed.

Below the national level, population density and age profile may differ across regions in such a way as to influence the planning of health care services. Sparsely populated regions with high rates of out-migration and a weak urban structure tend to have older age structures, and this both calls for extra formal support on age grounds while informal sources of support and potential voluntary sector involvement may be depleted. Even the provision of day services, day hospitals and day care centres, which are often a more efficient approach than delivery of services to households, may be difficult because of time-consuming journeys on poor roads. The logic of service provision is affected by such patterns, and calls for innovative approaches.

While accepting that certain services must be provided in central locations at regional or county level, it has been noted by several researchers that the cost of transport, or its availability, has often

prohibited access to services (see 3(ii) below). In addition, the issue of discomfort sometimes experienced by ill or elderly people on long journeys must be acknowledged. Others have pointed out that insufficient attention has been paid to the spatial dimension of service provision. Yet, several innovative approaches to local service provision in areas of low population density can be identified.

### *Social Services*

In the case of social services, the need for provision at local level is self-evident in that these services usually aim to support the continued residence of a range of vulnerable groupings in their own homes and communities (e.g. elderly people, children, mentally handicapped or physically disabled people). While these constituencies are very different in some respects from each other a common factor is the need to achieve a working partnership or complementarity between what individuals and family members, or carers, can provide for themselves and what should be provided through formal or paid social services personnel.

However, as pointed out previously by the Council, complementarity between formal social service provision and informal sources of care is only one element of community based provision (1987: Report No. 84). In addition, in order to promote community based continuing care as against institutional alternatives, there must be an incentive structure that encourages the community based option. This is a function that is most appropriately dealt with at national level through eligibility and incentive structures that apply to all health board regions and areas and through defining specific service entitlements for those requiring assistance in living at home or in the community. Recent research on the home help service, for example, reveals quite varied, unclear and often *ad hoc* eligibility criteria, with access varying by health board region or community care area (Lundström and McKeown, 1994). Currently the Department of Health, which has responsibilities for most statutory social service provision and the support of voluntary and private provision, is reviewing these issues in relation to the home help service.

As with the health services, there is a hierarchical aspect to the delivery of social services. Such services need to be planned, organised and co-ordinated at and between different area levels with

health services such as community nursing, general practice, day or respite services, acute services in general hospitals, continuing care (long stay), and specialist services. This has given rise to a recognition of the need for a concept of teamwork between social service and health service providers. Co-ordination and teamwork may be considered in area or district terms or in terms of providing a package of services to support individual cases – known as case management.<sup>1</sup>

The concept of teamwork entails horizontal linkages between different service lines which may have their own managerial or organisational hierarchies. This is an issue which, as noted above, has been the focus of much debate in the health services but it applies equally to the planning and delivery of social services.

### *Voluntary Social Services Bodies*

An additional aspect of social services is the stronger input of voluntary bodies and quasi-volunteers, for example, in meals-on-wheels services or carer support groups. This can lead to difficulties in rural areas, in particular where the voluntary social services sector may be quite minimal. In effect, voluntary action may be hard to differentiate from informal neighbourhood care in rural situations, a factor which may lead to a higher rate of institutional admissions for certain categories (such as single elderly people in rural areas).

There has been much concern about voluntary – statutory arrangements for funding and the representation of the sector as a whole. Within this, the voluntary social services sector is distinguished from other voluntary activity in the community development sector by its strong ‘government orientation’ and dependency on state grants. But these grants are allocated on an *ad hoc* basis and are a source of ongoing debate (Jaffro, 1996). Under the health strategy, *Shaping a Healthier Future* the concept of contracting out was given some support. However, this is not defined in the same way as it has been defined in recent years in the UK. That is, competitive tendering and a strong contract culture whereby responsibilities for

<sup>1</sup> Sometimes, as in the US and UK, case management can take the form of case managers who are also budget holders, for example, social workers or community nurses. In Ireland, there are, as yet, only embryonic elements of a case management approach in existence.

service delivery and purchase are split between statutory (purchaser) and non-statutory (provider), is not a likely prospect in Ireland. Due to the uneven character of social services provision the continued role of statutory provision is inevitable. The concept of achieving greater efficiency through contracting out assumes that the main problem is inefficiency in statutory as opposed to voluntary provision. There is little evidence of this as an issue in social service provision in Ireland.

The prospects for developing statutory-voluntary co-ordination in Ireland may be more satisfactorily addressed through 'service agreements' defined in the context of an evolving partnership between sectors. This would imply putting funding on a sounder footing and identifying genuine channels through which voluntary service providers can make an impact on planning or policy. The recent Green Paper on *Supporting Voluntary Activity* has summarised some of the developments in relation to voluntary social services but has a much wider orientation and a strong focus on the role of community development organisations (Department of Social Welfare, May 1997). The voluntary social services sector needs to be examined more fully in the context of health and social services planning at national, health board, community care area and local district level.

#### *Comparative Costs of Community and Institutional Care*

The comparative costs of community care, with its greater social-service requirement, and institutional care of the elderly, has been the subject of research in the early 1990s in Ireland, as well as elsewhere (Blackwell *et al*, 1992). These comparisons do not always suggest that institutional care is the cheaper option – much depends on whether hidden inputs of informal carers are identified, measured and valued. However, there are philosophical as well as economic grounds for promoting community care. So, even if the real costs are similar there may be a preference for community based alternatives which promote independent living. There are few who would argue that the input of informal carers can be adequately recompensed in financial terms, even though there is now some recognition of such an entitlement in the form of a Carer's Allowance. The cost of caring to carers is more adequately captured in terms of emotional, physical and psychological stress, as research on informal care of dependent elderly people in Ireland reveals

(Blackwell *et al*, 1992; O'Connor and Ruddle, 1988). Therefore, the provision of a set of supports for informal carers, as distinct from those they care for, has come to the fore in recent years, with the renewed focus on complementarity (Finnucane *et al* 1995). Fears that further formal social service support will lead to a decline in informal care do not appear to be borne out. What appears to happen is that informal care becomes more focused on certain activities and less physically stressful and isolated while the time devoted to caring is not radically affected (Blackwell *et al*, 1992).

Because the delivery of social services are or may be domiciliary, e.g. home help, meals-on-wheels, or social work, the issues of mileage costs and time wasted on travel by professionals and service providers arise. Implementing recommendations for domiciliary occupational therapy and physiotherapy services too would involve additional transportation costs. This increases the cost of providing social services in rural areas, and poses the question of whether day centre provision might be a more effective approach in some instances.

#### **(ii) Education and Training Services**

Each level and type of education service has its own distinct settlement and spatial requirements. Primary education must be provided in a very decentralised way, principally because primary school pupils must be living with their parents or guardians. With older age groups this constraint becomes less important. Also, the resources for primary education can be provided in a dispersed way. They are less specialised and capital intensive than those required for higher levels of education.

The different constraints which arise at each level of education imply distinct trade-offs in relation to the spatial level of provision and choice of location. In addition, each level of education will tend to be faced with different dilemmas, even after achieving some degree of optimality. In the case of primary education, which must be provided extensively, the issue of very small schools, even one teacher schools, and their ability to provide a satisfactory standard of education for age groups between four and twelve years who would theoretically be in six to eight different classes, comes into question. In the case of secondary education, the requirement of specialist teaching skills necessitates resource concentration in

larger schools. This creates a supply side influence and either requires commuting or settlement within easy reach of the necessarily smaller number of secondary schools. On the plus side, such schools may, in addition to their educational role, provide accommodation for and/or a stimulus to other activities such as adult education, and local social and community activities.

Secondary and primary education, nevertheless, are relatively divisible as compared to third level education, whether vocational or university. The specialities which are required at third level tend, inevitably, to be unevenly distributed with some regions having to specialise and complement other regions. A further issue is that vocational and university education centres need to be in locations capable of sustaining the transient student population as well as the more permanent professional staff and resident, commuting student population.

The above analysis of spatial aspects of the distribution of education services implicitly takes account of the constraints upon and possibilities for economies of scale in education. In another sense this distribution is also an expression of equitable provision, which is most obvious at the primary level. The issue of equitable provision of third level education, since it cannot be addressed in the form of spatial dispersion, must be addressed in other ways, particularly in the form of subsidies to students requiring transport and/or accommodation. Such measures make it possible to combine equity and efficiency as objectives.

Apart from the constraints of responding efficiently and equitably to education demand, education services may have a supply side role in shaping local settlement patterns due to their economic or employment effect in local areas. It is a moot question whether, in addition to the educational functions served by secondary schools, there is also an economic/employment function. In schools in the larger towns and cities, the residential patterns of teachers may differ considerably from the location of schools. This may be less true of smaller towns – but one would expect the economic effects overall to be of minor significance. At higher levels, technological colleges or universities might also be a stimulus to local enterprise or magnets for inward investment. Consequently we examine at some length recent work on this issue undertaken on behalf of the Department of Education.

### *The Location of Third Level Institutions*

The location of third level institutions is a complex subject, and is often a contentious matter. A steering committee to advise the Minister for Education on the future of higher education was established in December 1993. It set up a technical working group to study anticipated trends and patterns in third level participation, including mature students and second chance participation, participation of the socially and economically disadvantaged, part-time student participation, specialist teacher training requirements at second level, and the regional dispersion of needs and provision. The technical working group also considered certain specific requests for expanded higher education facilities, specifically in the South-East region, County Mayo and within the Dublin area.

