



THE ECONOMIC & SOCIAL RESEARCH  
INSTITUTE

# REVIEW OF RESEARCH IN 1999



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*The Review of ESRI Research in 1999* supplements the *Annual Report for the Year ended 31 December 1999* which is published separately. A complete list of ESRI publications and reports is also published separately.



# REVIEW OF 1999

## INTRODUCTION

During the year, Institute staff published four issues of the *Quarterly Economic Commentary*, one paper in the General Research Series, three papers in the Policy Research Series, nineteen studies as books and monographs (including joint authorship with outside researchers), one issue of the *Medium-Term Review*, one paper in the Geary Lecture Series, two papers in the Reprint Series and twenty-two Working Papers. In addition, staff published forty-eight papers in books and journals and delivered ninety-six papers to learned societies, seminars and conferences. Staff also completed thirty-seven projects for the Commission of the European Communities, Government Departments and State agencies and other organisations. The Institute's Survey Unit undertook twenty-six surveys. All these are listed in Appendix C. Abstracts of papers published in 1999 are given in Appendix A and outlines of new projects commenced in 1999 are given in Appendix B. These appendices give a comprehensive indication of the range of research undertaken by ESRI staff during 1999. Here the Council wishes to highlight some of the significant developments.

## ECONOMIC FORECASTING AND MODELLING

The *Quarterly Economic Commentary* (QEC) initiated by the Institute in September 1968 provides an independent analysis of the Irish economy and macro-economic forecasts for the current and the following year. The QEC considers all the major influences, both domestic and international, which affect the Irish economy. The *Commentary* is widely accepted as impartial and is used as an essential tool for business, and is also a standard reference for policy makers. The latest issue of the *Commentary* indicates that the final year of the millennium, 1999, was a highly successful one for the economy. Real GNP grew by an estimated 7½

per cent. The annual rise in employment was 95,000, or 6¼ per cent, and by the end of the year the rate of unemployment was 5.0 per cent. When account is taken of net foreign transfers and the improved terms of trade, the rise in real Gross National Disposable Income (GNDI) per head of population was 6¾ per cent. There was a further large improvement in the public finances, while the surplus on the balance of payments rose to nearly 1½ per cent of GNP. Wholesale prices began to rise in the second half of the year and at an accelerated rate towards the close of the year. The inflationary impulses have not yet had their full impact on the Consumer Price Index (CPI), which rose by a moderate 1.6 per cent. The outlook for 2000 is for a continuation of strong growth in output and employment, though at progressively decelerating rates as capacity constraints begin to bite, accompanied by more obvious manifestations of the inflationary pressures already in train. For the year 2000, a growth rate of real GNP of 6¼ per cent is forecast. The unemployment rate is expected to fall further and the balance of payments will continue in surplus. Consumer price inflation, will increase to about 4 per cent. A major source of concern is housing. While the pay provisions of the *Programme for Prosperity and Fairness* do not pose a serious danger to the economy, the timing of the commitments for tax reductions and expenditure increases, on top of an already expansionary budget in December 1999, could seriously endanger the medium-term prospects for stable economic growth.

A special feature in the February edition of the QEC considered *The Asian Financial Crisis*. The article indicates the lessons for Ireland, including the need to control wage inflation, to exercise caution in financial regulatory change, and to improve the planning processes and infrastructural investment decision-making.

A paper delivered by Terry Baker to mark his retirement from the editorship of the QEC, on *The Irish Economy: Then, Now and Next*, was included in the December edition of the QEC. The paper traces the development of the Irish economy from the early 1960s to the present. There has been a fourfold increase in real GNP over a period of 37 years due to:

- rapidly growing global trends;
- high demographic shifts;
- political stability;
- the advantage of the English language which is one of the main languages of business today;
- good policy choices.

A special feature in the December edition of the QEC reviewed earning trends in the Irish economy since 1987. By early 1999 the average earnings of employees in building and

construction were 41 per cent higher in real terms than in Spring 1988. The corresponding rise for public sector workers was just under 30 per cent. For employees in manufacturing the increase was about 19 per cent. The annual average real increase in hourly earnings between 1987 and 1997 was 1.2 per cent. The paper considers the policy implications arising from the results.

The ESRI's *Medium-Term Review 1999- 2005* was published during the year. The Central Forecast for the economy to 2005 represents the best estimate of the prospects for the economy – the actual outturn is as likely to be higher than forecast as lower. Underlying the forecast is an assumption that the next *National Plan* will provide for a major increase in public investment in infrastructure. It also assumes that the next two budgets will have a neutral fiscal policy. The analysis indicates that the economy is currently fully wound up and growing very rapidly at over 6.5 per cent a year which would see a growth rate for GNP over the next 5 years of around 5 per cent a year. The results also indicate that:

- Irish income per head will reach EU average levels by 2005;
- a gradual shift from high tech. manufacturing to market services, especially internationally traded services;
- continuing investment over the period to 2005;
- full employment in the medium term, with the unemployment rate hovering around 5 per cent;
- a decrease in the rate of growth in employment.

The analysis suggests that the negative effects of external shocks could be magnified in the short term by three domestic factors:

- a potential bubble in house prices;
- excessive wage inflation in the coming years;
- a failure to implement the necessary investment in physical infrastructure.

However, the economy is reasonably robust and if handled correctly by domestic policy makers, external shocks need not do lasting damage. The strength of the public finances means that in the future, governments should have the scope to offset some of the worst effects of asymmetric shocks through counter-cyclical fiscal policy.

House prices continue to be a major focus of interest in the economy. During the year work continued on the *Irish Permanent/ESRI House Price Index*, which is published on a monthly basis with a quarterly summary. During 1999 prices rose by 17.9 per cent compared to 29.8 per cent in 1998. On a national basis, the average price paid by the first time buyer in December 1999 was £97,975 compared to



£82,232 in 1998. Increases outside Dublin City and County were 18.4 per cent and 19.9 per cent, respectively. The average price paid for a new house was £136,188 in Dublin City and County and £105,861 outside Dublin.

A paper "Irish House Price Indices: Methodological Issues", was published in *The Economic and Social Review*. This paper reviews the international literature on house price indices by examining the basic methodologies employed, the variables chosen for the indices and the functional forms used. Comparisons are drawn with the current design of the ESRI/Irish Permanent Index and tentative assessments are made of how Irish results correspond to international research findings.

The work of the Historical National Accounts Group for Ireland (HNAG) continued during the year. This group represents an informal gathering of Irish economic historians, national accounts statisticians, and economists which meet on an annual basis in the ESRI. The HNAG acts as a forum to promote interest in the development of historical national accounts for Ireland. The papers presented at the 1999 meeting focused on the accessibility of CSO historical agricultural data; a long-run view of the standard of living in Ireland, 1700-1850; and the Irish economy in the 19<sup>th</sup> century.

## ECONOMIC GROWTH

The study *National Investment Priorities for the Period 2000-2006*, was published during the year. The study was commissioned by the Department of Finance as part of their preparation for the national development plan. The study examines the likely growth path of the economy over the next decade. In the absence of any external shock, it seems likely that the underlying competitiveness of the economy could allow a growth rate of around 5 per cent a year over the course of the next planning period. However, if such a growth rate is to be achieved there will have to be a major expansion in public investment. The analysis of the macro-economic prospects for the economy suggests the following set of investment priorities:

- top priority should be given to investment in public physical infrastructure;
- investment in human capital will not require a major increase in resources in the next planning period;
- research and development, while requiring quite limited public resources, remains an important element in expanding the economy's productive capacity;
- less priority should be given to promoting investment in the market.

Recommendations that the report highlights include:

- the best strategy for promoting balanced regional development is to invest in a series of nodes;
- there is a need to relax the constraints on supply of social housing;
- a major increase in investment in inter-urban roads.

It is also recommended that the resources released for investment in education should be targeted at improving the educational prospects of the most disadvantaged. A number of new possibilities for North-South co-operation are also identified in the report.

During the year staff at the Institute collaborated in the publication *Understanding Ireland's Economic Growth*. This represents an authoritative and topical assessment of Ireland's impressive economic growth record. National income expanded in the ten years from 1987 at more than double the rates achieved by the US, the UK or the EU. Job creation figures are equally impressive. By 1997 there were 23 per cent more jobs in the economy than in 1987, compared with 17 per cent for the US, 5 per cent for the UK and only 3 per cent for the EU. This publication analyses the factors behind this dramatic growth. Among the issues explored in the book are the long-term consequences of fiscal stabilisation, the peaceful labour relations that characterised the period, the increasing educational attainment of the workforce as well as the threats to continued success. The ESRI staff contributions included an analysis on indigenous and foreign industry, the Single Market and the Structural Funds, wage formation and the labour market, and income inequality.

A number of shorter papers were published in journals or presented at conferences on various topics including: the Irish economic boom, the modernisation of the Irish economy, and Ireland's infrastructural needs and priorities.

## INDUSTRY

During the year the ESRI hosted the annual international conference of the European Network on Industrial Policy (EUNIP). The EUNIP is an international, mainly European, network of economists and others who are actively engaged in research and analysis focused on the design of industrial economic policies appropriate to the competitive, economic and social challenges facing Europe. The conference, on the theme *Industrial Policy in an Integrating Europe*, explored the criteria and principles that should underlie industrial policy formulation and

implementation. The plenary sessions considered:

- Irish industrial policy and the “celtic tiger”;
- the remarkable growth of the economy in Ireland;
- European cities and regions and their directions for industrial policy;
- sustainable development as an aspect of industrial policy.

The Institute also contributed to the “European Observatory for Small and Medium-sized Enterprises: Sixth Annual Report”, which was submitted to the Commission of the European Communities (DG XXIII). The ESRI is the representative from Ireland on the SME network. The sixth annual report covers Iceland, Liechtenstein, Norway and Switzerland in addition to the EU member states. The report investigates the performance of SMEs and craft enterprises; the business environment in which SMEs operate; and enterprise policies and the opportunities and threats in the internal market. The report will be published by the Commission in 2000.

A paper, *Indigenous and Foreign Industry: Characteristics and Performance* was published during the year. The study shows that: foreign-sector linkages have increased, and employment linkages per job in the foreign sector are higher than for indigenous industry; foreign-owned industry has become more concentrated in a narrow range of sectors and is heavily engaged in R&D. Foreign owned industry is the most highly skilled sector in our economy and has surpassed the indigenous industry in this respect. The paper indicates that Ireland will remain a relatively attractive base for whatever form of FDI is available in the future. The real dilemma facing policy makers is the skill shortages that have developed in some branches of industry.

## ENERGY

The ESRI Energy Policy Research Centre is supported by the ESB, Bord Gáis, Bord na Móna, and the Irish National Petroleum Corporation. During the year work continued on the “Analysis of Household Energy Expenditures from the 1994-95 Household Budget Surveys”. The aim of this study is to examine how much Irish households spend on energy, the stocks of energy using appliances and the determining factors and implications for future energy demand. Work continued on the study “A Detailed Analysis of the Free Electricity Scheme”. The study is concerned with the distortion that exists in estimating the relationship of electricity consumption to income.

*Employment Impacts of Investment in Energy Efficiency*, which was commissioned by the Commission of the European Communities, DG XVII, under the SAVE II programme was published. The study provides a systematic appraisal of the national and local employment impacts of energy efficiency programmes. Two key outcomes of energy efficiency schemes were analysed namely, employment and energy saved. Some 40 case studies were undertaken and four areas affecting energy conservation schemes examined: regulation; fiscal provisions (subsidies only); education or information; and demand side management and third party financing. Regulation schemes were found to be rated above the average for all measures, except in terms of energy saved when expressed per unit of total expenditure. For fiscal schemes energy conserved per unit of total expenditure is above average. Schemes consisting of subsidies yield below average results. Education or information schemes fare well when considering public expenditure only, and less well when total expenditure is taken into account. Other schemes have above average employment impacts but below average energy savings, irrespective of the expenditure yardstick.

A paper on *The Economics of Biomass* is one of a series of studies undertaken as part of an ALTENER research programme of the Commission of the European Communities. The results suggest that for the foreseeable future generating electricity from biomass is likely to be a very expensive option. It may be desirable to develop the technology of biomass and explore the many obstacles which prevent it becoming an economically viable technology. The problems posed by the perceived risks of the project in attracting participants are also addressed. The study indicates that any danger of capital loss on such a generating plant can be minimised by co-ordination with peat generators. A paper on *Implementing Kyoto*, examines the Kyoto agreement on restricting emissions of greenhouse gases. Ireland has agreed that its emissions could exceed their 1990 level by 13 per cent. This limit is to be enforced from the year 2008. It is important that exceptions are kept to a minimum and in particular, it is essential that whichever regime is chosen, the right to pollute is not given free to polluters. Both the quota and a tax regime for domestic implementation are examined. It is recommended that the best mechanism to achieve reductions would be a carbon tax as originally advocated by the EU Commission. The next best solution would be the adoption of tradable quotas.

## ENVIRONMENT

The ESRI Environmental Policy Research Centre, which was inaugurated in 1993, pursued a substantive programme of research in 1999. The Centre hosted a workshop on Environment Accounts and Data Issues Arising. This workshop was specifically aimed towards those interested in environmental and energy statistics. The workshop focused on the Centre's work in compiling "Pilot Environmental Accounts", published by the CSO in May 1999 and "Satellite Environmental Accounts for Ireland 1996" which will be published in 2000. Issues discussed included: a means for improving the reliability and methods in use; difficulties with data; and organising a forum for identifying data issues and for discussing possible solutions.

A study on the *Centralised Anaerobic Digestion (CAD) in Sensitive Catchments*, funded by the Environmental Protection Authority was published during the year. The report indicates that investment in a CAD plant is unlikely to return a financial profit. The motivating factor behind the CAD proposal is its potential as an animal waste management instrument. The analysis shows that people place a high value on the environment and the recreational amenities it affords. The study provides a cost-benefit analysis of the scheme and isolates some of the difficulties which would have to be overcome. The value of improvements in water quality could be between £5.2 and £17 million over the lifetime of the plant.

A *Study of The Environmental Implications of Irish Transport Growth and of Related Sustainable Policies and Measures* was completed during the year. The study, which will be published during the year 2000, assesses the overall environmental impact of existing transport volumes and patterns as well as projecting the environmental impact of continuing traffic growth and network development. Policy measures based on the "polluter pays" principle are recommended. Overall the report demonstrates that there is a need for a change in policy direction on the basis that the current external impacts of transport are unacceptable.

A study *Perception, Usage and Valuation of Forestry in Ireland*, provides an objective basis to assist in the development and implementation of future land issues. The study will be published during the year 2000. Among the key findings are:

- forests convey substantial recreational use value to the public, estimated at between £9 – 9.5 million per year;
- the public generally indicates a preference for plantation on moorlands rather than on agricultural landscapes;
- the general public prefers small-scale forest cover over large-scale cover;

- the public considers mixed conifer/broadleaf forest to be the most natural in all landscape types barring "agricultural" landscapes in which broadleaves are deemed to be more environmentally friendly;
- the majority of the public are unaware of the Strategic Plan for Forestry;
- the section of the public that are least likely to accept forestry development are those who are from rural areas.

Work commenced during the year on "Regional Socio-Economic Studies on Employment and the Level of Dependency on Fishing", which was commissioned by the Commission of the European Communities. The study aims to assess the importance of fisheries to local communities in terms of employment and dependency using available statistics. Some 22 regional socio-economic studies on employment and the level of dependency on fishing in the European Union are being undertaken in the study. The role of the ESRI is to collate data on the fisheries sector in Ireland, to undertake interviews with recognised experts, and to prepare inputs for the final report. Two studies "Pilot Environmental Accounts" and "The Impact of Agricultural and Forestry Subsidies on Land Prices and Land Uses in Ireland" which were reviewed in the *ESRI Review of Research 1998*, were published during the year.

## REGIONAL ISSUES

A paper, *Educational Inequality in Ireland, North and South*, was published during the year. The paper deals with how class and gender differentials in educational attainment, have changed over the course of the second half of this century in Ireland, North and South. The analysis shows that class inequalities are not unduly low in the North, but are particularly high in the South. Overall, the two parts of Ireland differ in quite marked ways. The Northern educational system is characterised by low class inequalities and low average levels of educational attainment, while the Southern system demonstrates higher inequalities and higher average levels of attainment. These distinctions between the two are not of recent origin and any explanation of them must be sought in the long-standing economic and other differences between the two parts of the island of Ireland.

A paper *The History of Economic Development in Ireland, North and South*, was published during the year. The paper describes how industrial policy on the island North and South, was planned and executed in the period 1960-1996, at a time when economic co-operation between the two

contiguous regions was difficult. At times the emphasis of industrial and regional policy was very different within each of the two regions.

A paper *Celtic Cubs? Regional Manufacturing in Ireland*, examines the distribution of manufacturing output and employment across the regions in Ireland. The article discusses the factors that have given rise to this outcome. It shows that industry was quite concentrated in the Dublin region in 1960, but that by 1980 it was much more evenly distributed. The study indicates that policy over the period 2000-2006 should try to ensure that the more remote geographic areas are facilitated in their efforts to link into urban growth poles through the development of physical infrastructure.

During the year work commenced on the study "Evolution and Principles of EU Regional Policy" which was commissioned by The European Policy Research Centre (EPRC) at the University of Strathclyde. The study will review the principles of EU regional policy in terms of four key driving forces: the progressive enlargement of the EU; the internal and external socio-economic challenges faced by the member states; the financial resources made available by the member states to fund regional policy initiatives; and subsequent insights and guidance provided by theory in regional economics and economic geography. An "Analysis of the Economic, Employment and Social Profile of the Greater Dublin Region (Dublin and Mid-East Regions)", was also commissioned by the Dublin Regional Authority, Dublin Employment Pact and the Mid-East Regional Authority. The aim of the study is to add substantially to the stock of information on the Greater Dublin and Mid-East Regions through the collection and analysis of data not hitherto available. The results of existing studies will be assembled in order to produce a comprehensive profile and will provide information on regional growth, industrial structure, employment and demographic trends, education/skills levels, and deprivation and disadvantage.

## INTERNATIONAL ENVIRONMENT

A study of *Macroeconomics and Structural Change in Transition Economies: Common Themes in CEE and EU-Periphery Countries*, was commissioned by the Commission of the European Communities under the ACE-PHARE programme, during the year. The ESRI, as co-ordinator of the project, worked with CEE teams from the Czech Republic, Slovenia, Romania as well as University College Dublin. The study has three main objectives: the construction of HERMIN-type macromodels for the three CEE countries; the application of these models to the identification and study of the key issues in the

macroeconomics of transition; and the systematic comparison of the processes of *transition* in the CEE countries and *cohesion* in the EU periphery countries.

A study *Forecasting Education and Training Needs in Transition Economies: Lessons from the Western European Experience*, which was funded by the Commission of the European Communities, DG XXII, under the LEONARDO programme, was published. The study takes stock of the labour market data and methods used to forecast education and training needs in four members of the EU (France, Germany, Ireland and The Netherlands), and compares them with the situation in three Central European pre-accession countries (Poland, Slovenia and the Czech Republic). For each of these countries, the labour market data on which employment forecasts are based is considered and the reliability and accuracy of forecasts are examined. The dissemination and usage of forecast information generated in those systems is discussed. A number of actions needed to prepare for the development of an approach to forecasting education and training needs in the three pre-accession countries are recommended. The establishment of consistent linkages by integrating the information collected by the EU members examined would add considerable value to existing data as well as closing information gaps and facilitating the analysis of a wider range of market issues.

The study on *Short-Term Forecasting of Quarterly GDP*, was funded by the Latvian Ministry for Finance. The paper describes the methodology used to prepare forecasts of the growth of real GDP. Two main methods of forecasting quarterly GDP are used. The first method forecasts the individual components of GDP by sector (agriculture, industry, electricity, gas and water, construction, private services, public services, taxes and subsidies), using a variety of short-term indicators. The second approach, estimates the relationship between GDP and the M2X (broad money supply) and uses these estimates to forecast GDP. The central forecast then takes the simple average of these two forecasts.

During the year work commenced on a "Study to Develop a Model to Evaluate the Macroeconomic Impact of the Structural Funds in East Germany". The Commission of the European Communities funded this study which aims to develop an empirical economic model to evaluate the macro-economic effects of the Structural Funds in East Germany for the period 1991-1999, as a whole and, if possible, for each individual Land separately.

A study "Foreign Direct Investment: Implications for Irish Economic Development and Wider Lessons for the EU Periphery" was commissioned by the IAI (Istito Affari

Internazionali). The study will be devoted to an exposition of economic and development aspects of FDI. The analysis will be focused on the case of Ireland, as well as reflecting on the experiences of other EU periphery countries (Greece, Portugal and Spain) and regions (Northern Ireland, Scotland, Southern Italy). The study will also discuss the evolving developments in the newly liberalised economies of Central and Eastern Europe (CEE). A study, "Appraisal of the Macroeconomic Impacts of the Objective 1 Development Plans: Greece, Spain, Portugal and Ireland" also commenced during the year. The project is being undertaken for Commission of the European Communities and will involve the systematic analysis of the likely impacts of the draft National Development Plans for Greece, Ireland, Portugal and Spain, over the period of their implementation (2000-2006) as well as for a period after their completion.

#### PRICES AND INCOME

A second pre-budget conference was organised by the ESRI in conjunction with the Foundation for Fiscal Studies, in September 1999. The conference, entitled *Budget Perspectives*, sought to illuminate the longer term consequences of the various choices open to the Minister for Finance and to suggest how society can build sustainable improvements on the current good times. The papers presented at the conference, have been published by the Institute. In the paper "Budget 2000: A Macroeconomic Perspective" it is held that the government should aim for a broadly neutral fiscal stance in Budget 2000. It is clear that although Budget 2000 is being framed against the background of a benign international environment and a successful domestic economy, important economic and social problems should be addressed. Budgetary policy in recent years has been pro-cyclical. Irish economic history and international experience points to possible dangers of such a policy stance. The growth in the economy requires expenditure to alleviate constraints and bottlenecks. However, the strength of the economy also calls for prudence. A paper "Income Tax and Social Welfare Policies" represents a new analysis, using the ESRI's tax-benefit model, which shows how gains from the 1999 budget were distributed, and illustrates some of the options open to the government in framing future budgets. The scale of economic growth since 1994 has allowed the poverty reduction targets initially set by the government's National Anti Poverty Strategy to be exceeded. However, the authors warn that unless social welfare rates keep pace with other incomes, those relying on transfers will become

increasingly detached from ordinary living standards. Budget 2000 could continue to focus tax relief on the low paid by increasing the new, standardised personal allowance rather than cutting top tax rates, and by implementing a long-overdue restructuring of the way couples are treated. Resources intended to benefit children could be channelled principally through child benefit. "The Role of Budgetary Policy in Social Consensus" considers how Social Consensus has played an important part in the economic performance of the economy since the late 1980s. A new agreement should be set in the context of full employment, but remembering that the economy could be subject to external shocks. The best approach would be to relate some elements of pay to profits. The focus should be on facilitating the introduction of profit-sharing schemes. A paper "Current Perspectives on Corporate Taxation", highlights how governments use the corporation tax as a source of revenue, as an incentive in industrial policy, as well as helping to improve the progressivity of the overall tax system. The author believes that the government's main concern will be to "clawback" revenue that will be foregone by the reduction in the rate of corporation tax. A paper "Budgetary Policy in Times of Plenty" examines how Ireland's economic boom since 1994 has radically improved the public finances. Total government spending as a percentage of GDP has declined sharply. The study indicates that:

- the level of government debt at 57 per cent of GDP is still an issue and running larger budget surpluses and paying off more debt is justifiable;
- the government's recent decision to build a state pension fund is welcomed;
- there are serious deficiencies in Ireland's public infrastructure and a substantial increase is warranted;
- revenue-neutral tax reform is currently preferable to tax reductions.

The study *Final Report of the Inter-Departmental Group on Implementation of a National Minimum Wage*, funded by The Inter-Departmental Group on the Implementation of the National Minimum Wage, was published in 1999. It was assumed for the purpose of the study that the nominal rate of £4.40 (70 per cent if under 18) adopted by the Minimum Wage Commission would apply. More than half of those below the minimum wage are predicted to be women, and about one-third are working less than 30 hours per week, while the under 25s, clerical and service workers are heavily over-represented among those below the minimum. The overall increase in gross earnings associated with the specified minimum wage is estimated to be 1.6 per cent of total gross earnings. *SWITCH*, the

ESRI tax-benefit model, is used to simulate the impact of the national minimum wage on family disposable income and work incentives. Disposable income rises by about 70 per cent of the overall increase in gross earnings. Simulating the impact of the minimum wage on replacement rates suggests that the proportion of the unemployed facing replacement rates of over 50 per cent falls in the simulation from 41 per cent to 23 per cent. The ESRI's HERMES macroeconomic model is used to estimate the overall impact of the minimum wage on employment, unemployment and competitiveness. The central simulation results suggest a fall in employment of 13,500, equivalent to 0.9 per cent of total forecast employment in 2000. Overall approximately 84 per cent of the projected total fall in employment occurs in the industrial sectors, including building and construction. Unemployment is projected to increase by 8,860. Net migration flows increase by 850 per annum in the long run. A specially designed survey of firms was carried out as part of this study. The results of the survey include: about three-quarters of employers in the survey are aware of the proposed minimum wage; cutting back on profit margins and improved staff morale were likely; about one-third of firms felt that the minimum wage would likely reduce staff turnover; 17 per cent indicated that the introduction of the minimum wage could result in their going out of business; 56 per cent of firms indicated that staff /unions would probably insist on restoration of pay differentials as a result of the minimum wage; approximately 21 per cent of all employees in the firms surveyed were currently being paid less than £4.50 an hour.

A study on *Income Mobility in the European Community Household Panel Survey*, which was funded by the Commission of the European Communities under the TSER Programme, examines the extent of mobility in household income from one year to the next, using data from the first two waves of the European Community Household Panel Survey (ECHP). Income transitions are described in terms of quintile transition matrices and income poverty transitions. The patterns are then compared across the relevant countries. In The Netherlands, Luxembourg and Portugal, more than 60 per cent remained in the same quintile and less than 10 per cent moved more than one quintile between the two waves. In Denmark, Belgium, the UK and Greece, on the other hand, less than 55 per cent remained in the same income category and 13-15 per cent moved more than one quintile. The study also examines mobility in terms of the extent to which people moved above or below relative income poverty lines.

The study *Basic Income in Ireland: A Study for the Working Group on Basic Income*, which was commissioned by the Department of An Taoiseach, was published. The aim of this study was to consider and evaluate the economic, budgetary and distributional impact of the introduction of a basic income in Ireland in terms of: the taxation provision necessary to finance the basic income scheme; the impact on poverty and the distributional implications of a basic income; and the gender dimension of the scheme. It was found that a tax rate of 51 per cent is required to finance this scheme. The analysis of the first-round or "cash" distributional impact of the basic income scheme shows a complex pattern of gains and losses. On average, there are gains for the bottom six income deciles, and losses for the top four. Forty per cent of women would experience a gain of more than £10 per week, compared to 20 per cent of men. About 50 per cent of men would see a fall in income of more than £10 per week, compared to 25 per cent of women. Income poverty in 2001 would reduce by between 4 and 5 percentage points. Poverty rates would nonetheless remain high. The basic income scheme reduces poverty rates mainly because low-income adults not in receipt of social welfare receive the basic income payment. The basic income scheme still leaves significant numbers below the relative income lines.

Work commenced on "A Study of Male-Female Wage Differentials", during the year. *Partnership 2000* contained a commitment to a follow-up study to ESRI General Research Series No. 163, on Male-Female Wage Differentials. The study will: examine the wage gap, on the basis of both the 1994 and 1997 Living in Ireland Surveys; quantify sex differences with regard to pensions provision and fringe benefits; and examine the factors affecting male and female labour force participation. Comparisons with other EU countries will be made and the factors contributing to cross-country differences in wage differentials will be outlined. The implications of the findings for policy purpose will be explored.

A number of shorter papers were published in journals or presented at conferences on various topics including: wage formation and the labour market, income inequality in Ireland in the 1980s and the 1990s, and wage premia for returning Irish immigrants.

## DEMOGRAPHY AND LABOUR

A study, *National Survey of Vacancies in the Private Non-Agricultural Sector 1998*, was published during the year. The survey of almost 1,100 firms in private sector manufacturing and

services was carried out on behalf of FÁS and Forfás and is a follow-up survey of an earlier study completed by the ESRI for Forfás in 1997. Some 27 per cent of firms had current vacancies. The occupations with the highest vacancy rates are Computer Professionals (15 per cent), Computer Technicians or Associate Professionals (14 per cent), Engineering Professionals, Engineering Technicians, Science Technicians, and Security staff (all 11-12 per cent). Almost 90 per cent of firms consider vacancies difficult to fill. The vacancies most frequently mentioned as difficult-to-fill were for Skilled Tradespersons, Clerical, Retail Sales, and Managerial workers. Firms also experience difficulties in holding onto their existing staff, with the greatest difficulties being in manufacturing, skilled, semi-skilled, and unskilled positions. Just over 40 per cent of firms spend less than 1 per cent of the wage bill, and 5 per cent spend one-tenth or more on training. The study concludes that the increase in vacancies highlights the importance of having an efficient job placement function within the public Employment Service which could significantly reduce the duration of vacancies. More efficient utilisation of labour and adjustments designed to increase labour supply through education and training, improvements in working conditions, and provision of crèche facilities, rather than simply relying on pay increases, merit careful consideration by employers as positive responses to the challenge posed by increased vacancies.