The Technical Working Group considered regional education provision both from the supply-side and demand side perspective. On the supply side, it asked whether or how the location of higher education institutions might be expected to influence particular regions and, specifically, to what extent the provision of higher education facilities influences or determines regional development, and hence, by implication, settlement patterns. On the demand side, the technical working group considered the extent of regional disparities in access to higher education. In this context they were interested in questions such as whether regional variations in the rate of applications for third level places ultimately influence admissions, whether the rate at which places are offered to potential students varies by region and, finally, whether regional factors then influence the acceptance of offers by potential students. It is acknowledged by the Technical Working Group that regional variations in applications or acceptance rates may mask or proxy other factors such as area related variation in the quality and volume of existing second level educational provision, or the socio-economic profile of a region.

Two possible supply-side effects were identified in relation to the location of higher education institutions. These were:

- The direct economic effect through a re-distribution of resources and employment between regions;
- The effect of an institution in stimulating regional economic development and enterprise.

The group rejected the re-distribution argument as a basis for

locating higher education institutions on the grounds that there are other, more effective ways to re-distribute resources. In relation to colleges as stimulants to enterprise, the group suggested that the developmental impact of such institutions takes considerable time to become established. Also, the effectiveness of an educational institution will depend on the state of regional development already attained. Although the group accepted that the presence of an institution can improve the image or attractiveness of a region to entrepreneurs, they referred to their own detailed sectoral analysis which failed to reveal any systematic relationship between business start-ups during the 1980s and the distribution of higher education facilities. However, this should not lead us to dismiss the supply-side influence of educational investment on regional economic development over a longer time period.

On the demand side, in relation to access and admission to higher education and basing their analysis on the 1994 Regional Authorities, the group's analysis of the origins of students found that the pattern of demand was, not surprisingly, a complex reflection of social and spatial factors. Principally:

- The West region had the highest admission rate for degree or diploma/certificate courses, influenced by above average leaving certificate enrolments;
- The West, South-West, Mid-West and Dublin had higher admission rates for degree courses than other regions;
- The Dublin region had relatively low certificate/diploma admission rates, a fact influenced by particularly low rates in disadvantaged areas of the region;
- There was considerable internal migration, across regions to avail of all types of third level places.

The last of these findings led the committee to consider regional quotas for the provision of diploma and certificate courses provided by RTCs and the DIT. It did not apply the same thinking to degree courses, arguing instead that universities usually fulfil a national as well as a regional role, by virtue of unique strengths in certain specialist fields.

The group, therefore, concentrated on demand side rather than supply side factors as more relevant to decisions about the location of further education institutions. Not only regional factors, but also

sub-regional factors and, in the urban context (particularly within Dublin), more detailed locational factors, such as variations in unemployment rates, were considered to be important and were taken into account.

The group made specific recommendations for:

- Increased provision at diploma/certificate level in Dublin and the east in disadvantaged areas on the fringe of the city, particularly around Finglas, the Crumlin/Ballyfermot/Clondalkin area running westwards, and the south-east area covering Sallynoggin, Ballybrack, Shankill and Bray. Parts of these areas will be satisfied by existing facilities, for example the new RTC in Tallaght, and the group recommended a differently calibrated response to needs in each area;
- Additional degree level facilities in the South-East region, specifically an upgrading of the RTC in Waterford to a technological institute, though not to a university, since the objective would be to provide additional and sufficient diploma/certificate courses;
- The case for an additional RTC in County Mayo was rejected because admission rates are already high in the West region and scope for expansion is therefore limited;
- A proposal for a new type of college in Tipperary was considered to be outside the group's terms of reference because the scope of the institute would go well beyond that of a conventional RTC, and therefore would involve Government departments other than education.

The group also considered the participation of socially and economically disadvantaged students in third level education. Their recommendations here were not specifically regional or spatial in character, but concentrated on the impact of prior educational history as well as socio-economic conditions and cultural factors in influencing eventual participation in third level education. In this context, they argued that the existing level of maintenance grant is inadequate. They recommended a quota of reserved places for students from disadvantaged backgrounds and the provision of access courses to facilitate the take-up of these places.

### *Skills, Training and Regional Development*

In relation to the development of human capital, and its potential for attracting investment into urban centres at regional level, it is important to avoid concentrating human resources investment in types of education which serve purely as a conveyor belt for those who can afford it to leave the region. The development of skills is not confined to regional colleges. It is necessary, therefore, to assess the adequacy of training provided by FAS in responding to skill shortages by providing appropriate skills within different regions. FAS's own regional structure and its participation in the Skills Shortages Monitoring Group provide important mechanisms at both regional and national levels in addressing these issues. This must complement the improvements in general education, higher education and technological skills if the full potential of regions is to be realised.

### *Provision of Educational Facilities*

The provision of educational facilities entails inherent spatial hierarchies, involving selective location of higher level colleges on a regional basis, related to actual or achievable settlement patterns. However, the strategic location of third level colleges needs to be exploited through the development of linkages with companies which may have specific requirements if they are to invest in a region.

Another important issue is the extent of linkages and flows between centres of higher education and specialist learning, on the one hand, and more dispersed, "universal" primary and secondary educational services, on the other. The notion of a regional and sub-regional hierarchy of services could be relevant in making such linkages a reality. Closer ties between the regional institutions and the first and second level schools of the region could possibly contribute to stronger attachment to a region among school leavers. Moreover, regional colleges could promote an interest in the courses they have on offer, particularly where there might also be career openings in the regions for graduates of such courses.

In addition, as O'Shea (1996) points out, life long learning and adult education is increasingly a necessity but remains an inadequately recognised and poorly developed feature of the education system. Greater out-reach provision and openness, in higher education, to a

broader, adult education approach might entail further spatial adaptation. Here, the sharing of resources, such as buildings and tele-communications equipment for educational purposes, could be explored in order to achieve efficiencies without sacrificing local services.

At the same time, distance increases the cost of providing special facilities, pre-school facilities, remedial teaching facilities, and indeed certain basic facilities in national schools. Other aspects of education, particularly adult education, also tend to suffer. These problems point, once again, to the need for innovative solutions, with, in particular, the development of a local structure or mechanism to achieve the best outcome through a partnership between community interests and the providers of education and training services.

## **3. HOUSING AND TRANSPORT**

### **(i) Housing**

Housing and settlement are inextricably bound up with one another. Every time a new household is created a need for accommodation arises. To what extent is accommodation need a function of population growth or distribution? In spatial terms the provision of new accommodation must respond to the process of urbanisation. Changing population size, however, in towns and cities, is not the only factor driving housing demand. In the 1960s and 1970s the fastest growing type of household comprised married couples with children. Housing provision, and the provision of publicly funded housing in particular, tended to be defined relative to this growth pattern, which largely reflected population growth. The main options were owner occupation or local authority rental of 'standard' units. More recently, the pattern of housing provision has become more complex, with an increasing number and proportion of small households, comprising single parents or single persons. In addition to standard housing provision by local authorities, to meet the needs of 'standard' families, new types of social assistance or support towards the provision of accommodation in various forms is now important. Responsibilities of housing authorities, as previously defined, need to be adapted to provide support for new



types of tenure, such as are provided for in the 1988 Housing Act and more recent housing policies.

The constituency in need of social housing is changing. Many, who once occupied local authority rented housing, have now purchased their homes, while many in need of accommodation, such as the homeless, Travellers, people with transient needs for temporary accommodation, or those with short term financial difficulties, require new and varied kinds of assistance. However, not all social housing need is adequately identified or obvious to providers. Fahey and Watson (1995), in their analysis of social housing need in Ireland, have suggested that it is wrong to view housing need and social policy as "distinct and sequential entities". They suggest that housing need has tended to be defined narrowly because of the segmentation of responsibility for the subsidisation or provision of such housing. They, therefore, argue for a broader definition of housing need which, in turn, requires a more co-ordinated needs centred response. The spatial aspects of this diversity of urgent need inevitably cut across regional and sub-regional areas. However the provision of housing is in addition a very local responsibility: there are almost 90 statutory housing authorities throughout the state. This creates another dimension to the problem of meeting need in a comprehensive and co-ordinated way.

#### *Urban Housing Costs*

Housing problems associated with urban settings arise due to rapidly increasing prices which particularly affect young first-time buyers. This problem is acute in the East region and is to be the focus of a study for the Department of the Environment. This is an important initiative since the house price boom may well pose problems in relation to sustaining high rates of economic and employment growth.

Regulations governing zoning density and the supply of zoned land are frequently identified as contributing to the radical increase in new housing prices. The supply of zoned land is not merely a matter of rezoning additional land; it is important to consider the constraints on the development of land that is *already* zoned for residential use. If it is considered that further rezoning is required, this should be done only in the context of a strategic plan in which the development of new housing is co-ordinated with the supply of

public and private services, public transport and access to employment. In the East region this needs to be done on a regional basis, given the interdependencies between the counties involved (see Section 5 below).

#### *Housing Dispersed Population*

Housing presents particular problems for policy in open country areas. These are particularly acute when housing is occupied by people in dwindling socio-demographic groups, for example single elderly farmers on small holdings with very old and poorly serviced housing. Furthermore the prospect of poor housing or inadequate facilities is a deterrent to settlement. The upkeep of housing in rural areas may be important in preserving some aspects of a valued way of life in the long-run, or in the adaptation of such areas.