A study on *Adults in Training: An International Comparison of Continuing Education and Training*, which was commissioned by the OECD, focuses on differences between countries in participation in education and training, the duration of courses, and financial sponsorship. The study also examines cross-national similarities and differences in education and training by gender, age group, educational attainment, literacy levels, occupation, and the size and type of the organisations in which people work. The results of the study include:

- in all countries, employed adults are more likely to participate in continuing education or training than the unemployed;
- the incidence of participation in job-related training is substantially higher than education and training undertaken for personal interest and other reasons;
- there are no substantial gender differences in participation rates;
- adults who already possess higher level educational qualifications are a great deal more likely to participate in education or training;
- younger adults are more likely to participate in continuing education or training; and

those working in large firms and organisations are more likely to participate than those working in small organisations.

In all countries, employers are by far the most common financial sponsors of training – particularly of job-related training.

The *1998 Annual School Leavers' Survey of the 1996/'97 Leavers*, which was commissioned by the Departments of Enterprise, Trade and Employment and Education and Science was published. This survey is based on a sample of 2,879 school leavers who left the second level education system between September 1996 and August 1997 – the majority having left in June 1997. The survey was conducted just over a year later in the Autumn of 1998 and was designed to examine the labour market experiences of leavers since leaving school. The main findings of the survey indicate that:

- in aggregate terms, just over 47 per cent of school leavers were in employment 12 months after leaving school, a further 8 per cent were unemployed, 39 per cent were continuing with their studies, 2.6 per cent were unavailable for work and 3.5 per cent had emigrated;
- there has been a continued fall over recent years in the percentage of leavers who were unemployed, dropping from 12.7 per cent in 1996 to 11.5 per cent in 1997 to 8 per cent in 1998;
- a total of 81 per cent of students left second-level school having completed the Leaving Certificate, 15.5 per cent left having completed the Junior Certificate while the remaining 3.5 per cent left with no qualifications. A slightly higher percentage of males than females left having completed no formal examinations (4.5 per cent of males compared to 2.6 per cent of females) and a substantially higher percentage of males left having completed the Junior Certificate (19.4 per cent compared with 11.3 per cent respectively). A higher percentage of females than males left having completed the Leaving Certificate. (86 per cent compared with 76 per cent respectively);
- level of attainment on leaving school has a strong influence on a school leaver's probability of getting a job and also on the wage attained;
- the survey indicates a strong link between class origins and employment status and (a) retention levels in further or higher education, (b) labour force participation rates and (c) employment or unemployment rates.
- the most important sectors for school leavers who are employed one year after finishing school are Industry, which absorbs

over 41 per cent of all leavers. This is followed by Distribution, which accounts for almost 20 per cent, and Personal Services (16 per cent).

A study *Astonishing Success: Economic Growth and the Labour Market in Ireland*, was commissioned by the ILO and published during the year. The main features of recent growth include growth in employment, falling unemployment and increased participation by women in the workforce. Given that long-term unemployment has fallen in recent years, and the majority of the long-term unemployed have low educational qualifications, this leaves a residual group of increasingly hard to place long-term unemployed. Educational attainment and skills have become the most significant labour market currency. Disposable incomes of those at work have increased. The incidence of low-paid employment increased between 1987 and 1994. The increase in low pay is mainly due to market forces and a growth in sectors with high demand for low skilled workers. The growth in poverty is largely attributable to the failure of social welfare payments to keep pace with the pace of growth in average incomes. The study concludes that there is a need to improve the quality of programmes, particularly those targeted at the most disadvantaged, as well as to ensure progression to effective programmes with close linkages to the open labour market.

*A Study of the Likely Demand for Training in Agriculture up to 2010*, was completed during the year. The study deals with agriculture, horticulture and forestry training requirements. From 1990 to 1994 enrolments for the 13 training colleges was on the increase, but since 1994 the number of agricultural trainees has been declining. The intake for horticulture is close to the previous peak and all available places have been filled. The report has three main parts: an analysis of trends in the composition and characteristics of trainees in the period 1990-1998; projections of the likely future demand for agricultural training places up to 2110; and the identification of the key considerations that will need to be evaluated by Teagasc in arriving at a decision.

The first report of the Expert Working Group on Future Skills Needs was published in 1999. Staff at the ESRI collaborated in producing the report, which was published by Forfás. The ESRI work focused on a *Review of the 1998 Projections of the Supply of Engineering and Science Professionals and Technicians*. The average annual demand for technologists will be some 8,300 in the period 1996-2003 (2,000 engineering professionals, 1,800 engineering technicians, 2,400 computer science professionals, 2,100 computer science technicians). There is also a substantial need for semi-skilled operatives in the IT sector. The

average annual supply of technologists, in the same period is projected to be 6,100, with 3,600 of these made up of engineering and computer science professionals and the balance being made up of engineering and computer science technicians. The current capacity of third-level education to supply graduates on an annual basis is some 5,360. Additional graduates can become available through: substantial numbers of returning emigrants; the up-skilling of less qualified labour and current employees; and other scientists which show a supply surplus and may be a source of potential entrants for multi-skilling programmes. The annual average shortfall will be approximately 900 professionals and 1,300 technicians.

The European Centre for Development and Vocational Training (CEDEFOP) Second Research Review on European Vocational Education and Training Research was published during the year. The ESRI's contribution to the study on *Economic Performance of Education and Training* reviews: the literature on various aspects of vocational education and training; the impact of employer provided training on the labour market outcomes of individuals; the productivity gains at the level of the firm; and the link between education and economic growth. Positive effects of training have been identified but the benefits have not been related to costs in a way that allows efficiency issues to be assessed. On the macroeconomic side, the study outlines the empirical links between education and growth. While threshold levels of education appear to be necessary conditions for growth, they may not be sufficient. In particular, investment in education needs to be accompanied by other forms of investment.

## EDUCATION

During the year work continued on the programme of research at the ESRI Educational Policy Research Centre. A study supported by the Department of Education & Science, on *Do Schools Differ? Academic and Personal Development Among Pupils in the Second-Level Sector*, was published. The study draws on a national survey of Junior and Leaving Certificate students in over 100 schools. Education has profound consequences for life-chances among young people in Ireland. However, relatively little is known about the impact of second-level schools on their pupils. The results of the study include:

- a "league table" approach to ranking schools in terms of their effectiveness appears inappropriate in the Irish context;
- it is more useful to identify the features of schools which promote pupil development as a basis for good practice;



- schools should be supported in developing alternatives to streaming and in providing more flexible subject choices to pupils;
- schools should be encouraged to develop programmes to reduce absenteeism and drop-out and to target “at risk” pupils;
- training for new and existing teachers and school management should place a strong emphasis on the importance of school climate, including the disciplinary code, teacher-pupil relations and pupil involvement in the school.

*Success for all? Educational Strategies for Socially Disadvantaged Youth in Six European Countries*, was commissioned by the Commission of the European Communities under the “Socrates” programme. The six countries involved were Flanders, Spain, The Netherlands, Portugal, Scotland and Ireland. The ESRI was responsible for performing the Irish part to the study. The study advocates a move towards a more integrated service for underprivileged pupils at national level that systematically detects and provides for the difficulties that arise for these pupils. Early intervention programmes for deprived children deserve an added boost in all EU member states by subsidising pilot projects and studies that promote a preventative approach. In addition, inclusive education for pupils with special needs also deserves special attention. The study indicates that more emphasis needs to be placed on the initial training and the in-service training for teachers, teacher trainers and experts. Socially excluded parents need to be recognised as essential partners in more effective education. It is also believed that implementation criteria should be imposed for the development of a clear strategy in favour of the target group(s). Alternative curricula, transition systems and second chance schools need to be mainstreamed within higher secondary education.

*The Irish Graduate Labour Market: A Six Year Follow-up Survey of Third-Level Graduates from 1992*, was commenced during the year. This is a follow-up survey of recipients of educational awards from the Irish third-level institutions in 1992. A random sample of 3,200 graduates was drawn from a population of some 22,000 graduates of both the university and non-university sectors. The vast majority of the 1992 graduates were employed at the time of responding to the survey in 1998. The employment rate for men was 94 per cent and 90 per cent for women. Sixty-six per cent of respondents had never lived abroad and the remaining 33 per cent were split equally between returned migrants and graduates who were living abroad. On average, women earned about 18 per cent less than men, and this wage differential was found at each award level. Comparison of

the educational attainments of the 1992 cohort with those of their parents, reveals the extent of educational up-grading of the Irish population over time.

During the year work commenced on “Choosing Maths and Science: A Research Study”. The study is in response to the concern that has been expressed recently about the lack of scientific and mathematical skills among young people in Ireland. This study will examine the processes shaping choices regarding scientific subjects at senior cycle and in third-level entry. The study will use a unique database developed for the *Coeducation and Gender Equality and Do Schools Differ?*.

## HEALTH

A study on *The Economics of Health Promotion and Disease Prevention*, which was commissioned by the Commission of the European Communities was completed during the year. The project addresses: the extent to which cost-effectiveness analysis has previously been applied within health promotion and disease prevention programmes; and whether Member States are concerned with ensuring that investment in these programmes is guided by the results of economic evaluation criteria at the most general level and/or cost-effectiveness analysis more specifically. The main conclusions of the study include:

- economic evaluation may assist in the determination of which investment opportunities may offer the greatest potential to health care systems;
- the application of economic evaluation criteria to the investment process in this area is very limited at the national and community level;
- support for greater use of economic evaluation in assessment of the investment opportunities for health promotion and/or disease prevention is limited;
- improvements in the data sources, tools and techniques for economic evaluation, together with positive experience of the application of this approach for investment decisions in disease promotion and prevention will be required, to increase their acceptability.

The ESRI Health Policy Research Centre hosted a European Workshop as part of the above study during the year. This workshop provided an important opportunity to discuss preliminary findings. The various papers were concerned with a more in-depth consideration of prevailing challenges for advancing the available data, tools and techniques, together

with the exploration of applications at appropriate levels.

A study *Private Practice in Public Hospitals*, which was commissioned by the Department of Health and Children was completed during the year. This analysis of acute in-patients revealed important differences in bed-day consumption and case mix intensity between GMS and non-GMS patients. The study also examines the extent to which health insurance cover has increased in recent years. Those with medical card cover are likely to have more GP visits than others. The results also indicated that having private health insurance is associated with more GP visits. Access to hospital treatment, consultant care and a fear of large hospital bills were important factors in having health insurance. With regard to the public hospital system, waiting times and the quality of care were the main concerns, with privacy not regarded as important. About 20 per cent of in-patient beds in acute public hospitals are designated as being for private patient use, while about 27 per cent of day beds are so designated. Some 23 per cent of all in-patient bed-days spent by private patients in public hospitals were in beds designated as public.

Work continued on the Hospital In-Patient Enquiry (HIPE) which is operated by the Institute on behalf of the Department of Health and Children. During the year some 800,000 discharges from all the acute general hospitals were processed. A national database of discharge summaries is maintained by the Institute for the Department. In 1999 the Health Policy Research Centre (HPRC), was commissioned to maintain the National Perinatal Reporting System (NPRC). This will involve processing some 50,000 records on an annual basis.

During the year a number of shorter papers were published in journals or presented at conferences on various topics including economic evaluation of public health interventions, Irish women – living longer, and health system development in the new millennium.

## SOCIAL POLICY

The first “Living in Ireland Research Group Newsletter” was published in 1999. The Living in Ireland Research Programme at the Institute represents a linked set of socio-economic research projects relying for their database primarily on the Living in Ireland (LII) household surveys and the European Community Household Panel (ECHP). These surveys have been carried out annually from 1994 by the Institute and the sixth survey in the series was carried out in 1999. In addition to

these a broad range of research has been carried out on such topics as poverty, the labour market, and tax and welfare, all of which rely on the availability of high-quality microdata. The Newsletter seeks to: broaden awareness of the research programme; outline the main findings; and highlight forthcoming publications. It is planned to produce 3 issues of the Newsletter on an annual basis.

Labour market flexibility can have many meanings, including (i) the nature of employment contractual arrangements, and (ii) transitions between employment and non-employment. The European Community Household Panel (ECHP) provides useful data for examining the issue of flexibility. A report *ECHP – Flexible Labour and Its Impact on Earnings and Poverty*, was commissioned by EUROSTAT during the year and examined the mechanisms which connect the three complex phenomena of labour market dynamics, social support systems, and poverty and social exclusion using the first two waves of the ECHP. The study found that in countries with minimal regulation of the dismissal of employees, employers more regularly offer long-term or permanent contracts. In countries which more actively regulate the dismissal of workers, employers make more use of temporary, casual, and fixed-term employment arrangements. EU regulations have reduced variations in employment conditions and social security benefits between EU member states. However, considerable variation in tax, benefit, and employment regulation exists across the EU member states. People in more flexible contractual arrangements or who do not work continuously over the years generally have less opportunity to rely on the state to help them through a difficult period than those with secure working arrangements, as they do not qualify for entry into social security systems. Belgium, Spain, and Ireland paid benefits to roughly the same proportion of the unemployed across this period. The net effect of changes in tax systems, social security payments, and eligibility for unemployment benefits, has been to worsen the status of unemployed people across the EU.

A study *Sample Attrition between Waves 1 and 2 in the European Community Household Panel* was commissioned by EUROSTAT, in order to focus on whether there was a pattern to sample attrition, either across all countries or within particular countries. The study found that although sample attrition rates are high in several countries, the impact on sample structure is relatively small. There is a tendency for attrition rates to be higher for small households, particularly young adults living alone.

During the year “An Examination of Sample Attrition in Waves 3 and 4 of The European

Community Household Panel” was commissioned by EUROSTAT. The study involves a detailed examination of factors associated with sample attrition for the 14 EU countries for which data was collected in Wave 3 of the ECHP.

Social housing policy in Ireland is at present being pulled in two opposing directions. On the one hand, sharp increases in house prices and private rent levels have created affordability gaps in housing for low income households which social rented housing might be expected to fill. On the other hand, social housing has come to be seen as a doubtful form of social provision, with a high risk of failure and questionable benefits for those whom it serves. Thus, a pessimistic policy mindset has developed around social housing which works against large-scale expansion and renders it ill-prepared to respond to the challenge of mass house-building now likely to be thrust upon it by national planning policy. In view of this, a report on *Key Issues in Social Housing Policy*, was completed during the year. The main recommendation of the report is that an improved version of the large-scale social housing provision of the 1960s, 1970s and 1980s would be appropriate and effective if a reasonable standard of housing management were available to run those estates after they were built. In regard to recent policy the study finds that it is difficult to envisage how large quantities of new social housing can be provided if social housing is confined to small estates and infill sites. Reliance on “affordable housing” rather than social rented housing as a means to accommodate a proportion of low income households will do less to ease the burden on the social housing. In coping with the difficult-to-house segments of the social housing clientele, it is now widely recognised in principle that social factors and social supports are the more crucial factors.

A study, *Income, Deprivation, and Well-being Among Older Irish People*, commissioned by the National Council for the Ageing and Older People, was published during the year. The study examines the extent and nature of poverty among older people in Ireland and explores policy options for dealing with elderly poverty. The report devotes considerable attention to conceptual and measurement issues and to the particular way these issues relate to the circumstances of older people. As well as quantifying the numbers of older people whose material standards of living are inadequate, the report profiles related aspects of their circumstances, principally in regard to physical and psychological health, family situation and social networks. It also considers policy issues

*Monitoring Poverty Trends: Data from the 1997 Living in Ireland Survey*, was published during the year. The study for the National Anti-

Poverty Strategy (NAPS) Inter-Departmental Working Group, seeks to provide an updated picture of trends in poverty since 1994, using results from the 1997 round of the Living in Ireland Survey. The results were supplemented with projections using the tax/benefit simulation model *SWITCH*, which allows estimations of the period up to 2001, as well as exploring the implications of current policies on the extent of relative income poverty. The study suggests that a poverty target should be re-based regularly. As far as the combined income and deprivation poverty measure is concerned, the 1997 (rather than 1994) level could be taken as the baseline for NAPS purposes, and a target reduction for the period to 2002 rather than for the ten years to 2007 specified. More fundamentally, it suggests that the scope of the poverty target should be broadened to encompass the distinct elements underpinning it, namely real income levels, non-monetary deprivation indicators, and relative incomes.

Four new studies were commenced during the year. A study “Reforming Tax and Welfare” will build on the work of the Expert Working Group on the Integration of the Income Tax and Social Welfare Systems, by extending the range of policy options to be considered within the “standard” tax/welfare structures. A project “Towards a Dynamic Tax-Benefit Model: Estimating Labour Supply Responsiveness” will address the issue of the responsiveness of labour market behaviour to changes in financial work incentives. A study on “Secondary and Non-Cash Benefits and the Living Standards of Beneficiaries” aims to impute a value for secondary and non-cash benefits to recipients in the representative sample of households provided by the Living in Ireland Survey. A study on “Processes of Family Formation in Ireland” has three main objectives: to identify and describe the major patterns of family formation in Ireland in the period 1987-1997; to explore existing data sets from a family studies point of view; and to draw out the implications for public policy, focusing especially on the implications for family income support in the social welfare system.

A study on “Monitoring and Reporting of Socio-Economic Differences in Health in the European Union” was commissioned by the Commission of the European Communities and will seek to contribute to the development of a monitoring and reporting system for socio-economic differences in health in the European Union. Work commenced during the year on “Unemployment and Mental Health” which is being funded by the Commission of the European Communities. The aim of the study will be to help to design a European strategy relating to Unemployment and Mental Health. The project is expected to have an impact on the

formulation of public health/mental health strategies both at national and community level. Two studies “Social Housing in Ireland: A Study of Success, Failure and Lessons Learned” and “Women and Poverty in Ireland” which were reviewed in the ESRI 1998 Review of Research were published during the year. A number of shorter papers were published in journals or presented at conferences on various topics including social mobility in Ireland: a comparative analysis, family and state, and child poverty in Ireland.

#### VALUES AND ATTITUDES

During the year work commenced on “Values in Ireland, North and South: The 1999 Wave of The European Values Survey”. The 1999 wave of the European Values Survey (EVS) is being carried out in virtually every country in Western Europe and in a number of countries in Eastern Europe. The EVS deals with values and attitudes in a wide range of domains in daily life – including work, religion, family, morality, gender roles, politics, identity and the environment. Previous waves were carried out in 1981 and 1990. In Ireland, the fieldwork for the 1999 EVS is being organised jointly by the ESRI and the Sociology Department of Queen’s University Belfast. The study will be based on separate probability samples of 1,000 cases each in Northern Ireland and the Republic.

#### DATA AND METHODOLOGY

The thirtieth Geary lecture on “Official Statistics: Above and Below the Public Debate” was delivered by Professor Tim Holt, Office for National Statistics, London. The paper draws on Geary’s belief that official statistics are vital to public policy, to the well-being of our people and indeed to the democratic process itself. The analysis presented stresses the importance of: the need for quality; using best methods; producing statistics using the highest professional standards; protecting the integrity of the process; building trust and public confidence in them; and getting them used for the benefit of society. These are not separate objectives, competing with each other for priority. They are a seamless whole if statistics are to be used fully and effectively.

During the year a number of shorter papers by staff were published in journals or presented at conferences on various topics including testing a parameter when another is unidentified under the null, approximating the distribution of the maximum partial sum of normal deviates, and statistical inference, likelihood and variants.

#### IRELAND NORTH AND SOUTH

During the year the British Academy, in association with Oxford University Press, published a major study entitled *Ireland North and South – Perspectives from Social Science*. This is based on a symposium held in Nuffield College Oxford in 1996 and includes contributions by four institute staff. The editors are Professor Chris Whelan (ESRI), Professor Richard Breen (EUI Florence) and Professor Anthony Heath (Oxford). The central theme is an assessment of the extent to which the two parts of Ireland are converging or diverging over time. The volume covers a variety of topics: economic development, political history, demography and migration, religion, gender differences, the family, the labour market, education and social stratification and political culture and behaviour. It finds many similarities between the two parts of the island in terms of demography, education, the labour market, gender inequalities and attachment to political parties. There are, however, persisting differences with regard to fertility, crime and religious divisions. Furthermore, many differences, especially in areas such as partnership arrangements and economic policy at both the macro and micro levels, flow from the fact that the Republic is a state while Northern Ireland is a region of a larger state. The editors see the notion of “inclusive citizenship” as of paramount importance for the future, and they state that such citizenship “needs to be translated into matters of practical experience and not merely of political rhetoric”.



(The Institute is not responsible for either the  
content or the views expressed in published papers)

## APPENDIX A

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(i) GENERAL RESEARCH SERIES

- Paper No. 173  
E. Smyth

*Do Schools Differ? Academic and Personal Development  
among Pupils in the Second-Level Sector*

Education has profound consequences for life-chances among young people in Ireland. However, relatively little is known about the impact of second-level schools on their pupils. Do schools really differ? What school characteristics help to enhance educational achievement? How could schools reduce their drop-out rates? Are pupil stress levels higher in some schools than others? Do schools just affect “points” or can they influence personal development among pupils? This study seeks to address these questions and in doing so draws on a national survey of Junior and Leaving Certificate pupils in over 100 schools. The study finds that: there are significant differences between schools in the exam performance of their pupils at both Junior and Leaving Cert. levels. This is mainly due to differences in the gender, social class and ability mix of pupils coming to the school. A crude ranking of schools by exam results is a misleading way of assessing school effectiveness. Schools still vary systematically when we take pupil intake into account. Streaming has a negative effect on the exam results of pupils in the “bottom” class without producing any advantages for those in the “top” class. Pupils tend to do better academically in schools where they are involved in the school and have more flexible subject choices and where the disciplinary climate is “strict but fair” and relations with teachers are good. Schools also differ in absenteeism and drop-out rates among their pupils. A positive disciplinary climate and more pupil involvement in the school tend to be associated with lower absenteeism and drop-out rates. There are differences between schools in pupil stress levels, in

how pupils evaluate their abilities and their appearance, and the extent to which pupils feel in control over their lives. The quality of relations with teachers and with other pupils plays a crucial role in fostering pupil development.

#### Conclusions and Recommendations:

- a crude “league table” approach to ranking schools in terms of their effectiveness appears inappropriate in the Irish context;
- schools should be supported in developing alternatives to streaming and in providing more flexible subject choices to pupils;
- schools should be encouraged to develop programmes to reduce absenteeism and drop-out and to target “at risk” pupils;
- training for new and existing teachers and school management should place a strong emphasis on the importance of school climate, including the disciplinary code, teacher-pupil relations and pupil involvement in the school.

Oak Tree Press, Dublin 1999, pps. 234

ISBN 1-86076-118-6

#### (ii) POLICY RESEARCH SERIES

- Paper No. 33  
 Edited by J. Fitz Gerald, I. Kearney,  
 E. Morgenroth and D. Smyth

##### *National Investment Priorities for the Period 2000-2006*

As part of the preparations for the National Development Plan, a team comprised of ESRI staff and outside consultants was commissioned to identify the priorities for investment over the period 2000 to 2006. The definition of investment included all areas of public sector economic activity from investment in roads to investment in education and research and development. The experience here and elsewhere in the EU indicates that investment in public physical infrastructure, education and training, and research and development play an important role in promoting a high rate of growth.

The study examines the likely growth path of the economy over the next decade. In the absence of any external shock it is indicated that the underlying competitiveness of the economy could allow a growth rate of around 5 per cent a year over the course of the next planning period. However, if such a growth rate is to be achieved there will have to be a major expansion in public investment.

The analysis of the macro-economic prospects for the economy suggests the following set of investment priorities:

- top priority should be given to investment in public physical infrastructure – roads, public transport, sanitary services, social housing and social, cultural and recreational infrastructure;

- investment in human capital will not require a major increase in resources in the next planning period due to falling numbers of young people;
- research and development remains an important element in expanding the economy’s productive capacity;
- in the past considerable resources, both government and EU, have been devoted to promoting investment in the market sector, this should no longer be a major priority in the future.

#### Conclusions and Recommendations:

- the report recommends that the best strategy for promoting balanced regional development will be to invest in a series of nodes. Provision should also be made to fund necessary development expenditure in the least developed regions of the country;
- the key priority in the area of housing is to relax the constraints on supply. The State’s direct involvement in the housing sector should be confined to social housing and all other grants and tax reliefs should be phased out;
- in the case of transport, a major increase in investment in inter-urban roads is needed, and in completing the proposals under the DTI;
- sanitary services investment will have to continue at a high level to deal with the problems of housing supply and pollution of our waterways;
- in regard to social, cultural and recreational infrastructure, investment should be directed where there may be underprovision in socially disadvantaged areas;
- the resources released for investment in education, together with some additional resources, should be targeted at: the more disadvantaged including disadvantaged children; early school leaving; curricular reform; and improving progression paths for disadvantaged pupils and for second chance education;
- in the case of active labour market policies resources should be targeted at the most disadvantaged groups, with overall, resource requirements being decreased as the labour market environment improves;
- a major increase in provision for research and development is recommended with the need to develop appropriate mechanisms for allocating funds in an efficient manner;
- a reduction in support for the market sector – industry, services, agriculture and tourism is recommended;
- a separate programme for regional, local and rural development should be established;
- a number of new possibilities for North-South co-operation such as the strengthening of the energy transmission system on the island to promote competition, both North and South are indicated. The main Belfast-Dublin road

should remain a high priority for future investment. The provisions for additional rail investment in the Dublin area should include the extension of mainline train services to the airport, and the further integration of the transport systems North and South. Much greater North-South co-operation is needed in promoting balanced regional development.

ESRI, Dublin 1999, pps. 318  
ISBN 0-7070-0180-3

- Paper No. 34  
T. Callan and B. Nolan

*Tax and Welfare Changes, Poverty and Work Incentives in Ireland, 1987-1994*

This study explored how poverty and work incentives have been affected by the changes in the tax and social welfare system. Between 1987 and 1994 priority was given to improving the lowest social welfare rates. Additional cash and non-cash payments available to social welfare recipients should also be expanded. Both the effectiveness and efficiency of social welfare, were a good deal higher in 1994 than they had been in 1987. This reflects the policy of applying the greatest increases in rates to the schemes which then had the lowest payment rates, notably Unemployment Assistance. The ESRI's *SWITCH* tax-benefit microsimulation model was used to examine how financial incentives to take up work changed. The results suggest that the average cash replacement rate facing the unemployed in Ireland was constant between 1987 and 1994. Policy measures served to reduce the incidence of replacement rates above 80 per cent over the period balanced by an increase in the numbers in the 70 to 80 per cent range. Income support for the long-term unemployed in Ireland is now a good deal more generous relative to average earnings, the corollary being that poverty rates for the unemployed are now higher in the UK.

Since 1997 unemployed individuals moving into work have been allowed retain entitlement to free health care (the "medical card") for a number of years. The survey responses suggest that this is likely to be important for only a small minority of the unemployed, but for that minority the impact could be quite substantial. Finally, the impact of tax and welfare policies on the distribution of income was examined. Compared with indexing income tax bands and allowances and social welfare rates to the average growth in wages and salaries, lower income groups fared better under actual policy changes over the 1987 to 1994 period. Those at the top of the income distribution also gained over that period since the pattern of tax cuts favoured higher earners. The 1994 to 1998 period, by contrast, saw lower income groups gain less from actual policy changes than they would have from indexation, while those in the upper half of the distribution gained rather more.

ESRI, Dublin 1999, pps. 144  
ISBN 0-7070-0181-1

- Paper No. 35  
A. Barrett and F. Trace

*The Impact of Agricultural and Forestry Subsidies on Land Prices and Land Uses in Ireland*

In an effort to increase the rate of afforestation, the government has made the system of forestry grants and premia more generous in recent years. This has generated a concern that the increased generosity would lead to higher land prices facing farmers remaining in agriculture and a reduction in the amount of land coming on the market. The study presents trends in the price of both forestry and agricultural land in recent years. It also analyses the impact that various grants and premia have had on the price of agricultural and forestry land and on the rate of afforestation. Using data provided by the Valuation Office, it was found that the nominal price of an average hectare of agricultural land in 1992 was £3,743 while in 1996 it was £5,402 representing an increase of 44 per cent. During the same four-year period the average price of one hectare of forestry land rose from £1,472 to £2,011, representing an increase of 37 per cent.

Land-related subsidies tend to increase the average price of land. Forestry premia tend to increase afforestation, while agricultural subsidies tend to keep land in agricultural use, thereby acting to reduce the rate of afforestation. Which subsidy dominates depends on the relative sizes of the subsidies and on the relative up-take. No evidence was found to prove that the forestry premia are associated with higher land prices, either agricultural or forestry. However, there is evidence to suggest that the "accompanying measures", in particular Rural Environmental Protection Scheme (REPS), are reducing the rate of afforestation. In spite of higher per hectare payments for forestry, the number of new hectares under REPS in 1997 was nearly 25 times higher than the level of afforestation. Given this imbalance, it is highly unlikely that the forestry premia, at the national level, are having more of an impact in the land market than REPS.