Innovative approaches have been applied, with some success, to the problem of maintenance and repair of old housing, often accommodating elderly people, in rural areas. The Task Force on Special Housing Aid for the Elderly, for example, by bringing together local authorities, health boards, FÁS and community interests, has contributed significantly to the improvement of the housing conditions of thousands of elderly people in private accommodation.

More recently, the promotion of social housing on the basis of public subsidies to voluntary and co-operative housing organisations, has provided a platform for diverse solutions to housing need among vulnerable social groups, such as elderly people, people with disabilities, single parents etc. The success of such schemes in rural and urban areas is worthy of specific exploration. Hardly in existence prior to the mid 1980s, the voluntary and co-operative housing sector has grown up in a wide variety of areas of special need and has the potential for further development.

#### **(ii) Transport**

Poor access to transport is as often as much a function of low income and diminished resources as of physical remoteness. Access to transport exemplifies the fact that deprivation in rural areas is cumulatively based on social, economic and demographic – as well



as – spatial factors. As summarised in Chapter 2, Jackson and Haase (1996) described several zones. They showed that, in addition to the more affluent fringes of urban centres, there are also transition zones, extending well beyond the immediate environs of urban centres but within reasonable range of an important urban borough. Obviously, many of those with adequate transport living in these areas are within striking distance of places of employment or service provision in bigger urban centres.

From another perspective, Fahey and Murray (1994) surveyed almost 1,000 people aged 65 or over during 1993, and compared their findings on access to and usage of private and public transport with a previous survey in 1977. Among people over 65 in rural areas, 44 per cent had no car in the household, 48 per cent had no public transport available and almost 22 per cent had neither a car nor access to public transport. In urban areas, by contrast, only one per cent had no access to public transport, while 57 per cent had no car in the household, and less than one per cent had neither car nor access to public transport. Much higher percentages of urban (56 per cent) than rural (17 per cent) respondents reported using public transport for most journeys.

When the issue of equitable access to public services is considered in a spatial context it leads to a discussion of transport because transport is a key means to accessing public services. However public transport is also itself a public service. That is, access to transport is provided by public transport services. This gives public transport a critical social dimension, apart altogether from the specific purpose or destination of the user. Specific issues in relation to public transport that require creative solutions include how to combine the criteria of efficiency and equity of access to public transport. This arises in various guises, including the necessity of efficient public transport as a means to achieving equitable and acceptable standards of provision, which is very important to the quality of life of both urban and rural commuters.

Transport problems in urban areas arise less in relation to availability or access than in the context of traffic congestion, the efficiency of public or private transport and environmental consequences. There is an issue of equity here too in the sense that people are entitled to expect a reasonable standard of public transport, and not merely a reasonable availability. Linking quality of outcome into the definition of public service provision is

applicable to transport, as in other services. Efficiency in public transport in larger urban areas is also a key to their competitive advantage as locations and their attractiveness to investors and commuters. In this context, the outcome of current CIE Proposals for light rail in Dublin and the review of alternative options currently underway will have important long term effects on commuting and settlement patterns in the region.

Transport problems in rural areas are a recurrent theme. Several studies (O'Mahony, 1986; Byrne, 1991; Cawley & Stephens, 1986 and Lightfoot, 1995) have drawn attention to the impact of dispersion and transport costs on access to services and centres of service provision. Harvey (1994) has identified the lack of an integrated approach to rural transport policy as a key policy deficit, particularly as successful models have been developed in other countries. Lightfoot (1995) argues that the cultural context of organisations influences their perception of what constitutes a rational solution. The development of a rational transport policy must address issues of efficiency from the perspective of actual locations and settlement patterns as well as that of the transport sector, or national transport companies. Indeed, most forms of public transport require subsidisation. The issue is how to translate such subvention into part of a coherent approach that is sensitive to practical problems of access and mobility in rural areas.

Efficient solutions to problems of unequal access, as for instance in rural areas, are also possible. Solutions to the transport of people in rural areas could become more efficient if they took more account of local possibilities and requirements. This requires local level problem solving with the fullest involvement and co-operation of the relevant national provider organisations. Without this there is a real danger that 'rational' solutions are defined with regard only to national economies of scale, and without sufficient attention given to the scope for local level economies to be achieved in a way that also furthers equity. LEADER Groups and rural Partnerships could play an important role in promoting innovative transport solutions in rural areas.

#### 4. INNOVATIVE MEASURES TO MATCH PUBLIC SERVICES AND SETTLEMENT PATTERNS

##### (i) Piloting New Solutions to Service Delivery in Areas of Low Population Density.

Public service provision in rural areas poses special difficulties. Many service providers have argued for, or implemented plans to achieve, greater scale economies and efficiency. These measures are justified on grounds of falling population density, declining use of existing services, or simply a lack of viability of existing service distribution. Against this, local representatives and those concerned about particular groups such as older people, those without private transport, those who need social services etc., argue that such measures can lead to a depletion of the already limited range of services, harmful welfare effects and even further population decline.

Increasingly, this type of challenge has posed the need for new solutions whereby the costs to providing agencies can be pooled in some way. The sharing of resources, such as a premises, may facilitate bringing together the services of several national agencies (health services, information services, grants for local development, retail, banking or postal services, social welfare payments etc.), at reduced cost. The Council, in its report on rural development, recommended that experiments along these lines be piloted in rural areas (NESC, 1994, Report No. 97). On foot of this recommendation the Minister of State for Western Development at the Department of the Taoiseach implemented a pilot programme to "actively explore the most appropriate model for a unified location based approach to integrated service provision in rural areas with declining population". (Communication from Department of the Taoiseach, 1997).

The pilot programme – "Rural Renewal: An Integrated Approach to the Provision of Public Services" – is based on a number of proposals selected, following a consultative and advertising process, by a Steering group from the Departments of the Taoiseach and Transport, Energy and Communications, and a consultant from Maynooth College. The Committee will oversee the implementation and evaluation of the selected projects, each of which will be

supervised by a local Management Committee representing both public service providers and users.

The seven projects covered under the pilot programme are listed Table 5.1. There was also a proposal to have a rural transport project, not included here. They are regionally dispersed and

TABLE 5.1

#### Projects under the Pilot Programme for the Provision of Public Services in Rural Areas

Name	Agencies Involved	Purpose
Sligo Rural Renewal Project	NWHB, Sligo Co. Council, Sligo Leader, ADM, Teagasc, Dept. SW.	Public Services Information
Feakle / Cranny Community Service Project	Clare CEB, Rural Resource Development Ltd., Feakle Community Council, Clare LEADER Programme.	One stop shop offering services to enterprise, animation and social & public services to communities within 10 mile radius.
Rural Post Office Project, Kilmihil Co. Clare & Ballyheigue, Co. Kerry	An Post, Irish Postmasters Union, Regional and Local Level Public Service Providers.	Using post office premises to enhance and expand service provision such as information, bill payments, banking services, community services, tourist information.
Aiséirí, Lisacul, Co. Roscommon & Killmovee, Co. Mayo.	Statutory Agencies, Community & Voluntary Organisations and Service Users.	Integrated & co-ordinated supply & delivery of public services in the area.
Islands Distance Learning Project on the Galway Islands.	Local Community, Statutory Bodies.	Distance learning for adults & second level students on the Galway Islands.
Kells (Information) Project, Co. Meath	Meath Co. Council & Others.	Provision of Local Authority & other types of service information at locations throughout the county.
Public Service Initiatives Directory.	Maynooth College.	Provision of a directory of initiatives being undertaken by public authorities, state agencies or voluntary bodies in response to the challenge of providing public services in remote rural areas.

include a wide range of initiatives, for example, information and education services and initiatives directed to enhancing the provision of public services locally.

An Interim Evaluation Report has been delivered to the national steering group recently, which points to the strengths and weaknesses of the pilot programme. This evaluation points to the need to grasp the importance of achieving economies through co-ordinated action across the statutory and community sectors. As in other contexts, the pilot projects point to the difficult but unavoidable task of bringing about better partnership between statutory and voluntary/community interests at local level. The report points to the danger of such projects becoming tokenistic exercises in what are seen to be declining communities rather than as an opportunity for rural renewal and a clear focus on the self sustainability of such projects.

#### (ii) **New Initiatives in Deprived Urban Areas: URBAN**

URBAN is one of several Community Initiatives co-funded from the current tranche of Structural Funds up to 1999. It was ratified by the Commission in June 1994 and, like other Initiatives, URBAN is distinct from funding under the Community Support Framework. The URBAN Initiative is predicated on the observation that social problems such as unemployment, poverty, low educational status and decaying infrastructure are frequently highly concentrated in local areas – even in otherwise affluent cities and towns. The purpose of URBAN is to support the piloting and evaluation of innovative projects for economic and social rejuvenation in depressed urban areas in cities with populations over 100,000 as part of integrated action plans for those areas. Under its own operational programme it provides for grant aid and expertise in support of local business development, skills training, social service provision, drug rehabilitation, local crime prevention, environmental and amenity improvement.