The study indicates that the relatively low level of afforestation in more recent years is due to the lack of the required forestry related human capital on Irish farms, negative attitudes to forestry among farmers and non-farmers and the long time commitment that forestry requires. Two options are suggested to encourage greater afforestation. Forestry premia should be increased or agricultural subsidies could be cut. The recent conclusion to the CAP reform negotiations would indicate that agricultural subsidies will not be cut back significantly, at least before 2006, so the latter option is not possible. It may be that the only way forward is for some combination of REPS and



forestry premia to be found, as a combined scheme to protect farm incomes and to protect and enhance the rural environment.

ESRI, Dublin 1999, pps. 52

ISBN 0-7070-0182X

(iii) BOOKS AND MONOGRAPHS

- *Understanding Ireland's Economic Growth*

Edited by F. Barry

The study is an evaluation of Ireland's recent economic growth record. Ireland's economic performance over the last decade has been spectacular. National income expanded in the ten years from 1987 at more than double the rates achieved by the US, the UK or the EU. Job creation figures are equally impressive: by 1997 there were 23 per cent more jobs in the economy than in 1987, compared with 17 per cent for the US, 5 per cent for the UK and 3 per cent for the EU.

The study by a group of Irish economists, including ESRI staff, analyses the factors behind this dramatic growth. Among the issues explored are the long-term consequences of fiscal stabilisation, indigenous and foreign industry, the peaceful labour relations that characterised the period, wage formation, income inequality, the increasing educational attainment of the workforce and the threats to continued success.

Macmillan Press, Dublin 1999, pps. 242

ISBN 0-333-73362-2

- *Final Report of the Inter-Departmental Group on Implementation of a National Minimum Wage*

T. Callan, J. Fitz Gerald, I. Kearney, J. Williams, B. McCarthy, G. Boyle, A. Dorris, S. Machin, D. O'Neill

The Inter-Departmental Group on the Implementation of the National Minimum Wage commissioned this study to focus on the likely impact of the national minimum wage on employment, competitiveness and inflation in various sectors and on the economy as a whole.

Using data from the ESRI's 1997 Living in Ireland Survey, which is projected forward to April 2000, it was found that 13.5 per cent of all employees would be under £4.40 (or £3.08 if under 18) in 2000. A minimum wage set at £4 per hour in 2000 (£2.80 for under-18s) would affect 11 per cent of all employees, while one set at £5 per hour (£3.50 for under-18s), would affect 21 per cent of employees. More than half of those below the minimum wage are predicted to be women and over 40 per cent are aged under 25. Clerical and service workers are heavily over-represented among those below the minimum. The overall increase in gross

earnings associated with the specified minimum wage is estimated to be 1.6 per cent of total gross earnings. The total wage bill effect is estimated at almost 10 per cent in personal services, and close to 5 per cent in retailing and in professional services.

*SWITCH*, the ESRI tax-benefit model, is used to simulate the impact of the national minimum wage on family disposable income and work incentives. Disposable income rises by about 70 per cent of the overall increase in gross earnings. The proportion of the unemployed facing replacement rates of over 50 per cent falls in the simulation from 41 per cent to 23 per cent. Micro-data from the 1994 Living in Ireland Survey provides the basis for estimating the responsiveness of individuals to the wage rate. The participation decision is modelled for men with low education levels, men with higher education levels, married women and single women. For each of these groups participation is inelastic. A 1 per cent increase in the wage rate leads to a less than 1 per cent increase in the participation rate, with married women having the highest elasticity. The ESRI's HERMES macroeconomic model is used to estimate the overall impact of the minimum wage on employment, unemployment and competitiveness. The central simulation results suggest a fall in employment of 13,500, equivalent to 0.9 per cent of total forecast employment in 2000. Unemployment is projected to increase by 8,860, equivalent to a 0.5 per cent point increase in the forecast unemployment rate in 2000. Net migration flows increase by 850 per annum in the long run.

A survey of firms was carried out as part of the study. The main findings of the survey include that: about three-quarters of employers in the survey are aware of the proposed minimum wage, with some 11 per cent having taken steps to prepare for its introduction; substantial numbers believe that cutting back on profit margins and improved staff morale were likely, about one-third of firms felt that the minimum wage would be likely to reduce staff turnover, with 56 per cent of firms indicating that staff/unions would probably insist on a restoration of pay differentials as a result of the minimum wage; and approximately 21 per cent of all employees in the firms surveyed were currently being paid less than £4.50 an hour.

Dublin Stationery Office, Dublin 1999, pps. 144

ISBN 0-7076-6787-9

- *Monitoring Trends in Poverty: Data from the 1997 Living in Ireland Survey*

T. Callan, R. Layte, B. Nolan, D. Watson, C.T. Whelan, J. Williams, B. Maître

This study for the National Anti-Poverty Strategy (NAPS) Inter-Departmental Working Group seeks to provide an updated picture of trends in poverty since 1994, using results from the 1997 Living in Ireland Survey. The Survey reveals significant reductions in levels of deprivation since 1994.

Between 1994 and 1997 the risk of being below half average income rose rapidly for single person households, notably where the head of the household is aged 65 or over. The risk of relative income poverty remained very high for households headed by an unemployed person and fell for children at the 50 per cent and 60 per cent poverty lines.

Households who would be classified as poor by broadening the basic deprivation index are little different from the non-poor in terms of level of (self-assessed) economic strain, psychological distress and fatalism. The households counted as poor have distinctively high levels of economic strain, psychological distress and fatalism. These results were supplemented with some projections from the 1994 data using the tax/benefit simulation model *SWITCH*. The results suggest that following current tax/welfare policies, the percentage falling below 40 per cent or 50 per cent relative income poverty lines would rise over the 1994-2001 period, while the proportion below 60 per cent of average income would be roughly constant.

The fact that Ireland now has an official poverty target as set out by NAPS, represents a major step forward. If such a poverty target is to remain relevant it should be re-based regularly, perhaps every five years. As far as the combined income and deprivation poverty measure is concerned, its 1997 level should be taken as the baseline for NAPS purposes, and a target reduction for the period to 2002 rather than for the ten years to 2007 specified. More fundamentally, it is suggested that the scope of the poverty target should be broadened to encompass the distinct elements underpinning it, namely real income levels, non-monetary deprivation indicators, and relative incomes.

Dublin Stationery Office and The Combat Poverty Agency, Dublin 1999, pps. 87  
ISBN 0-7076-6780-1

- *Medium-Term Review 1999-2005*  
*Number 7*

D. Duffy, J. Fitz Gerald, I. Kearney,  
D. Smyth

Previous *Medium-Term Reviews*, which forecast relatively rapid growth in the economy, were greeted with a certain amount of incredulity at the time they were published, although history subsequently proved them to be somewhat pessimistic. This latest *Review* published by The Economic and Social Research Institute covers the period to 2005. Underlying the Central Forecast is an assumption that the next *National Plan* will provide for a major increase in public investment in infrastructure. Because of the dangers the economy could face from overheating, it is also assumed that the next two budgets provide for indexation of tax bands and allowances to wage rates – a neutral fiscal policy. The main points that emerge from the analysis are:

- the economy is currently fully wound up and growing very rapidly at over 6.5 per cent a year, with Irish income per head reaching EU average levels by 2005;
- there will be a gradual shift from high tech. manufacturing to market services, as the engine of growth over the course of the next ten years;
- investment will remain high over the period to 2005, reflecting the fact that, while Ireland is enjoying an EU standard of living, it has not yet reached the average EU stock of wealth, especially in terms of infrastructure;
- provided that wage expectations do not run ahead of the ability of the economy to deliver, it seems possible that the labour market will see almost full employment in the medium term, with the unemployment rate hovering around 5 per cent;
- looking to the next decade, the rate of growth in employment is likely to be much lower, real wage rates are expected to rise more rapidly, and as a result of the demographic pressures, there will be a continuing need for 45,000 or more new dwellings a year;
- because of the dramatic fall in the dependency ratio, the burden of providing necessary public services is likely to fall in the period to 2005 and once the economy has slowed down, this will allow the possibility of fairly dramatic cuts in the level of taxation.

While the Central Forecast represents the best estimate of how the economy will progress until 2005, it is almost certain that the actual outturn will be a more bumpy ride. What would be the impact of a series of unpleasant surprises? The analysis suggests that the negative effects of external shocks could be magnified in the short term by three domestic factors: a potential bubble in house prices, excessive wage inflation in the coming years and a failure to implement the necessary investment in physical infrastructure. However, these scenarios suggest that the economy is reasonably robust. The authors believe that if handled correctly by domestic policy makers, external shocks need not do lasting damage. The strength of the public finances means that in the future governments should have the scope to offset some of the worst effects of asymmetric shocks through counter-cyclical fiscal policy.

There are a range of policies which might be adopted and these are based on the assumption that Ireland in 2010 will be a very different economy and society. The policy measures that could help promote the benign Central Forecast are:

- the successful implementation of the programme of investment in public physical infrastructure, identified as being necessary in the report on National Investment Priorities;
- a renewed social partnership that guarantees a significant dividend from the rapid economic

growth to all citizens, while still maintaining the country's competitiveness ;

- in order to reduce the economy's exposure to unpleasant shocks, fiscal policy should be tightened over the next two years;
- there will still be a need for a comprehensive programme of tax and welfare reform to improve the efficiency of the economy and to ensure that all of the population share in the fruits of growth;
- Public Private Partnerships (PPPs) should not be used to raise finance for public utilities, as this should remain the role of the state.

The changing nature of Ireland's economy and of the wider society raises issues about the strategic priorities for the country in the next decade.

- the change in lifestyles, in particular the rising participation of women in the paid labour force, will require more far-reaching changes in the way we organise society, and work in particular;
- already there is substantial net immigration into Ireland with the bulk of the current immigrants being very highly educated as well as making a significant contribution to the growth of the economy, and given our growing wealth it will require us to play a bigger role here, than in the past;
- the next ten years will see an unusually favourable demographic situation with the burdens on state services falling. The current proposals to develop a state pension fund to help promote intergenerational equity are to be welcomed;
- in the past the public perception has been that the most important benefit to Ireland from EU membership has been EU transfers. While Ireland will become a net contributor to the EU budget over the next decade, this will be a small change compared to the huge importance to the economy of market access. As a result, in the longer run, the enlargement of the EU is likely to benefit Ireland. These changes will require a change in the vision of Ireland's strategic role in the EU, as well as the shouldering of a larger burden in supporting world economic development through overseas aid.

Two articles are featured in the Review. An article on "Celtic Cubs? Regional Manufacturing in Ireland", examines the distribution of manufacturing output and employment across the regions in Ireland. Policy over the period 2000-2006 should try to ensure that the more remote geographic areas are facilitated in their efforts to link into urban growth poles through the development of physical infrastructure and the identification of sectors that can thrive in non-urban environments. The second paper on the "Medium Term Prospects for the Irish Financial System", argues that the trend towards increasing economies of scale in the provision of

financial services is creating a tendency towards institutional conglomeration and geographical concentration. The article describes recent developments in, and prospects for, money, foreign exchange, bonds, equity and over-the-counter markets. It also discusses the important institutions including the banks, the National Treasury Management Agency the Irish Stock Exchange and the International Financial Services Centre. It examines regulatory issues, including the new international financial architecture and the proposed single regulatory authority for Ireland.

ESRI, Dublin 1999, pps. 192  
ISBN 0790-9470

- *Social Housing in Ireland. A Study of Success, Failure and Lessons Learned*

T. Fahey (ed.)

"Social Housing in Ireland" is based on a detailed examination of living conditions in seven urban local authority housing estates in Ireland – three in Dublin and one each in Cork, Limerick, Sligo and Dundalk. The study: explores the housing dimensions of social exclusion; analyses patterns of success and failure in local authority housing; and examines the role of local authority housing management in promoting social participation and adequate quality of life for residents in the sector. The main findings include:

- local authority housing has been generally successful in social and housing terms and has made a major contribution;
- the sector has become small and residualised in recent years and now accounts for less than 9 per cent of the total housing stock;
- despite its residualisation, local authority housing is highly differentiated internally with many estates being popular and in high demand among residents, while others are problem ridden and difficult to let;
- the physical characteristics of estates are poor predictors of their desirability and success;
- the quality of community life is a more important determinant of the desirability of an estate than its physical quality;
- the crucial proximate variable which determines the quality of community life is the presence or absence of a small number of trouble makers;
- poor housing management by local authorities in the past neglected to tackle the problem of anti-social behaviour and often let it get out of hand, with damaging consequences for both the housing and the residents. However, in recent years, local authority housing departments have begun to address this issue;
- attempts to regenerate problem estates need to focus on people.

Oak Tree Press, the Katherine Howard Foundation and The CPA, Dublin 1999, pps. 278

ISBN 1-86076-140-2

- *Non-completion in Higher Education: A Study of First Year Students in Three Institutes of Technology*

M. Healy, A. Carpenter, K. Lynch

The book is based on a study, which examines the patterns of non-participation among first year students in the three participating Institutes of Technology, (Carlow, Dundalk and Tralee). The survey population is comprised of students who enrolled for the first time in 1996/97 academic year. A total of 1,526 students completed questionnaires of which, 1,119 had transferred to second year while 407 had failed or left. The overall response rate was 57 per cent. The key findings include the following;

- no single factor explains the overall 37 per cent non-completion rate among first year students across the Institutes. The principal social and personal factors associated with non-completion were low grades in the Leaving Certificate examination; unclear career aspirations; lack of information and guidance on course and career options; unsuitable course choices; difficulties with some or all the subjects taken; and financial and work related problems. The principal institutional factors were lack of facilities and support services in the Institutes to meet course requirements and poor communication between staff and students;
- the principal reason given by students themselves for leaving was their desire to pursue a different career. Almost all of those who had left were pursuing other occupational and educational goals.

I.T. Carlow, Dundalk I.T., I.T. Tralee, Dublin 1999, pps. 70

ISBN 0-9536383-08

- *Ireland North and South: Perspectives from Social Science*

A.F. Heath, R. Breen, C.T. Whelan (eds.)

“Ireland North and South” is the outcome of a Symposium which was sponsored by the British Academy with support from the Royal Irish Academy. It contains contributions by sociologists, economists and political scientists including four ESRI staff. It covers a variety of topics: economic development, political history, demography and migration, religion, gender differences, the family, the labour market, education and social stratification and political culture and behaviour. The concern of the volume is with the question of whether, and in what respects, the two parts of Ireland have been converging or diverging in their patterns of economic, social and political behaviour. On the one hand, the two parts of Ireland may be exposed to common social and economic processes as a result of economic development and modernisation. These common processes may lead over time to some greater commonality between the two parts of

Ireland. On the other hand, the two parts of Ireland have had very different historical legacies. The most evident difference between them is the existence of religious-ethnic divisions which had arisen in the north east of Ireland for specific historical reasons. These, plus more recent legacies, also shape the current patterns of social relationships.

Ireland’s future, whether it eventually becomes a single unified Irish state, or some joint sovereignty is evolved, or the status quo persists, will undoubtedly depend on political contingencies and decisions that social scientists cannot conceivably predict. However, these decisions will be made within certain economic and sociological contexts that may to some extent limit the scope for manoeuvre or alternatively make new options available. What social scientists can try to offer and what this volume attempts to provide is not a blueprint for the future but some understanding of the context and constraints within which decisions will be made. Oxford University Press, Oxford 1999, pps. 535  
ISBN 0-19-726195-7

- *When the Future is not What it Used to Be: Lessons from the Western European Experience of Forecasting Education and Training in Transition Economies*

G. Hughes, N.F. Campos, Š. Jurajda and D. München

Taking account of the requirements of the Single European Market and the increasing international mobility, it is desirable that the pre-accession countries should develop models which, if possible, are comparable with existing methods of forecasting training and qualification needs in existing member states of the EU.

This publication takes stock of the labour market data and methods used to forecast education and training needs in four members of the EU and compares them with the situation in three pre-accession countries. A detailed account of the different approaches to forecasting education and training needs in France, Germany, Ireland and The Netherlands are presented. For each of these countries, the labour market data on which employment forecasts are based is considered. The current methods in use as well as the reliability and accuracy of forecasts are examined. A discussion on the dissemination and usage of forecast information generated in those systems also is included. The same range of issues are examined in the three pre-accession Central European countries of Poland, Slovenia and the Czech Republic. The initial analysis has demonstrated that the starting point for the CEE countries, should be to improve data availability and adjust the structure of the information base. The study concludes by putting forward a number of actions needed to prepare for the development of an approach to forecasting education and training needs in the three pre-accession countries. They believe that the

establishment of consistent linkages by integrating the information collected by the EU members examined would add considerable value to existing data as well as closing information gaps and facilitating the analysis of a wider range of market issues. This in turn would clarify the data requirements for the CEE countries and so lead to the collection of data that is comparable and not diverse.

CERGI-EI Discussion Paper Series, November 1999, pps 29  
Paper No. 1999-25

- *Role of the State in Pension Provision: Employer, Regulator, Provider*

G. Hughes and J. Stewart (eds.)

The book deals with the role of the state in pension provision as an employer, regulator and provider. Part I looks at problems and reforms of public sector pension systems on OECD countries. The countries covered are Denmark, Finland, Germany, the Netherlands, Norway, and the US. Part II considers the regulation of occupational pension schemes in the Netherlands and the United Kingdom and whether there is still a role for the State in providing earnings related pensions in the United Kingdom. Part III presents demographic projections for the next half century for Ireland and looks at some of the options which have been used in Finland and proposed in the United States to cope with population ageing, and examines issues of intergenerational equity which are posed by these options. The book provides an informed critical account of current developments in relation to the reform of occupational pension schemes in the public sector and the debate about the state's role as a regulator of private pension schemes and a provider of pensions based on the social insurance principle. It is important as a source of information about pension schemes in OECD countries. It shows that there is not a unique model of occupational pension provision for public sector employees and that the pension benefits, which are provided in different countries, are quite variable. It also shows that public sector occupational pension systems have changed and are in the process of considerable further change in a number of OECD countries.

Klumer Academic Publishers, Boston 1999, pps. 161

ISBN 0-780792-384335

- *Budget Perspectives – Proceedings of a Conference held on 27 September 1999*

C. Kearney (ed.), T. Callan, D. Duffy, J. Durkan, P. Lane, T. McCarthy, R. Nestor, B. Nolan, J. Walsh

This publication represents the proceedings of a conference organised by the Institute in association

with the Foundation for Fiscal Studies. This conference takes place on an annual basis.

In the paper "Budget 2000: A Macroeconomic Perspective" it is held that the government should aim for a broadly neutral fiscal stance in Budget 2000. It is clear that although Budget 2000 is being framed against the background of a benign international environment and a successful domestic economy, important economic and social problems should be addressed. The biggest challenge for the designers of budget 2000 is to ensure that a restrained and sensible overall budgetary stance is maintained. Budgetary policy in recent years has been pro-cyclical. Irish economic history and international experience points to possible dangers of such a policy stance. The growth in the economy does require expenditure to alleviate constraints and bottlenecks. However, the strength of the economy also calls for prudence. A paper "Income Tax and Social Welfare Policies" presents a new analysis, using the ESRI's tax-benefit model, which shows how gains from last year's budget were distributed, and illustrates some of the options open to the government in framing future budgets.

The scale of economic growth since 1994 has allowed the poverty reduction targets initially set by the government's National Anti-Poverty Strategy to be exceeded. However, the authors warn that unless social welfare rates keep pace with other incomes, those relying on transfers will become increasingly detached from ordinary living standards. The authors believe that Budget 2000 could continue to focus tax relief on the low paid by increasing the new, standardised personal allowance rather than cutting top tax rates, as well as implementing a long overdue restructuring of the way couples are treated. A move towards greater independence in the tax treatment of couples has many attractions as a strategy for the next century. Resources intended to benefit children could be channelled principally through child benefit. "The Role of Budgetary Policy in Social Consensus" considers how Social Consensus has played an important part in the economic performance of the economy since the late 1980s. The economy is now fully employed, with widespread shortages of labour, resulting in increases in pay rates for some workers well above the terms of Partnership 2000. A new agreement should accept the fact that the economy is fully employed, but also could be subject to external shocks. The best approach would be to relate some elements of pay to profits. The focus must be on facilitating the introduction of profit-sharing schemes. This can best be done by tax offsets and grants to cover the costs of implementing such schemes, and by designing a framework for the implementation of similar schemes in the non-commercial public sector. "Current Perspectives on Corporate Taxation", highlights how governments use the corporation tax as a source of revenue, as an incentive effect for industrial policy, as well as helping to improve the progressivity of the overall

tax system The author believes that the government's main concern will be to "clawback" revenue that will be foregone by the reduction in the rate of corporation tax. In this respect it argues that the most appropriate measures would be the following: the extension of VAT to bank charges; and using Capital Acquisitions Taxes (CAT) and Capital Gains Taxes (CGT) to deal with any tax avoidance that may be associated with undistributed profits. For the longer term the paper cautions against the continued pursuit of "clawbacks", and the assumption that the corporation tax is progressive. A paper "Budgetary Policy in Times of Plenty" examines how Ireland's economic boom since 1994 has radically improved the public finances. Total government spending as a percentage of GDP has declined sharply, from 50 per cent in 1987 to 34 per cent in 1998. Revenue as a percentage of GDP has declined at a slower rate, from 40 per cent in 1987 to 36 per cent in 1998. Government debt as a per cent of GDP has consequently fallen dramatically, from 118 per cent in 1987 to 57 per cent in 1998. The recent high growth rates cannot be sustained. Budget 2000 should therefore be discussed in the context of a high, but declining growth rate. Amongst the main issues for Budget 2000 argued in this paper are the following: the level of government debt at 57 per cent of GDP is still an issue and running larger budget surpluses and paying off more debt being justifiable; the government's recent decision to build a state pension fund is welcomed; it will help to avoid the need for future tax increases; there are serious deficiencies in Ireland's public infrastructure and a substantial increase is warranted; revenue-neutral tax reform is currently preferable to tax reductions, unless the latter are accompanied by desirable and feasible reductions in public spending; and there is also scope for investment in Ireland's "policy infrastructure".

ESRI, Dublin 1999, pps. 82  
ISBN 0-7070-0183-3

- *Divided Time: Gender, Paid Employment and Domestic Labour*

R. Layte

This book explores how households work. Everyday, households create the fabric and texture of their lives through their paid employment and household work. In so doing they largely determine the quality of their life and their experience of it. Yet, although there have been a number of excellent British studies of the domestic division of labour and how this is combined with paid employment, these tend to have been small scale and qualitative, or have concentrated on the role of the household in industrial restructuring and have ignored the interaction and negotiation of partners within the household. Using data from a British survey in the late 1980s, the study investigates how couples within

households decide the amount of time each partner will devote to paid employment and household work and what factors shape these decisions. It examines to what degree we can view households as unified decision making entities with household work "strategies", or whether individuals within households seek to do more or less of certain types of work. The division of work has implications for partners' sense of equity. Thus the book also looks at how fair partners' feel their workload is and whether inequitable shares of work lead to dissatisfaction and conflict.

Ashgate Publishing Ltd, Aldergate 1999,  
pps. 204  
ISBN 1-84014-397-5

- *Income, Deprivation and Well-Being Among Older Irish People*

R. Layte, T. Fahey and C.T. Whelan

This report, which was commissioned by the National Council on Ageing and Older People, examines the extent and nature of poverty among older people in Ireland and explores policy options for dealing with elderly poverty. The report considers conceptual and measurement issues and the particular way these issues relate to the circumstances of older people. Based on its consideration of these issues, the report identifies and explores a range of dimensions in older people's material conditions and draws these together in an attempt to provide a nuanced assessment of poverty among the elderly. As well as quantifying the numbers of older people whose material standards of living are inadequate, the report also attempts to profile related aspects of their circumstances, principally in regard to physical and psychological health, family situation and social networks. It also allows for a consideration of policy issues which go beyond the distribution of income and other material resources, and addresses a range of other policy areas which have a direct bearing on older people's quality of life. The report draws on the data from the 1994 and 1997 waves of the Living in Ireland Survey and thus provides a representative and recent picture of the position of older Irish people.

National Council on Ageing and Older People,  
Report No. 55, Dublin 1999, pps. 116  
ISBN 1 900378 13 2

- *The 1998 Annual School Leavers' Survey of 1996/97 Leavers*

S. McCoy, A. Doyle and J. Williams

This survey, which was commissioned and co-funded by the Department of Enterprise, Trade and Employment and the Department of Education and Science, is based on a sample of 2,879 school leavers who left the second level education system between

September 1996 and August 1997 – the majority having left in June 1997. The survey was conducted just over a year later in the Autumn of 1998 and was designed to examine the labour market experiences of leavers since leaving school.

The main findings of the survey indicate that:

- just over 47 per cent of leavers who departed from the second level system in the 1996/97 academic year were in employment 12 months after leaving school; a further 8 per cent were unemployed; 39 per cent were continuing with their studies; 2.6 per cent were unavailable for work and 3.5 per cent had emigrated;
- there has been a continued fall, over recent years, in the percentage of leavers who were unemployed from 12.7 per cent in 1996 to 11.5 per cent in 1997 to 8 per cent in 1998;
- a total of 81 per cent of students left second-level school having completed the Leaving Certificate; 15.5 per cent left having completed the Junior Certificate and 3.5 per cent left with no qualifications. Slightly more males than females left having completed no formal examinations (4.5 per cent of males compared to 2.6 per cent of females); a substantially higher percentage of males left having completed the Junior Certificate (19.4 per cent compared with 11.3 per cent respectively) and, correspondingly, a higher percentage of females than males left having completed the Leaving Certificate, (86 per cent compared with 76 per cent respectively);
- level of attainment on leaving school has a strong influence on a school leaver's probability of getting a job and also on the wage attained;
- the survey indicates a strong link between class origins and employment status in terms of: retention levels in further or higher education; labour force participation rates; and employment or unemployment rates. The propensity to continue their studies was highest among leavers whose fathers are in the Professional or Employer/Manager class categories and lowest amongst leavers whose father is unemployed. Unemployment rates among leavers who participate in the labour force and who come from Professional or Employer/Manager class categories are in the region of 10-11 per cent. In contrast, the unemployment rate among leavers whose fathers are also unemployed is just over 32 per cent;
- the most important sectors for school leavers who are employed one year after finishing school are Industry, which absorbs over 41 per cent of all leavers, followed by Distribution (almost 20 per cent), and Personal Services (16 per cent). Male school leavers are concentrated in manual and agricultural occupations while females outnumber males in managerial/professional, clerical and service occupations.

ESRI, Dublin 1999, pps 25

- *Women and Poverty in Ireland*

B. Nolan, D. Watson

The three core issues, which have featured extensively in both national and international debates on the causes and implications of poverty for women are: the risk of poverty for households headed by women versus those headed by couples or men, and the risk of poverty for women versus men; the extent and nature of low pay for women in employment and its relationship to household poverty; the use of non-monetary indicators of deprivation to provide information about the distribution of resources and the extent of "hidden poverty" among women within the household. Between 1987 and 1994, the risk of being below relative income poverty lines rose for households headed by a woman rather than a man or couple. Regression analysis showed that household composition and the economic status of household members were critical determinants of poverty risk. Looking at the poverty risk for individual women and men, the gender gap in poverty risk at the individual level is much smaller than the gap between male-headed, female-headed and couple households. About one-third of all women, compared with 28 per cent of all men, were in households below that line in 1994. The ESRI samples for 1987 and 1994 showed that the percentage of married women working as employees rose from 22 per cent to 34 per cent over that period. In 1994 women comprised 41 per cent of all employees but 54 per cent of those earning below two-thirds of median hourly earnings. Married women and those working part-time were particularly likely to be low paid.

The obstacles facing women who want to take up paid employment relate particularly to the wages paid by the jobs on offer, childcare, training and education, and disincentives built into the tax and social welfare systems. The disincentive problems created by the tax and social welfare system in combination could be tackled by targeting tax reductions on the low paid, reducing the role of means testing in the social welfare system, and providing more of the state's support for children through universal Child Benefit. These results do not suggest that conventional poverty measurement practice misses substantial numbers of poor women in non-poor households, nor that policies directing resources towards poor households miss substantial numbers of poor women. However, the next stage in exploring these issues is the development of more sensitive indicators of deprivation specifically designed to measure individual living standards and poverty status.

Oak Tree Press and The Combat Poverty Agency, Dublin 1999, pps. 152  
ISBN 1-86076-136-4

- *Loading the Dice? A Study of Cumulative Disadvantage*

B. Nolan, C.T. Whelan

The study examines whether disadvantages, such as childhood poverty, lack of educational qualifications and unemployment, combine to create a situation of poverty and exclusion more extreme than that produced by any one disadvantage on its own. It is primarily based on data from the Living in Ireland survey 1994. The central question posed by the study is whether or not recent economic and social development has left behind a group of households that experience cumulative or multiple disadvantage and exclusion from the rest of society in a way that has not previously happened. By providing an analysis of the way in which disadvantages combine and interact, the study increases our understanding of the processes that lead to the extreme marginalisation experienced by certain groups in Irish society. In general, the study finds little evidence of “vicious circle” processes operating within neighbourhoods to create an underclass. Most poverty is seen to result from general social pressures which limit the employment opportunities and living standards of the poor. The study clarifies the context in which local anti-poverty initiatives can be effectively planned and implemented and has relevance for education, labour market and housing policy.