Following the launch of URBAN the Irish government, through the Department of the Taoiseach, successfully proposed that the Initiative be implemented in three locations, two in Dublin and one in Cork. A special operational programme was proposed to the Commission by the Department in 1996 covering the following three areas:

- Finglas, Darndale and particularly the Ballymun area of North Dublin;
- The West Tallaght/Clondalkin area in South Dublin;
- The North side area of Cork city.

The total funding for the three projects over the 1995-99 period is projected at £21 million, of which 25 per cent is funded by the Irish government and the remainder by the European Social Fund and the European Regional Development Fund. Each of the areas selected produced an action plan in January 1997, which identified needs, set out aims and objectives, outlined a strategy and itemised a series of actions and responsibilities with a view to implementing the initiative and reviewing progress and achievements.

An important aspect of the URBAN initiative in the Irish context is that each area has drawn up its action plan following consultations between local authorities, area-based partnership companies, county enterprise boards and other interests. Given the limited remit of local authorities in Ireland, as compared with other EU member states, the prior establishment of the area-based partnerships in particular would seem to be critical. They constitute a mechanism for co-operation and partnership between public, private voluntary and community sectors with an interest in local development and their experience of applying an area-based approach has pointed up the need for targeted initiatives in the worst affected parts of the catchments for which they were responsible.

A feature of the URBAN action plans, which distinguishes them from the Area-Based Partnerships, is a much stronger emphasis on neighbourhood development and a consequently greater emphasis on the active involvement of the local authorities. This is particularly important, given the profile of urban neighbourhood deprivation outlined in the CODAN studies and described in Chapter 2. In one of the action plans, the profile of the URBAN project area is characterised by 73 per cent unemployment among principal earners, 26 per cent lone parenthood, 100 per cent living in local authority housing, inadequate physical environment with bleak 'prairie style' public spaces/green areas, high levels of crime and vandalism, households which are mainly young, new families, over 35 per cent in the under 15 age group, a substantial and disadvantaged Traveller population, widespread educational disadvantage and a lack of social, health, sports and cultural

services, and rundown shopping centres with empty units (South Dublin Urban Initiative Group, 1997).

Thus, the URBAN initiative, in addition to targeting the most socially disadvantaged urban groups, provides a context for addressing their needs in a more rounded way, that is not merely in attempting to promote employment but also through a wide range of other local activities. Eligible actions are classified under the headings:

- Employment/Enterprise Development;
- Training and Education;
- Community Infrastructure;
- Children and Youth;
- Environment;
- Community Development.

The three areas selected under the URBAN initiative in Ireland also illustrate the importance of specific circumstances which differ between deprived urban areas. The Tallaght/Clondalkin area is a recent development, the Ballymun/North Dublin Area dates from the 1960s at least and has a unique environment comprising modernist flat complexes, while the North Cork city area comprises several communities which have evolved over a longer time period including inner city and suburban developments. Thus, while there are certain shared defining characteristics that differentiate these from other urban areas, there are also unique features: a locally concentrated approach offers the possibility of addressing such problems in a way that is sensitive both to the needs and possibilities of these different communities.

### (iii) Rural Resettlement Ireland: From the Particular to the General?

It is evident that although there are common features to poverty and deprivation in both urban and rural areas the precise characteristics of such deprivation vary. In the typical deprived urban area the population is relatively young, there are high levels of unemployment, schools are full but there is a high level of non completion of second level education. The areas in which

unemployed and poorer people typically live are dominated by local authority housing, poorer amenities and in many cases a high level of crime or vandalism. By contrast, poverty in rural areas tends to be associated with a loss of the younger and more educated cohorts of working age, a demographic structure which is characterised by high levels of old age dependency, a growing imbalance between educational services such as primary schools and population due to high levels of out migration and dispersion, with a consequent difficulty in filling schools or justifying the provision of public services.

Rural Resettlement Ireland, founded in 1990, has sought successfully to transform these contrasting sets of needs into complementary sets of possibilities. Having observed a tendency over previous decades of resettlement by skilled craft workers from urban centres to rural, coastal or western areas, the founders of Rural Resettlement sought to promote this trend by availing of the stream of accommodation which becomes available due to death or emigration in rural areas. By providing such accommodation rural resettlement has made it possible for many young families to migrate from relatively deprived urban environments to what for them is a generally attractive rural environment. Thousands of people have applied for places under the scheme, and some three hundred families have been accommodated since the scheme began. In this very direct way a resettlement scheme has contributed in a small way to alleviating the problems experienced by some families in urban areas while also helping to sustain rural communities suffering from population decline, for example by enabling schools to remain open and providing some additional demand for services in rural areas.

The rural resettlement scheme may also stimulate the movement of people with special skills to rural areas, although these would not, perhaps, require the support of a scheme and would, to some extent at least, depend upon the existence of a market for their goods and services. Thus, in a sense, the rural resettlement programme works precisely because there are contrasting problems arising from rural population decline on the one hand and urban deprivation on the other: the silver lining of a cloud.

While it would, of course, be utopian to suggest that policies can be devised to reverse the broader trend of migration from rural to urban areas, there may be some potential for promoting resettlement of

other groups, for example emigrants wishing to return to Ireland, who are quite numerous. Once again, however, returning migrants tend to respond to pull factors in the labour market, and to that extent are drawn to centres of employment. Retirement migration, which represents another part of Irish counter-migration, has been found to be relatively limited if stable over recent decades and, in so far as older people may require more health services than others, these returned emigrants may also be drawn to larger population centres. Another possibility is that, apart from the attractions of rural Ireland for craft workers, new technology allows the establishment of 'micro companies', that is companies which offer services via computers and computer networks. While these would appear to be no more than a diverse group of niche markets, collectively they might contribute in small but locally significant ways to rural development.

It has been argued that policies should actively intervene to bring about a slowing down, stabilisation, or even reversal, of the tendency of population to accumulate in the 'East' at the expense of the 'West'. Proponents of such policies usually highlight the kinds of contrast also identified by Rural Resettlement Ireland, but do so with a view to changing overall settlement patterns, such as achieving a cessation of population growth in parts of the East and a return to population growth in parts of the West, particularly to sub-regions or sub-county areas, which have suffered population decline. Caution is necessary in relation to these ideas. As stated in Chapter 1, the evolution of settlement patterns is subject to complex processes involving the decisions of households and enterprises, and it would prove extremely costly and possibly utopian, for a Government to attempt to cut against the grain of these processes in any sweeping fashion.

There are, of course, many things which Government policy should address, for example in relation to achieving coherence in the matching of infrastructural development and settlement patterns, and in industrial development policy. Also, in the context of cities, where the problem of traffic congestion and excessive demand on infrastructure is frequently highlighted, there are obvious diseconomies and negative consequences for the quality of life which must be addressed. Indeed it may well be that current policies pertaining to the development of infrastructure in urban areas and transportation planning in general must go further if they are to

respond to anticipated needs. However, there are also potential diseconomies and inequities entailed in the planning of infrastructure premised on the belief that this will substantially change centralising patterns and trends in settlement and the location of industry. There must of course be a regional dimension to infrastructural planning but even in the context of tackling regional population decline the solutions will inevitably involve considerable redistribution of population share from rural areas to urban centres and in particular to some more rapidly growing regional or county towns.

The policy of Rural Resettlement Ireland, therefore, is instructive not only in so far as it shows how some contrasting rural and urban needs can be transformed into opportunities but also because it is in many senses an exception that proves the rule. Even within counties within the West there are contrasting population movements, with the city and county areas of Galway representing one of the clearest contrasts. The imposition of incentives and disincentives or the application of regulations have validity, but even these must seek to cut with the grain, and sometimes this will mean the growth of a county or regional centre at the expense of its hinterland.

## 5. DEVOLUTION AND CO-ORDINATION

The previous section concentrated on a range of micro-level initiatives to achieve more effective matching of need and resources. Here we review and consider the issues of institutional innovation arising from proposals to devolve more responsibility from national to regional and local level.

The thrust of the Devolution Commission agenda is to establish as much public service planning, administration and control at the most appropriate level and as close to the service user as possible. This flows from the principle of subsidiarity, which has both a philosophical and economic content. Its philosophical content involves local self-reliance, control and responsiveness tailored to local needs, while its economic content derives from avoidance of unnecessarily centralised bureaucracy, the concentration of resources on front-line service delivery staff, possibly involving a sharing of overheads on an area basis between different local service providers. Its principal objectives are greater local enfranchisement, improvements in services and cost savings arrived

at through greater local co-operation between service users and providers.

### *The Devolution Commission*

A government statement of July 1995 announced the establishment of a Devolution Commission to examine the possibility of enhancing the role of local government. The Devolution Commission was requested to examine the scope for devolving functions from national to local level and for developing co-ordination between local government and local development initiatives. The Interim Report of the Commission, (1996), focused mainly on the issue of the interaction between local government and local development and recommended the establishment of an integrated local government/local development system, with effect from the year 2000 (when the current round of Structural Funds ends). It recommended that the new integrated system should operate at three levels:

- Regional level – where authorities would have mainly co-ordinating functions which could be broadened to take account of developments in the regionalisation of public services and the progression of the Devolution Programme;
- County level – where, under agreed government policy, the County Councils would continue as a primary unit of local government with an elected membership and a broader remit covering devolved functions, the local development function and other public functions that impact on the counties;
- Area level (below the County level) – where organisations would have community related development functions in their own right, a requirement to take account of county level plans, and membership to include relevant local councillors, participants from community organisations, and relevant social partner representatives from the area.