Oak Tree Press and The Combat Poverty Agency, Dublin 1999, pps. 127  
ISBN 1-86076-144-5

- *Adults in Training: An International Comparison Of Continuing Education and Training*

P.J. O’Connell

In recent years there has been a resurgence of interest in the importance of education and training in furthering the goals of economic progress, fuller employment and social integration. The study seeks to exploit the new opportunity offered by the *International Adult Literacy Survey (IALS)* (which collected detailed information on participation in training in the twelve months prior to the survey) by comparing continuing education and training of adults across countries. The main focus is on differences between countries in participation in education and training, the duration of courses and financial sponsorship. It also examines cross-national similarities and differences in education and training by gender, age group, educational attainment, literacy levels, occupation and the size and type of the organisations in which people work. The survey reveals substantial cross-national differences in the incidence and volume of continuing education and training among adults. Notwithstanding these marked differences, however, the survey also suggests that there are remarkable similarities across countries in the

distribution of education and training *within* sub-populations. These include: in all countries employed adults are more likely to participate in continuing education or training than the unemployed, who in turn have higher rates of participation than those not economically active; the incidence of participation in job-related training is substantially higher than that in education and training undertaken for personal interest and other reasons; there are no substantial gender differences in participation in education and training; adults who already possess higher level educational qualifications are more likely to participate in education or training, than those with lower educational attainments and when they do the duration of their training is longer; younger adults are more likely to participate in continuing education or training; the training undergone by younger adults is of longer duration than among older age groups; and those working in large firms and organisations are more likely to participate in continuing education or training; than those working in small organisations. The new data on the funding of training collected in the *LALS* shows that in all countries employers are by far the more common financial sponsors of training, particularly job-related training. Where employers do not sponsor training, for example in small firms, employees themselves are more likely to provide funding for their own training.

OECD, CERDI/WD, Paris 1999, pps 37  
Unclassified

- *Astonishing Success: Economic Growth and the Labour Market in Ireland*

P.J. O’Connell

*Astonishing Success: Economic Growth and the Labour Market in Ireland*, was commissioned by the ILO and published during the year. The study examines the impact which the rapid growth in the Irish economy has had on the labour market. Employment grew by about 25 per cent between 1993-98. Performance on the unemployment front has been slower. Unemployment fell from a high of almost 18 per cent in 1987 to less than 8 per cent in 1998. At the same time women’s employment grew by an average of 6 per cent per annum. There has also been a significant increase in part-time work, up from less than 7 per cent of total employment in 1983 to over 12 per cent in 1997. Long-term unemployment has fallen in recent years. The majority of the long-term unemployed have low educational qualifications. This leaves a residual group of increasingly hard to place long-term unemployed. Given changes over time in labour demand, educational attainment and skills have become the more significant labour market currency. The disposable incomes of those at work have increased. All of this means that economic success has been successful in generating substantial improvements in the material living



standards of workers in Ireland. However, rapid economic growth has coincided with an increase in inequality. The incidence of low-paid employment increased between 1987 and 1994. The increase in low pay is mainly due to market forces and a growth in sectors with high demand for low skilled workers. The growth in poverty is largely attributable to the failure of social welfare payments to keep pace with the pace of growth in average incomes. Most of the additional resources for active labour market policies appear to have been used to achieve an expansion in the quantity of provision rather than an improvement in the quality of programmes. The author contends that there is a need to improve the quality of programmes, particularly those targeted at the most disadvantaged, as well as to ensure progression to effective programmes with close linkages to the open labour market.

ILO, Geneva 1999, pps. 77  
ISBN 92-2-111756-1

- *Pilot Environmental Accounts*

S. Scott

This is the first such set of Environmental Accounts that have been published. Environmental Accounts answer questions such as: which sector contributes more to potential global warming? is industry likely to contribute more potential harm to inland waters than agriculture?. The accounts break down the contribution to emissions, by the various sectors in the economy e.g., agriculture, different industrial sectors, the residential sector. It provides, therefore, an important link between the pressures on the environment and the individual economic activities that have caused them. The study shows that: there are more emissions which contribute to global warming from industry than from households; this result is reversed when the emissions resulting from the use of electricity and transport are assigned to the sectors who use electricity for transport; in the case of discharges to inland waters, the food sector is the biggest discharger within industry but it is dwarfed by the discharges of agriculture.

Environmental issues have been grouped into four main themes for the purposes of the report. They are: global warming potential; acid rain precursors; eutrophication potential; and solid waste disposal. The first two relate to emissions to air, eutrophication relates to discharges to inland waters and solid waste relates to the use of land for disposal. The measures given in the report relate to emissions and discharges. These are not the same as "pollution". However, information on emissions *per se* is useful, as it shows an important side of the picture and the potential for damage.

Dublin Stationery Office, Dublin 1999, pps. 35  
ISBN 0-7076-1901-7

- *National Survey of Vacancies in the Private Non-Agricultural Sector 1998*

J. Williams and G. Hughes

This national survey of vacancies in almost 1,100 firms in private sector manufacturing and services was carried out by the ESRI for FÁS and Forfás in Autumn 1998 and is a follow-up survey of an earlier study completed by the ESRI for Forfás in 1997. A significant minority of firms (27 per cent) said that they had current vacancies. Vacancies exist in all sectors but are greatest in the hi-tech manufacturing and traditional manufacturing sectors. Firms reported 53,700 vacancies at the time of the survey, a vacancy rate of just fewer than 6 per cent.

The occupations with the highest vacancy rates are computer professionals (15 per cent), computer technicians/associate professionals (14 per cent), engineering professionals, engineering technicians, science technicians, and security staff (11-12 per cent). The occupations with the highest absolute number of vacancies were production operatives, and sales (both 8,300), skilled maintenance and skilled production (8,100), and clerical and secretarial (6,800). Almost 90 per cent of firms consider vacancies difficult to fill. The vacancies most frequently mentioned as difficult-to-fill were skilled tradespersons, clerical, retail sales, and managerial workers. Firms also experience difficulties in holding onto existing staff. The situation in Dublin is more severe than in the rest of the country.

Training existing staff or new recruits is an effective means of providing the skills and of preventing difficult-to-fill vacancies. The incidence of such training was highest in manufacturing and larger firms and lowest in construction and employees of small firms. Just over 40 per cent of firms spend less than one per cent of the wage bill on training. The increase in vacancies in recent years highlights the importance of having an efficient job placement function within the public employment service. In recent years steps have been taken to increase staff numbers in the FÁS employment service. These steps should continue. More efficient utilisation of labour and adjustments designed to increase labour supply through education and training, improvements in working conditions, and provision of crèche facilities, rather than simply relying on pay increases merit careful consideration by employers as positive responses to the challenge posed by increasing vacancies.

ESRI, Dublin 1999, pps. 77  
ISBN 0-7070-0184-6

- *Counted In: The Report of the 1999 Assessment of Homelessness in Dublin, Kildare and Wicklow*

J. Williams and M. O'Connor

The study was commissioned by the Homeless Initiative and is part of a wider national assessment of housing need compiled by the Department of the Environment. The primary aim of the project is to measure the number of homeless persons in the

counties of Dublin, Kildare and Wicklow and to complete a basic demographic profile of the homeless population. A total of 2,900 adults were identified in the course of the study as being homeless, almost two thirds of whom were male. The majority (70 per cent) of homeless adults had no dependants, 7 per cent had a partner only, 8 per cent had a partner and children and 15 per cent had children only. The 2,900 homeless adults constituted a total of 2,690 family units (where a person with no dependants is interpreted as a separate family unit). In addition to the homeless adults, there were an estimated total of 990 children associated with the families in question. In general the local authorities' lists contained a substantially higher percentage of family units with children than did the information returned by the service providers. The age structure of homeless adults in the study area is widely distributed across all age categories. 12 per cent of homeless "adults" are aged 20 years or less, while 6 per cent are aged 65 years or more. As regards accommodation used in the week preceding the survey, on average 2.9 nights of the previous 7 (41 per cent) were spent in hostels; 1.9 nights (27 per cent) were spent in a friend's house; 0.9 nights (13 per cent) were spent sleeping rough and 0.8 nights (11 per cent) were spent in a Bed & Breakfast. The survey found that just under half (49 per cent) of homeless adults in the study area had been homeless for more than one year out of the preceding five years and 14 per cent of the population had been homeless throughout that period.

Homeless Initiative, Dublin 1999, pps 58

## APPENDIX B

### ENVIRONMENT

- J. Curtis

#### SATELLITE ENVIRONMENTAL ACCOUNTS FOR 1996

The study has been commissioned by Eurostat and is being compiled in co-operation with the Central Statistics Office. It aims to build on the recent compilation of pilot environmental accounts for 1994 (Compilation of Satellite Environmental Accounts, report submitted by ESRI to CSO), and in doing so will produce an updated set of environment accounts, for the year 1996. The project will seek to quantify emission of pollutants to air, water and waste to land by 24 economic sectors. A further breakdown of certain sectors will be made and additional pollutants will be considered. Information on the depletion of natural resources will also be presented.

- J. Curtis and S. Scott

#### CENTRALISED ANAEROBIC DIGESTION OF WASTE WATERS IN SENSITIVE CATCHMENTS

The study is being carried out in collaboration with University College Galway and the Regional Technical College, Sligo. It will involve a cost benefit analysis of Centralised Anaerobic Digestion (CAD) as part of a wider project examining the feasibility of CAD in Ireland in the context of management of wastes in sensitive water catchments. The project will involve a financial appraisal of investment in CAD infrastructure and will seek to estimate the value of potential environmental improvements in water quality and greenhouse gas emissions. This is based on the premise that the value of environmental improvements is potentially quite substantial,

exceeding the level of public subvention required for building and operating a CAD plant.

- F. Trace

#### REGIONAL SOCIO-ECONOMIC STUDIES ON EMPLOYMENT AND THE LEVEL OF DEPENDENCY ON FISHING

The study which has been commissioned by the Commission of the European Communities, is a follow up study to the 1991 "Regional Socio-Economic Study in the Fisheries Sector". The study aims to assess the importance of fisheries to local communities in terms of employment and dependency using available statistics. Some 22 regional socio-economic studies on employment and the level of dependency on fishing in the European Union are being undertaken in the study. The role of the Institute is to collate data on the fisheries sector in Ireland, to undertake interviews with recognised experts and to prepare inputs for the final report.

#### REGIONAL ISSUES

- J. Bradley

#### EVOLUTION AND PRINCIPLES OF EU REGIONAL POLICY

The European Policy Research Centre (EPRC) at the University of Strathclyde commissioned this study which is being prepared as part of the SIRIUS Summer School on EU Regional Policy.

The study will review the principles of EU regional policy in terms of four key driving forces: the progressive enlargement of the EU from its foundation in 1956; the internal and external socio-economic challenges faced by the member states; the financial resources made available by the member states to fund regional policy initiatives; and subsequent insights and guidance provided by theory in regional economics and economic geography. The study will conclude with a brief overview of the Irish experience with EU regional policy illustrating how these policies facilitated the development of policies to address Ireland's under-development both in terms of providing financial resources and in facilitating a more stable and systematic policy making framework to tackle long-term policy goals.

- E. Morgenroth

#### ANALYSIS OF THE ECONOMIC, EMPLOYMENT AND SOCIAL PROFILE OF THE GREATER DUBLIN REGION (DUBLIN AND MID-EAST REGIONS)

The aim of the study is to substantially add to the stock of information on the Greater Dublin and Mid-East regions through the collection and analysis of data not hitherto available and will therefore address important knowledge gaps. In addition the results of existing studies will be assembled in order to produce a comprehensive profile using all available information rather than a subset. The profile will provide data and analysis which will give information on regional growth, industrial structure, employment and demographic trends, education/skills levels and deprivation and disadvantage.

#### INTERNATIONAL ENVIRONMENT

- J. Bradley

#### STUDY TO DEVELOP A MODEL TO EVALUATE THE MACROECONOMIC IMPACT OF THE STRUCTURAL FUNDS IN EAST GERMANY

The Commission of the European Communities commissioned this study which aims to develop an empirical economic model to evaluate the macro-economic effects of the Structural Funds in East Germany for the period 1991-1999. The model will give macroeconomic results for East Germany as a whole and broad sectors and, if possible, for each individual Land (Mecklenburg-Vorpommern, Brandenburg, Berlin (Ost), Sachsen-Anhalt and Thuringen). The project co-ordinator is the Ifo Institut für Wirtschaftsforschung, München, and the two partners are the ESRI (Dublin) and GEFRA (Munster, Germany).

The main parts to the study are as follows:

- i. the discussion and review of existing methodologies for an evaluation of the macro-economic impacts of Structural Funds with special emphasis on models for other Objective 1 Member States, regions and dual economies;
- ii. the construction and implementation of a macro-model including a survey of the availability and the quality of national and sectoral inputs-outputs, demography and labour force data;
- iii. detailed testing of the model while comparing it to the models of other cohesion and CEE member states;
- iv. the application of the model to estimate the impact of Community Structural Funds on the macroeconomic development of East Germany for the period 1991 to 1999.

- J. Bradley

#### FOREIGN DIRECT INVESTMENT: IMPLICATIONS FOR IRISH ECONOMIC DEVELOPMENT AND WIDER LESSONS FOR THE EU PERIPHERY

The IAI (Istituto Affari Internazionali) International Economics Programme commissioned this study. It will consist of the preparation of a paper in the above area as part of a wider project on *The Internationalisation of Southern Italy's Production and Financial System*, under the direction of the University of Rome. The study will be devoted to an exposition of economic and development aspects of FDI. Although the analysis will be focused on the case of Ireland, it will also reflect on differences with the experiences of other EU periphery countries (Greece, Portugal and Spain) and regions (Northern Ireland, Scotland, Southern Italy), as well as commenting on the evolving developments in the newly liberalised economies of Central and Eastern Europe (CEE). The study will specifically address the following themes: trade liberalisation and the origins of Irish FDI; the economic contribution of FDI to Irish development; possible adverse effects of FDI in Ireland; and the effectiveness of Irish industrial policies and wider lessons.

- J. Bradley, J. Fitz Gerald and E. Morgenroth

#### APPRAISAL OF THE MACROECONOMIC IMPACTS OF THE OBJECTIVE 1 DEVELOPMENT PLANS: GREECE, SPAIN, PORTUGAL AND IRELAND

This project is being undertaken for Commission of the European Communities and will involve the systematic analysis of the likely impacts of the draft National Development Plans for Greece, Ireland, Portugal and Spain, over the period of their implementation (2000-2006) as well as for a period after their completion. The project will carry out an analysis for the above four-country draft National Plans, and will address the following:

- the analysis of plan impacts on the demand and supply sides of the economy;
- the separate analysis of the plan impacts through infrastructures, human capital development and private investment support;
- the impact of the plans on a range of aggregate macroeconomic aggregates and labour market aggregates;
- a description of the likely evolution of the economy in the absence of the development plan, using a range of different assumptions concerning the additionality of the EU funding;
- a sensitivity analysis of the impacts of the plans with respect to variations in expenditure and policy;

- an assessment of the opportunity costs of public funding (in terms of alternative uses) will be carried out.