The Commission recommended that authorities at all levels should operate on the basis of an integrated development plan prepared on a rolling basis and to coincide with the National Development Programmes and the EU Structural Funds Programmes. It is stated that all relevant agencies and bodies receiving public funding should contribute to the drawing up of these plans.

These recommendations would appear to leave the regional authorities primarily with a co-ordinating function but would imply significant changes in terms of local development by enhancing the role of local government in local development at county level. Other organisations would continue to have a community development function below the county level.

The government statement in response to the Interim Report requested that the Devolution Commission accelerate its analysis of additional powers and functions which might be transferred to local authorities. At the same time the Minister for the Environment was asked to make recommendations on how to express the distinct role of elected members relative to the officials of local authorities engaged in public service delivery and socio-economic development at local level. The Minister was also asked to draw up frameworks for partnership and co-operation between local authorities and local development organisations. Other government departments were asked to consider devolving additional functions to local authorities as part of the Strategic Management Initiative.

The Second Report, considered by the Government in August 1997, followed a period of consultation with Government Departments about functions that might be devolved. It proposed that the focus should be on developing existing local authorities into multi-purpose bodies responsible for an extended list of functions and service administration, at county level in particular. The objective would be to bring together, under an accountable local administration with a 'cabinet' style of operation, all those functions and services which are organised and provided at this level but which currently are run from separate, central agencies or Government Departments.

The Second Report of the Commission did not reach conclusions on precise functions to be devolved. Instead, in order to extend the range of functions, a phased approach is envisaged, through, firstly, the piloting of one-stop shops in five areas; secondly, fostering a local input to policy in relation to all services being administered locally; thirdly, the sub-contracting of service administration to local authorities by national bodies and, finally, the transfer of full responsibility to the local level. In its response of 29<sup>th</sup> August 1997, the Government endorsed this central recommendation and the phased approach proposed by the Commission, but subject to the need for central policy-setting on certain matters.

The implications of the Devolution Commission reports for a more integrated local development strategy could be particularly significant in achieving better co-ordination and resource management in those counties which tend to suffer most from the local fragmentation of services and functions and the local power vacuum created by centralised and functionally separate decision-making. In terms of devolution the obvious attraction of the local authorities is the existence of an established system of direct election and public accountability which does not exist at other levels, such as regional level. The issue then ostensibly becomes how to devolve functions – as distinct from powers – to this level of the political system.<sup>2</sup>

#### *Devolution and Co-Ordination in the East Region*

Despite the continued validity of the principles underlying devolution, its application is somewhat different in a built up region where the main urban centre exercises an ongoing influence on areas outside the county boundaries, and expands into other counties. At that point other counties have an interest in influencing planning in the county with the main town.

The East region in particular is characterised by this complex situation. Indeed, the distinctive character of settlement patterns in Dublin city and its built-up suburbs and surrounding areas distinguishes this region from the remainder of the state. Such a phenomenon is not unique by international standards. Recent research funded by the European Commission comparing London, Lisbon and Athens, for example, highlights similarities between the problems of capital cities and their environs, which are relevant to Ireland (Mottershead 1994). The common concerns identified in this comparative research have been grouped under several headings: the labour market; housing and land prices; transport; environment, and social problems. In one way or another the research confirms that none of these aspects could be addressed satisfactorily without concerted and strategic planning for the city

<sup>2</sup> Attempts have been made to distinguish between powers and functions, for example, on the basis that powers imply local discretion whereas functions involve no local discretion. In practice, it is more complex than this. For example, the presence of political authority at local level does not imply that local authorities necessarily have discretion in relation to the services which they administer.

and the surrounding region as a whole. Most surrounding local authorities in these regions tend to be forced into a reactive mode, subject to the powerful effects of bordering the busy hub of national life. The research identifies the need to address the problems faced by regions such as these in two ways: by developing strategies to meet the needs and aspirations of these surrounding areas themselves; and by giving more influence to the surrounding areas in relation to the planning of the region as a whole. The objective would be to change a relationship of dependence into one of interdependence between the surrounding localities and the central city. It is difficult to see how any major issue of economic development, service provision, infrastructural investment or town planning in such regions can be devolved without regional co-ordination of the sub-regional authorities.

Applying these insights to Dublin and the East region would require that we acknowledge the unique regional character of the capital city and its surrounding areas and counties. It forms, for example, a single major labour market with an expanding commuter belt. The road networks and transportation system are largely radial in character, reflecting the central location of business and employment for the many commuters who reside in the surroundings. Rising property values in the city tend to propel commuters to move further outwards and also exercise upward pressure on house prices in the surrounding areas. This puts increasing demands on local authorities in the surrounding counties to facilitate such expansion and provide services, but sometimes without much control over events. The infrastructural demands of the capital city region are considerable. Rigorous co-ordination is essential in order to avoid investment in services that might either lie idle or rapidly become congested.

It might be argued that such a co-ordinated strategic regional approach would further exacerbate the dependence of the surrounding localities on the centre as, for example, might result from the apparent subordination of local town and county plans to the regional plan. However, this need not follow, as long as all surrounding areas have a direct influence on an accountable regional planning, development and administrative authority. In fact, the prospect for improved provision in the surroundings should be enhanced. For example, transport within and between suburbs remains considerably underdeveloped, largely arising out of the radial patterns generated by the capital city itself. In addition, the



promotion of the surrounding areas as alternative locations for economic activity could counter the tendency for them to function mainly as dormitory towns. Furthermore, a range of health, education, social and leisure services tends to be skewed towards the centre in capital city regions like Dublin. A strategic approach to the region could ensure that a number of satellite locations in each surrounding county would be promoted more actively as focal points for economic activity and public service provision. These would, in addition to providing a rational approach to service distribution, also provide the necessary bedrock for the survival of valued local identities.

The East region is deeply interdependent and must be governed, developed and serviced as such. This does not mean the absorption or merger of local authorities but developing a much stronger regional co-ordination apparatus for the region as a whole. For the local authorities in the sub-regions of the East there must be a greater influence on the regional planning process as a whole. But once the regional guidelines are agreed they should be adhered to locally, at county and sub-county level.

## **6. PUBLIC SERVICE AND SETTLEMENT PATTERNS**

In this section we attempt to draw together some of the general issues that have arisen in the context of specific public services. We first comment on the reciprocal influences between service provision and settlement patterns. Then, with the main focus on the responsiveness of services to settlement and need, we explore spatial aspects of achieving an efficient and equitable distribution of public services.

### **(i) Reciprocal Influences of Settlement and Public Service Provision**

The spatial distribution and organisation of public services may be considered both from the perspective of their influence on settlement patterns (supply-side) and as a response to existing settlement patterns (demand-side). From the perspective of settlement, certain forms of public service provision may be more readily considered in terms of their importance to the supply-side or demand-side. Although it is possible to divide public services into those which

mainly respond to existing settlement patterns and those which shape such patterns, this is usually a matter of degree and most services should, in principle, be considered from both perspectives. This is particularly the case with a range of infrastructural services such as roads, electricity and other initiatives. The issue of whether supply or demand is more relevant depends on the specific nature of the service. From the perspective of influencing regional development and settlement patterns, supply side influences are of interest in that they may be viewed as, in part at least, instruments of regional or local policy. An example of services with a definite supply-side relevance is regional development agencies, such as SFADCO and Udarás na Gaeltachta.

On the other hand, in so far as geographical organisation of services is a response to demand for these services, the issue of influencing regional development would appear to be less important than that of equity and effectiveness in organising services to respond to local demand. From this perspective, settlement patterns and the pre-existing level of regional development influence the location of public services. Examples of services with demand-side primacy include education, health and community care services for dependent people, and transport services. The effect of these services is mainly on the welfare (e.g., health or education) of users.

### **(ii) Efficiency, Equity and Location**

A major issue in relation to the spatial distribution of public services is the need to meet two simultaneous demands between which a conflict is often perceived. These are:

- Equitable and just distribution of services, regardless of location;
- Efficient use of resources, which dictates certain economies of scale.

Tension between efficient and equitable public service provision usually tends to arise in relation to those very visible services which respond, or are perceived to be failing to respond, to the needs of existing population distributions, that is basic education, health and social services, housing, public amenities and a range of public quasi-consumer services such as postal, post office, public information and advice, and transport services.



In the context of rural development policies, Commins and Keane (1994) have suggested that there is a relative dearth of empirical studies of services in rural areas, particularly on the trade-offs between efficiency and equity, and a scarcity of information on the dynamics governing the provision of certain services at one spatial level rather than another. As a consequence, it is often difficult to arrive at persuasive conclusions on the most appropriate trade-offs.

The problem of social service provision in rural areas has been explored by O'Shea (1996) in the context of a review of poverty issues in rural areas. He notes that the consideration of service provision in rural areas usually centres on the inevitable trade-offs between efficiency and economies of scale, on the one hand, and, on the other, considerations of equity – in this context spatial equity. While accepting that efficiency is a key consideration, he argues that efficiency considerations tend to be given automatic consideration, while the issue of equal access is often relegated, without sufficient attention.

O'Shea argues principally, although not exclusively, on equity grounds, for a review of service provision in rural areas, and suggests that people in rural areas are at a disadvantage from the outset in having fewer choices available to them: frequently they do not have the range of health or educational services or the same opportunity as urban dwellers to choose between alternative providers of health or social services; they often have to contend with the historical legacy of their rural location, and with limited access routes; they may be bypassed by public transport services; they may live in very old housing stock which is sometimes lacking in basic amenities, and, while ostensibly sharing in national schemes that confer entitlements on certain categories of people regardless of location (such as free travel, medical cards or free education), they may not be able to avail equally of such entitlement due to their location. While accepting the necessity for efficient use of resources, he concludes that innovative approaches should not be foreclosed on the basis of narrow assumptions regarding the benefits of centralisation. This is an important conclusion that calls for an imaginative approach to problems of population dispersion and access to services.

### *Equity: A Social or Spatial Issue?*

Equity pertains to the provision of equal access to public services, usually on the grounds that many such services are basic requirements or entitlements that people should not be without and that define social inclusion. Access to public services is rarely denied solely on grounds of geographical distance. It is typically a combination of distance and other circumstances such as old age, poverty, ill health, lack of income or other resources, such as private transport, that denies someone in a rural area access to public services. It may be more appropriate to treat distance from services in rural areas as one facet of a cumulative process of social exclusion.

As was shown in Chapter 2, several studies of poverty and deprivation confirm that it has a very complex spatial expression. The efficient provision of public services should be pursued in conjunction with appropriate measures to counter inequality of access. This may require policies which, in addition to countering the effects of social exclusion, also address the spatial complexities of such exclusion. Thus, many choose to live at some distance from workplace or services but, because they have the resources to overcome the problem of distance, such "remoteness" presents no problem and may be valued. Conversely, there are many examples of people living in close proximity to services or sources of employment who, for want of other resources, are unable to access them, as applies to people in many deprived urban areas.

An important issue in relation to public service provision is the notion that services ought to be provided on the basis of need rather than ability to pay. This rationale may underpin forms of cross-subsidisation that may exist, between postal, telecommunications and water services users in different locations. In the post-World War II decades, utilities such as electricity, gas, water, telephone services, health care and education were seen as goods to be made available to all on the basis of a common payment structure. Indeed the recent tendency towards privatisation of such utilities in some countries, most notably in the UK, the attempt to make prices more reflective of the economic cost of providing a service to a particular user, and the deepening of competition in such areas through the EU, draws attention to how much we have previously accepted that those who do not live within easy reach of such goods and services should not necessarily be obliged to cover the additional costs

associated with remoteness. This issue was explored in Chapter 4 in relation to telecommunications where it was shown that marginal users in high density areas as well as those in rural areas could be affected by liberalisation.

#### *Efficient Public Services: Economies of Scale and Scope*

A key principle of economics is that the production of goods or services on a large scale can prove more efficient than production on a small scale to the extent that the same fixed overheads are spread across more units of output. In other words, scale economies depend on the full potential of fixed capacity being utilised. Economies of scale arise even where the issue of distance and space does not. However, distance and space might be considered in terms of economies of scale too. Delivery costs are affected by the cost of transportation of goods, which varies directly with distances and terrain. These costs might be reduced by lowering the cost of delivery or improving the efficiency of transport. Alternatively, the problem can be addressed by effectively shortening the distance between service producers and users. Thus, economies of agglomeration may cut out much of the delivery problem, simply by reducing distances to be covered by transport and other infrastructural networks.

Other infrastructural costs can also be reduced by shortening the distances between producers and consumers, workers and workplaces, and between firms. For example, lower telecommunications overhead costs can be expected where there are shorter underground ducts, able to carry greater densities of lines to more customers. The same applies to the infrastructure needed to provide electricity, natural gas and water to households or to provide waste collection and sewerage processing services.

In addition to the cost savings from economies of scale, research findings on high skill, high technology service provision suggest that quality of outcome improves with volume. For example, more frequent provision of certain specialised surgical procedures by the same team enhances quality by improving the success rate. This, too, suggests that it is better to centralise such services than to provide them in several centres where the procedure is carried out infrequently. Furthermore, it has been noted that where such services are dispersed there are considerable variations in the level

of delivery. Thus, not only the reliability of outcome but also the reliability with which need for a procedure is identified can vary when provision is dispersed (Luft et al., 1990; Rohrer et al., 1997). These are very important arguments for the strategic location and fullest utilisation of specialist services. Moreover, it should not be assumed that availability of services at a sub-regional or local centre is always more effective and equitable than provision in a regional or national centre. The former applies only to those services whose quality and accessibility is improved by being located near to the service user.

Effectiveness, a term which usefully combines the ideas of efficiency and equity in public services context, may be achieved not only based on economies of scale but also through economies of scope. Apart from being consistent with the equity objective, economies of scope can be achieved by broad-based collaborative problem-solving. Such creative methods of generating economies could prove as valuable as the somewhat one-sided traditional view that economies of scale must be addressed by passing on the costs to the small scale or distant user, and the benefits to the heavy user. This is particularly relevant where the choice facing providers and users is between small scale service provision or none at all, as is often the case in rural areas.

## 7. CONCLUSIONS

In this chapter we have examined issues related to the spatial aspects of public service provision with a view to exploring the relationship between distribution and settlement patterns, or the distribution of population. We argued that the nature of public services is varied. This has the further implication that the mechanisms which might be used to bridge the equity gap between ability to pay and efficient provision of public service may be correspondingly varied.

It was argued that the distribution of public services for individuals and households may be considered both in terms of its influence in shaping settlement patterns and in terms of its efficiency and equity in responding to existing patterns of need. We suggested that the influence of public service provision was most obviously of the shaping variety in the context of those public services or other instruments of public policy which are geared to the development of

enterprises and which were discussed in the previous chapter. We concentrated most attention in this chapter on the provision of services geared to individuals and households, with a particular focus on health and social services, education, housing and transport.

This focus led us to consider the issues of equity and efficiency in the provision of public services. It was argued that there is a case on efficiency as well as on equity grounds for public service provision. We argued that the effectiveness of public services must be understood in a long-term perspective and more broadly than other types of goods and services bought and sold on purely market principles. Their production and distribution is often justified by the needs of society and economy as a whole or on the basis that there are certain social or normative standards that are regarded as the minimum requirements for social inclusion.

Applying this thinking to the geographical aspects of public service provision led to the proposition that efficient public service distribution is compatible with equitable provision and distribution. This argument was explored separately in relation to spatial issues as they arise in the context of equitable distribution of services, on the one hand, and the relationship between the problem of economies of scale and scope that might be applicable in public service provision, on the other. This was explored in some detail in the context of health and education and more briefly in other instances.

In relation to equitable access and geographical population dispersion we argued that geographical factors were seldom solely responsible for the denial of a necessary public service to individuals or households, and that it is not possible to identify social inequality solely on the basis of regional or sub-regional division of the state. As demonstrated in Chapter 2, inequality of access involves a complex interaction of social and spatial factors. A number of pilot or innovative approaches to matching service provision and need were considered in Section 4 of this chapter. They include the Rural Resettlement scheme, a variety of Rural Renewal pilot projects, and the URBAN programme.

This has important policy implications. It implies that solutions to problems of public service provision, even ones that are apparently spatial in character such as access to transport in rural areas, require

a complex approach that targets the spatial expression of social need. This calls for an approach to policy that brings together the relevant specialist providing agencies, public authorities, local actors and representatives of service users, in order to address public service effectiveness problems in a creative manner.

This approach is relevant in a broader policy context. Achieving quality outcomes, as distinct from measuring service inputs and outputs, is now articulated as a guiding principle of the Strategic Management Initiative and has been adopted by several government departments. To realise these kinds of aspirations, however, is not easy. The greatest difficulty, perhaps, is to achieve a change of ethos. The issue of promoting an ethos of co-ordination now confronts policy-makers in the context of local devolution. The Commission on Devolution reports seek to address these issues. Evidently, achieving economies of scope is essential to the success of local devolution. However, at the regional level, too, particularly in the East, the issue of co-ordination is fundamental if effective public service distribution and economic development are to be achieved.

Such an approach must also inform local experiments in service provision in relation to transport, and attempts to devise creative answers locally to problems through collaborative action between agencies and service users, where previously there might have been a "retreat to the trenches" because of segmentation of responsibility at national level. While this perspective can easily evaporate into rhetoric it can also be translated into feasible objectives. It has also informed the local area partnerships as acknowledged by the OECD (Sabel, 1996), and one of the key recommendations of the OECD report is to grasp the principles that have been applied in these experiments and apply them more extensively. That means achieving new types of creative approaches to effective provision of public services through collaborative learning and problem-solving.

## CHAPTER 6

### OVERVIEW OF FINDINGS AND PERSPECTIVES FOR POLICY

#### 1. INTRODUCTION

In Section 2 of this chapter we draw together the main findings and conclusions of the study. Section 3 assesses different perspectives on the role of public policy in relation to settlement patterns and sets out a number of facets to the approach taken by the Council.

#### 2. SUMMARY OF MAIN FINDINGS

##### (i) Settlement Patterns

Two approaches are used to describe the settlement patterns in this report. First, settlement patterns are described in terms of regions and sub-regions. The inclusion of a regional analysis reflects the fact that regions constitute an important reality for policy-makers in several sectors, such as training, tourism and the co-ordination of local authorities. At the same time, the report does not adopt the position that regions constitute distinct economic entities. On the contrary, the differences within regions are emphasised. The second approach examines population trends in terms of urban and rural areas and distinguishes different types of urban areas.