The research will make use of the four HERMIN models for Greece, Ireland, Portugal and Spain as previously used in a study of the joint impacts of the Single Market and CSFs.

#### PRICES AND INCOMES

- A. Barrett, T. Callan, H. Russell and J. McBride

#### A STUDY OF MALE-FEMALE WAGE DIFFERENTIALS

*Partnership 2000* contained a commitment to a follow-up study to ESRI General Research Series No. 163, on Male-Female Wage Differentials. The ESRI, in conjunction with NUI Maynooth, has been commissioned to undertake the study.

The study involves:

- a repeat analysis of chapters 3 and 4 of the 1994 study using data from the 1994 Living in Ireland Survey;
- an examination of the wage gap, both on the basis of the 1994 study and the 1994 data and to refine information on the reasons which underlie it;
- exploring the potential for "within sector" analysis using existing datasets to identify the extent of, and reasons for, the wage gap on a sectoral basis;
- examining and quantifying sex differences with regard to pensions' provision and fringe benefits;
- quantifying and examining the factors affecting male and female labour force participation;
- an examination of the distribution of hourly wage rates for men and women and the potential immediate impact of minimum wage rates at various levels;
- undertaking comparisons with other EU countries;
- to consider the implications of the findings for policy purposes.

- T. Callan, B. Nolan, J. Walsh, J. McBride and R. Nestor

#### BASIC INCOME IN IRELAND: A STUDY FOR THE WORKING GROUP ON BASIC INCOME

A commitment that "a further independent appraisal of the concept of, and the full implications of, introducing a basic income for all citizens" would be undertaken as part of *Partnership 2000*, taking into account the work of the ESRI, CORI the Expert Working Group on the Integration of Tax and

Social Welfare, and international research. This two-part study, is being undertaken in co-operation with NUI, Maynooth on behalf of the broadly based Partnership 2000 working group dealing with this issue.

The first phase of the study will deal with the static or “first-round” cost, revenue and distributional implications of the basic income scheme put forward by the Working Group for analysis. The second phase of the study will deal with broader issues of dynamic responses to the introduction of a basic income scheme. This includes identification of changes to the financial incentives to work, and assessment of likely labour market and migratory responses.

## DEMOGRAPHY AND LABOUR

- A. Barrett

### CEDEFOP'S SECOND REPORT ON EUROPEAN VOCATIONAL EDUCATION AND TRAINING RESEARCH

In 1998, the European Centre for the Development of Vocational Training (CEDEFOP) published a report that contained a comprehensive review of research on vocational education and training in Europe. Some twenty researchers from around Europe contributed to the initial report. In this second report, a range of additional topics will be reviewed and some of the earlier topics will be supplemented. The research will focus on the costs and benefits of employer provided training and will also address the issue of whether rates of return can be calculated and if so how.

- A. Barrett, J.J. Sexton and C.T. Whelan

### A STUDY DEFINING “EMPLOYABILITY” AND ITS RELEVANCE FOR THE MANAGEMENT OF THE LIVE REGISTER

The study is being undertaken as a result of a number of difficulties in relation to the interpretation and management of the Live Register. It is envisaged that the Live Register will continue to fall as economic buoyancy continues along with the targeting of labour market interventions and improvements in activation and control measures. It may also become increasingly difficult to reduce the number of those in long-term unemployment. This study will seek to: review the relevant literature on the subject of “employability”; consider measurement issues such as the extent to which estimates of the number of people with employability difficulties can be made; consider the issues which arise with the application of the condition that a person is capable of, available for and genuinely seeking work in the case of persons with employability difficulties; and examine the issue

of appropriate programmes for tackling issues of employability.

- J. Fitz Gerald, D. Smyth, and J.J. Sexton

### STUDY ON FUTURE POPULATION TRENDS

This study will involve the compilation of population projections covering the period up to 2015. Not only will it cover the standard types of demographic classifications such as those related to sex and age, but also aspects such as educational level attained and projections of household numbers categorised in various ways e.g. age of household head etc.

- G. Hughes

### REVIEW OF SUPPLY OF IT STAFF

The study will update the projections in the “Synthesis Report on Existing and Future Skill Needs” of the supply of engineering and computer professionals and technicians to 2003, which were prepared last year for the Expert Group on Future Skill Needs. It will take account of new information that has become available since the original projections were made in August 1998. This information relates to: new places created; take-up of new places; commitments to create further new places; drop-out studies for the universities and the institutes of technology; current information from the Higher Education Authority (HEA) and the National Council for Educational Awards (NCEA) on enrolments and awards; information from the HEA and NCEA on the distribution of science and engineering awards by course; the HEA first destinations report for 1997; and the opportunities Ireland and EURES data on migrants with IT skills.

- G. Hughes

### REGULAR FORECASTING OF TRAINING NEEDS: COMPARATIVE ANALYSIS, ELABORATION AND APPLICATION OF METHODOLOGY

Some members states of the European Union (EU) have developed employment forecasting methods to identify future skill requirements which take account of the sectoral, occupational, and educational and training factors which influence supply and demand in the labour market for skills. It is desirable that the pre-accession countries of Central and Eastern Europe (CEE) should develop models which, if possible, are comparable with existing methods of forecasting training and qualification needs in existing member states of the EU. A number of

countries in Central and Eastern Europe which are preparing to join the EU are interested in developing such models. In view of this fact the Commission of the European Communities under the “Leonardo Programme” has commissioned this study.

The study will prepare country reports for Ireland, France, and the Netherlands on the labour market data and methods they use to forecast education and training needs and will compare them with country reports on labour market data which are available in three pre-accession CEE countries, the Czech Republic, Poland, and Slovenia. The study will outline how the forecasts are made in the EU countries and consider what forecasting methods are likely to work successfully in the pre-accession countries. It will give guidance on the issues which need to be considered in developing an approach to forecasting education and training needs. The study involves researchers from three EU countries (Ireland, France, Netherlands) and three pre-accession CEE countries (Czech Republic, Poland, Slovenia).

- R. Layte and P.J. O’Connell

THE DYNAMICS OF UNEMPLOYMENT:  
A LONGITUDINAL ANALYSIS OF THE  
UNEMPLOYED IN THE LIVING IN  
IRELAND PANEL SURVEYS

The study will examine the dynamics of unemployment in Ireland over the 1993-1998 period drawing on the longitudinal information provided by successive waves of the *Living in Ireland Panel Surveys from 1994-1998*. The main objectives of the study are:

- i. to provide a detailed description of the extent of transition from unemployment to employment, and the patterns of transition among specified sub-groups;
- ii. to examine the sustainability and quality of employment taken up by the unemployed;
- iii. to analyse the relationships between such factors as educational attainment, work experience, unemployment duration, and labour market transitions;
- iv. to outline policy implications.

- Philip J. O’Connell

THE IRISH GRADUATE LABOUR  
MARKET: A SIX YEAR FOLLOW-UP  
SURVEY OF 3<sup>RD</sup> LEVEL GRADUATES  
FROM 1992

The study will assess the long-term individual and social impact of investment in third-level education. The 1998 Graduate Labour Market Survey is a follow-up survey of recipients of educational awards from Irish third level institutions in 1992. The survey is designed to collect individual histories of

employment, education and training and migration patterns since graduation, as well as current employment status, work practices and activities. The population for the survey will consist of over 22,000 recipients of all full-time third level awards in both university and non-university institutions.

## EDUCATION

- E. Smyth and C. Hannan

CHOOSING MATHS AND SCIENCE: A  
RESEARCH STUDY

The study is in response to the concerns expressed recently about the lack of scientific and mathematical skills among young people in Ireland. Since the early 1990s, there has been a decline in the proportion of young people taking science subjects at senior cycle. With the decline in the cohort of school leavers, the numbers with scientific qualifications will decline substantially in the immediate future. This study examines the processes shaping choices regarding scientific subjects at senior cycle and in third-level entry. The study aims to: identify the school characteristics associated with increased take-up of higher level Maths and scientific subjects at senior cycle; identify the factors which explain variation among pupils in subject choice at second- and third-levels; and explore the nature of the relationship between subject take-up and performance at second-level and choice of courses at third-level.

The study uses a unique database developed for the studies *Coeducation and Gender Equality* and *Do Schools Differ?* projects. The database will be developed to include information on Leaving Certificate subject take-up and performance among those who sat their Junior Certificate in 1994 and, CAO applications, offers and final acceptances of third-level places among this cohort. Analyses of this database will be supplemented with more detailed case studies of schools to identify “best practice” in Maths/Science education.

## SOCIAL POLICY

- T. Callan, B. Nolan, J. Walsh and R. Nestor

REFORMING TAX AND WELFARE

This project will build on the work of the Expert Working Group on the Integration of the Income Tax and Social Welfare Systems, by extending the range of policy options to be considered within the “standard” tax/welfare structures. Options to be considered in the analysis will include the tax/social insurance treatment of those on low incomes, child income support, and the role and design of in-work

benefits. The project will also consider the cost, incentive and distributional effects of a major departure from the current tax/social welfare structure as well as the individualisation of social welfare payments, which would do away with the concept of adult dependency. Initial work on this project will focus on the use of the *SWITCH* model to address issues of concern under the tax and social welfare codes.

- T. Callan, B. Nolan, J. Walsh, J. McBride and R. Nestor

#### TOWARDS A DYNAMIC TAX-BENEFIT MODEL: ESTIMATING LABOUR SUPPLY RESPONSIVENESS

The balance between the level and structure of social welfare payments and the financial incentive to work is a key issue in public policy. It is central to the achievement of the objectives of the National Anti-Poverty Strategy. However a key gap in our knowledge is how responsive labour market behaviour actually is to changes in financial work incentives. This project aims to fill that gap. The project will build on the picture of financial incentives provided by “static” microsimulation modelling and will apply the latest microeconomic techniques to the 1994 Living in Ireland survey data. This will provide estimates of labour supply responses to financial incentives covering most participants and potential participants in the labour market. An investigation of different dimensions of labour supply decisions such as participation in the paid labour market, the choice between full- and part-time work, and the impact of high replacement rates on individual labour supply behaviour, will also be included.

- B. Nolan, T. Callan and H. Russell.

#### SECONDARY AND NON-CASH BENEFITS AND THE LIVING STANDARDS OF BENEFICIARIES

This study aims to impute a value for secondary and non-cash benefits to recipients in the representative sample of households provided by the Living in Ireland Survey and to determine the implications, for the extent of poverty and the living standards of beneficiaries. In addition to regular weekly social welfare payments and assistance with housing costs, a range of additional cash and non-cash benefits are now paid to specific categories of social welfare recipients or other household types. It is important to take these additional provisions into account in assessing the overall level of support provided by the state to low-income families and the living standards of different types of recipient and their poverty status. The key difficulty is attributing a cash value to the benefit. This will be done by drawing

on alternative valuation methods developed in the academic literature.

- T. Fahey and H. Russell

#### PROCESSES OF FAMILY FORMATION IN IRELAND

Recent decades have seen a number of changes in the patterns of family formation in Ireland. Principal among these changes have been the increase in non-marital childbearing and cohabitation, the formation of new family types through marriage breakdown, and the decline in family size. However, there has been little systematic research on general patterns of family formation in Ireland and their evolution.

The study will seek to:

- i. identify and describe the major patterns of family formation in Ireland in the period 1987-1997, focusing particularly on family types;
- ii. explore existing data sets from a family studies point of view, draw out key family related and policy relevant findings which they can yield, and identify those data gaps which need to be filled through further data collection;
- iii. draw out the implications of the findings for public policy, focusing especially on the implications for family income support in the social welfare system.

The study will use existing sources of data and the ESRI Living in Ireland panel surveys, which provide information on family history and details on a wide range of family circumstances.

- R. Layte

#### MONITORING AND REPORTING OF SOCIO-ECONOMIC DIFFERENCES IN HEALTH IN THE EUROPEAN UNION

This study will seek to contribute to the development of a monitoring and reporting system for socio-economic differences in health in the European Union. Specifically it will to develop guidelines for the analysis of trends in differences in health indicators according to education, occupation and income and to illustrate these guidelines with an analysis of changes in health difference in member countries of the EU between the 1980s and 1990s.

The project will be undertaken within the framework of the EU Working Group on Socio-Economic Inequalities in Health formed in the early 1990s. It will provide information on a number of population groups which might have a poorer health status (e.g. the homeless, ethnic minorities and the elderly), as well as providing a format for future regular reporting.

- R. Layte and C. T Whelan



## UNEMPLOYMENT AND MENTAL HEALTH

The project is being undertaken for the Commission of the European Communities and is being co-ordinated by the University of Duesto (Bilbao, Spain). The aim of the study is to help design a European strategy relating to Unemployment and Mental Health by: searching, evaluating and mapping good practices; focusing on multi-factorial aspects of the themes; looking at needs of different age groups; developing activities for awareness raising; and creating guidelines and recommendations. The project is expected to have an impact on the formulation of public health/mental health strategies both at national and community level.

- D. Watson

## AN EXAMINATION OF SAMPLE ATTRITION IN WAVES 3 AND 4 OF THE EUROPEAN COMMUNITY HOUSEHOLD PANEL

This project which has been commissioned by Eurostat, involves a detailed examination of factors associated with sample attrition for the 14 EU countries for which data was collected in Waves 3 and 4 of the European Household Panel Survey (EHP). The aim of the study is to determine whether there is a pattern to sample attrition which would impact on the representativeness of the data for later waves of the survey, particularly with respect to variables related to the study of poverty and income distribution. The analysis will use the Wave 1-4 of the EHP. Factors to be examined include: household size and composition; economic status, age and sex of the household reference person; main source of household income; household equivalised income decile; household poverty status; and whether the household changed address between waves.

## VALUES AND ATTITUDES

- T. Fahey

## VALUES IN IRELAND, NORTH AND SOUTH. THE 1999 WAVE OF THE EUROPEAN VALUES SURVEY

The 1999 wave of the European Values Survey (EVS) is being carried out in virtually every country in Western Europe and in a number of countries in Eastern Europe. The EVS deals with values and attitudes in a wide range of domains in daily life – including work, religion, family, morality, gender roles, politics, identity and the environment. Previous waves were carried out in 1981 and 1990. In Ireland, the fieldwork for the 1999 EVS is being

organised jointly by the ESRI and the Sociology Department in Queen's University Belfast. The study will be based on separate probability samples (1,000 cases each) in Northern Ireland and the Republic. Funding has been secured through the International Committee of the EVS to cover fieldwork costs for both samples and to support the writing of a joint study of the North-South data. The study is being co-authored by the ESRI, QUB and UCD.