The trend in national population is a key influence on regional and rural population. Internal migration has a modest influence on regional population levels: the key influences are natural increase and external migration. Hence, all regions have a strong interest in policies which maximise national economic growth and the recovery of national population.

This report analyses settlement patterns since 1951. The East region has had a continuation of the trend of population growth which had been ongoing in this group of counties since 1891. In all of the other regions the turning point came later. Population growth resumed in 1962 in the South-West and Mid-West, in 1967 in the North-East and South-East, 1971 in the Midlands and 1972 in the West and

North-West. This new trend of growth in all regions during the 1970s was interrupted by a wave of emigration in the late 1980s, when all regions experienced some population decline. There was a recovery of population growth in all regions in the 1990s.

The East region stands out from other regions in terms of its 30 per cent share of population in 1951 and since then its increasing share, which was almost 39 per cent in 1996. However, it is significant that there appears to be a stabilisation of the rising share of the East's population. Much of the increase took place prior to 1981. Between 1981 and 1996 the share of population in the East only increased from 37.5 per cent to 38.8 per cent. All the other regions experienced a decline in their share of population, with the greatest proportional decline taking place in the West. The converse of the stabilisation of the rise in the East's share of population, is that the decline in the proportion of all the other regions has also shown signs of slowing down. It is noteworthy that the proportion of the population living in the West region increased slightly between 1991 and 1996, in contrast to all other regions except the East.

There is greater diversity in population performance at county compared to regional level. Seventeen counties experienced a growth in population between 1951 and 1996. However, a number of counties had very substantial population losses. Counties with a population loss in excess of 20 per cent were Leitrim, Roscommon, Mayo and Cavan. Eight counties had population growth of over 20 per cent. These were Kildare, Meath, Wicklow, Dublin, Louth, Waterford, Cork and Carlow. Not all western counties suffered a loss. Galway and Clare each grew by between 15 per cent and 20 per cent.

There are significant differences in the age dependency ratios between counties. The four counties with the highest dependency rates were the same four counties which had the largest decline in population. These counties had high old age dependency ratios. Differences in dependency ratios are important in understanding the different types of problems faced by the most urbanised and most rural counties. Typically urban areas have larger working age populations with a greater problem of unemployment, while the most rural areas have less favourable age structures but lower rates of unemployment.

An important finding of this report is the key influence of

urbanisation on settlement patterns. The four counties with the lowest urbanisation rates in 1996 are the same four counties which experienced the largest population decline. Those counties lacking a large urban centre (with a minimum of 5,000 population) all experienced a substantial decline in population. On the other hand, urbanisation has helped other counties which suffered considerable population decline in earlier decades to achieve a demographic recovery over the past twenty-five years. Counties with this experience include Galway, Clare, Donegal, Longford and Kerry. Counties which have strong urban centres or are in a position to urbanise are also in a position to hold population, including counties on the Western seaboard.

#### (ii) Economic Factors

The principal influences on settlement patterns arise from changing patterns of economic activity. The most obvious expression of this in Ireland has been declining agricultural employment and increasing non-agricultural employment. Throughout much of this century, declining agricultural employment has not been successfully counter-balanced by the growth of non-agricultural employment, hence emigration, sometimes on a mass scale. The last thirty-five years, however, have seen increasing success in the promotion of non-agricultural employment, in manufacturing and, increasingly, service industries.

The ongoing increase in the share of population of the East region is associated with the relatively small role of agricultural employment there. The decline in agricultural employment has partly offset the growth of employment in other regions has only marginally affected the East. The decline in agricultural employment can be expected to continue, since the share of agricultural employment continues to represent a significantly higher share of total employment in Ireland compared to other EU countries.

The restructuring of non-agricultural employment has come to the fore in influencing settlement patterns. Broadly, we identify two key periods in this restructuring of non-agricultural employment over recent decades. First, the abolition of protection in the 1960s and entry to the EEC in the 1970s, resulted in the shake-out of many established industries, which tended to be located in Dublin and other urban centres spread along the coast in the North East, East,

South East and South West. As employment suffered in these industries, new investment in manufacturing industry which was suited to the new trading conditions was attracted. American companies, in particular, which were eager to penetrate the emerging European market availed of the opportunity afforded by Ireland's economic repositioning. In many instances, the new manufacturing companies did not require advanced skills, and wages, while relatively low by European standards, were attractive in the context of people who could continue to live within their region or county of origin, possibly even continuing with part-time farming. For policy-makers this created an opportunity to stem out-migration near its source. This was effected through the special incentives for designated areas and the provision of advance factories in many small towns throughout the 1970s.

Since the 1980s, the circumstances in which inward investment takes place have changed. New sources of cheap labour elsewhere have diverted this type of corporate investment from Ireland. However, the demand for advanced labour skills by both overseas and domestic investors has been rising. The larger urban centres are in a better position to meet these requirements. Those with the required skills are attracted to urban centres as such areas can provide a range of potential employers. The growth of the high technology sectors and the internationally-traded services sector also appears to favour urban areas. The availability of infrastructure, sub-contractors and suppliers of services also tend to be greater in urban areas.

Over the same period, there has been an expansion of third level education, particularly through the establishment of Regional Technical Colleges and university centres outside the traditional locations. This expansion of third level education has resulted in the emergence of graduate populations in all regions, thereby creating the opportunity to attract some of the investment in high skill employment that might otherwise be concentrated in one or two centres. The growth of regional third level education centres and the new focus of investment in more highly skilled employment may combine to provide a stimulus to relatively large urban centres. Although this may appear, in the short-term, to be at the expense of smaller urban centres, it would seem to provide a sounder basis for the spatial distribution of the benefits of economic growth in the long-run. It should be complemented by adequate development of skills at regional level, through FÁS, in particular.

Indigenous industry may now offer the prospect of achieving a somewhat more dispersed pattern of growth than foreign investment. While employment growth in indigenous manufacturing and internationally traded services is also concentrated in major urban centres, it is noteworthy that over the past decade the strongest growth of employment in this sector has been in the West and Mid-West, as shown in Chapter 3. Forbairt uses a range of approaches to promote indigenous development in all regions. Forbairt is preparing regional development strategies which take into account the specific characteristics of each region. The idea is that these strategies will build on individual regional strengths by taking into account their educational, sectoral and infrastructural resources. The development of a network programme, as discussed in the Council's report on dynamic regions (NESC, 1996) could be of considerable benefit to indigenous industry. The idea of a network programme is to encourage smaller firms to co-operate with other firms in specific activities in order to overcome some of the disadvantages of small scale. Shannon Development and Udarás na Gaeltachta appear to have had considerable success in promoting indigenous manufacturing and internationally traded services in their respective regions.

Infrastructure and utilities are essential to achieving economic development at national and sub-national levels. The current Community Support Framework provides support for infrastructural development, particularly roads. This is particularly necessary given the historically underdeveloped state of indigenous infrastructure, partly the outcome of a century and quarter of population decline. While the CSF has contributed mostly to the transformation of the major arterial routes, and thus to increasing cohesion between Ireland and other EU states, investment in the maintenance and development of infrastructure at regional and county level is essential to narrowing the gap between the most developed and least developed areas within the state. Also, logistical aspects of the supply and distribution of goods and services require that special attention is given to the co-ordinated development of infrastructure and enterprise. In addition to the need for developing infrastructure, the liberalisation of public utilities is now a reality, which requires regulatory policies both to ensure efficiency and a fair distribution of services to users in all regions.

There is a range of other national and EU policies which seek to

promote development in rural areas and towns. These include policies for agriculture, forestry, fisheries and local development policies including local partnerships, County Enterprise Boards and LEADER groups. The development of tourism is also of particular benefit to some areas outside major urban centres. Clearly a wide range of responses is required to promote development in an extensive and sustained way. Local area based partnerships offer the prospect that policy instruments can be made appropriate to the needs of different areas.

### (iii) The Spatial Distribution of Public Services

The enterprise support policies discussed above can have an influence on settlement patterns. With public services generally, the major issue is one of the efficiency and equity in responding to existing patterns of need, although such services can also have an influence on settlement patterns.

In relation to equitable access and geographical population dispersal, it is argued in this report that geographical factors are seldom solely responsible for the denial of a necessary public service. Inequality of access involves a complex interaction of social and spatial factors. At the same time, it is argued that the efficient provision of a range of public services cannot be based solely on economies of scale. While a focus on scale economies makes sense from the perspective of the providing organisation, the implications of this approach for citizens should also be taken into account. Effectiveness in public services in this context may be achieved not only through economies of scale but also through economies of scope. The relevance of economies of scope here is that the organisation of a range of services in a given area in an integrated way may be more effective than a situation in which all services are provided in isolation. This calls for an approach to policy that brings together the relevant specialist providing agencies, public authorities, local actors and representatives of service users, in order to address public service effectiveness problems in a creative way. This should be a guiding focus for the Strategic Management Initiative and for the more effective geographic organisation of services.

While the implementation of this collaborative approach is difficult, a number of examples which demonstrate its potential were cited in

Chapter 5. Local experimentation is obviously relevant to developing this approach, although there is a danger of such local projects becoming tokenistic exercises. One of the key recommendations of the OECD report on Ireland's experience with local partnerships is to grasp the principles that have been applied in these experiments and apply them more extensively.

Experimentation through area partnership approaches to long-term unemployment and economic development at local level has also contributed to a new impetus towards local devolution. We view this as an important type of institutional innovation, but one requiring a change of ethos at national and other levels and a much greater emphasis on integrated local service planning and provision. We also stress the importance of achieving co-ordination between localities and sub-regions that are closely interdependent. This applies particularly to the East region.

### 3. PERSPECTIVES ON SETTLEMENT AND PUBLIC POLICY

The starting point for policy-makers in relation to settlement patterns is the constraints under which they must operate. The first type of constraint arises out of existing settlement patterns and trends, which have been long in the making and characterised by:

- Distinct regional and sub-regional imbalances.
- Distinct imbalances in patterns of urban organisation and urban hierarchy.
- Continuing trends of population decline at sub-county, and in some cases county level, despite regional and national population increase.
- Continuing trends towards further extension of the suburbs, environs and satellites of major or large urban centres.

The different components of population change can be mutually reinforcing, for example out-migration depletes fertile age groups disproportionately and this reduces the natural increase. Conversely in-migration is likely to increase the fertile age cohort and therefore the rate of natural increase, and future labour supply. Public policy cannot counteract these trends. At the very least, however, it should

seek to protect vulnerable social groups from the negative aspects of the process.

A different type of constraint, as we have seen, arises from the nature of economic activity itself and the changing pattern of economic activity. Even where public policy seeks to attract investment to certain locations through grants or improved education and training in a region, its effectiveness will be constrained by the corporate strategies of investors. Moreover, although patterns of economic activity cumulatively affect these patterns, the location of specific projects does not always have an immediate effect on these patterns. Therefore, public policy is at one further remove from influencing settlement patterns.

The presence of these constraints implies that public policy has a limited role to play in shaping settlement patterns at regional or sub-regional level. Nevertheless, through regulatory and planning functions, policy-makers may have some direct influence in promoting more harmonious development where population is increasing rapidly, or indeed promoting alternative locations. This would be particularly relevant where several local authorities are affected by the same process of population growth as, for example, in the East region. The Council has previously emphasised the importance of co-ordinating planning in this context and does so once again.

Given the nature of the constraints on public policy, how can public policy 'cut with the grain' of independent influences on settlement patterns in its interventions? One perspective is to treat settlement patterns as an issue that is outside of the scope of government intervention, whose principal focus should be the maintenance and growth of national population, leaving the question of internal population distribution to market forces. Such a non-interventionist approach would leave issues of equity to be dealt with on an individual basis only. This view effectively side-steps the spatial implications of changing economic patterns. However, public policy has an important regulatory function in relation to the operation of markets, for example, in relation to external diseconomies such as pollution or urban congestion which may arise from unregulated economic activities. Hence, some public intervention is required if only for regulatory purposes.

Opposed to the unregulated market view is a perspective that views

public policy as comprising redistributive activities and the transfer of resources from richer to poorer regions. This perspective also has shortcomings. Firstly, it may lead to diseconomies and the diversion of enterprise from regions offering the best prospect for success. Secondly, as a method of redistributing from the rich to the poor, it could be argued that redistribution between individuals is a more effective device. Social inequality, low income and unemployment have quite a complex spatial expression and certainly cannot be simplified in terms of regional or sub-regional divisions. Also, the fact that one area or region is, on average, less affluent than another does not imply that all people in this region are less affluent.

Evidently, public policy must strike a balance between these positions on the basis of a commitment to a regulatory environment that fosters economic activity whilst curtailing external diseconomies, without ignoring the need for some redistribution of resources. An alternative approach, therefore, would be to define the role of public policy as developing the economic potential of all regions in the context of maximising national performance in relation to both economic and social well-being. There are several facets to this approach.

First, the settlement pattern is evolving not simply in terms of movement from West to East, but from rural to urban. Moreover, Dublin and other county boroughs shape not merely settlement patterns in their immediate suburbs and surroundings, but much wider zones for which they provide services and from which many more now commute. As urban centres have been identified as increasingly pivotal to the sustenance of more dispersed populations making up their hinterlands, policies should be developed focused on those centres which could contribute to the economic regeneration of the most marginalised rural areas. The measures which might be pursued would amount to geographically tailored versions of the policies considered in this study, that is economic development policies, infrastructural policies, human capital measures, and measures to deliver public services more effectively.

Second, while increasing proportions of the state become more closely connected to Dublin or one of the secondary urban centres, a number of areas have clearly fallen outside these extending zones of influence. We have identified certain counties, and parts of other counties, which remain relatively non-urbanised, continue to lose population, have unfavourable age structures, fail to gain access to



an adequate share of new investment and experience certain extreme forms of marginalisation. Clearly, these areas require particular attention. There are several aspects to the development of these areas, including the application of area-based approaches to local development, infrastructural improvement, tourism, institutional change such as devolution, and, in some cases, cross border co-operation. In addition to innovative measures at the local level, it is necessary to consider other possible ways of supporting these areas, through economic and social policies.

Third, poverty and economic decline are not exclusively rural or urban phenomena – they exist to varying degrees and in varying manifestations in both urban and rural environments. There is no one correct approach to combating these problems. In implementing policy, local conditions and resources must be acknowledged and built on. There is now considerable evidence to support the appropriateness of an area-based partnership approach to economic and social development in both urban and rural areas in Ireland (OECD, 1996) and such an approach is strongly advocated by the European Commission in its recent document on territorial employment pacts (European Commission, 1997). The advantages of such an approach include the effective design and delivery of programmes undertaken by national agencies and the potential for co-ordination of activities in a way that is tailored to the needs of particular local communities which could be identified as micro regions. In conventional approaches to regional planning the existence of a network of areas which constitute micro-regions can be overshadowed by the traditional regional focus. Throughout this report we emphasise the need to recognise intra-regional diversity – this does not preclude constructive approaches to economic and social development in areas with similar characteristics within and across regions. The planning framework should be flexible enough to recognise these micro-regions and to facilitate appropriately targeted approaches. A key objective of public policy should be to monitor and consolidate successful initiatives and adapt and develop the insights gained on a wider basis.

Fourth, education and vocational skills are increasingly decisive. Since the late 1960s educational policy at second and third level has been radically reshaping the labour supply in the direction of a high skill jobs market. The development of human capital constitutes a major successful policy intervention dating from the late 1960s.

Since the late 1970s and, increasingly, in the 1980s, labour demand and labour supply patterns began to be transformed from lower to higher skill levels. This policy focus has undoubtedly contributed to lifting current Irish economic performance beyond what most commentators would have dared to predict throughout the 1980s. However, compared with the spread of new FDI in the 1970s, there was a re-emergence of the tendency towards geographic concentration of economic activity in fewer, but more strategic, locations, in the 1980s. Much of the skilled and educated labour that has been a key input to Ireland's recent success and is the basis for its future potential is concentrated in the East. But parts of the South-West, Mid-West and West have already gained from investment in high value projects which draw on their supplies of graduates and more skilled workers. The regional expansion of third level education and the provision of vocational training and skills at regional centres is a critical resource. Existing colleges and those already approved by Government should be used to develop the potential of regions.

Fifth, infrastructure is critical. Despite the current growth of output and employment, the recovery in investment and the decline in unemployment, there remains concern about Ireland's infrastructural development. EU structural funds have aided the development of the main arterial routes. The main objective underlying this has been to bring about greater cohesion between member states. In reviewing the progress made under the CSF we should anticipate the need to develop infrastructure a step down the urban hierarchy. This could create the conditions for developing regions and sub-regions in a sustained way. Infrastructural issues also arise within the larger urban centres, particularly in Dublin and the East. Moreover, judicious development of the physical infrastructure and amenities in and around the secondary urban centres could promote their attractiveness to investors, enabling their graduate populations to remain in, and contribute to, the development of their regions of origin. Finally, given the potential of new information technology for bridging distances, it is vital to develop telecommunications networks to the fullest extent possible.

Sixth, the wave of rapid and sustained economic growth has also propelled a boom in property prices, particularly in the East region, potentially threatening its attraction as a location for labour and investment, even for high skilled, highly paid labour. In addition,

the upward pressure on housing prices in the East and other urban regions intensifies the problems faced by the unemployed, those on low incomes, first time house buyers, etc. The challenges posed by the interdependent character of urban expansion in the East require mechanisms for strong regional co-ordination of development and planning.

The task now is to build on and develop what has been achieved over several decades of economic growth and restructuring, taking into account the several facets we have discussed above. In the 1970s, as Ireland tapped into new foreign investment, there was a swing from traditional centres to a more dispersed pattern of semi-skilled employment growth. From the 1980s, there was a shift towards more skilled labour, as investment followed a more concentrated pattern. Ireland has developed a competitive advantage in the East and a few other major urban centres, based on human capital, new infrastructure, and investment in advanced industries and services. Now, in addition, there are some important possibilities emerging, mainly at the level of other larger urban centres in all regions, which can be fostered through enterprise policies, infrastructural development, education and training policies and regulatory measures. In terms of a functional hierarchy of towns and settlement, the redefinition of policies along these lines would be cutting with the grain of inevitable patterns of urban-centred growth. These centres would stimulate economic activity in their hinterlands and counteract the diseconomies that arise from extremely polarised settlement patterns.

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