

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

A STUDY OF SCHEMES  
FOR THE RELIEF OF  
UNEMPLOYMENT IN  
IRELAND

R. C. GEARY and M. DEMPSEY

*with an Appendix by E. Costa*

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E. COSTA

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## General Summary

THE introduction states: "The object of this paper is to make a contribution, however small, towards the solution of one of Ireland's gravest social problems, the endemically high unemployment rate".

The paper is divided into four chapters dealing with, (I) The Setting of the Problem; (II) Public Policy and Experience in Ireland with Employment Schemes; (III) Experience with Employment Schemes in other Countries and (IV) Conclusions and Recommendations. There are three Appendices. Appendix A is—A Scheme for the Mitigation of Unemployment in Ireland by E. Costa of the International Labour Office; Appendix B contains the summary of a paper entitled Planning and Employment read by Kieran A. Kennedy at the Twenty-fourth National Management Conference, Killybegs 1976. Appendix C is An ILO Manual.

The first chapter shows that in 1971 Ireland's percentage unemployed was "by far the highest in Europe", being twice as high as the next in order in EEC. At the Census of Population of April 1971 when the out-of-work numbered 65,000 the percentages were,

	<i>Total</i>	<i>Total (excluding Agriculture, Forestry, Fishing)</i>
Unemployed as percentage of—		
(i) Total employee class	8.1 (7.2)	7.0 (6.3)
(ii) Total gainfully occupied	5.8 (4.7)	6.3 (5.4)

The figures in parentheses are those for 1966, showing that economic expansion since then has been accompanied by a small, but significant, increase in the unemployment rate. In 1971 gainfully occupied in AFF in Ireland formed 26 per



cent of total gainfully occupied and in AFF 82 per cent were non-employees.

Since the principal official panacea for reducing unemployment is economic development, very general relationships between economic and social variables have to be considered. Is the "indirect" approach likely to create full employment in the reasonably near future? Migration, particularly to other EEC countries, cannot be ruled out as a part-solution.

The unemployed on the Live Register are predominantly male, older than average, mainly in the unskilled and semi-skilled occupational categories. The rate of female unemployed at CP April 1971 was 3.8 per cent, less than half the male rate of 10.0 per cent. In September 1973 men aged 50 or more on the LR in towns were 34 per cent of the total, a percentage which did not vary much in the previous five years. The LR statistics are also analysed by industry. In 1973 the Construction group of industries had an unemployment rate twice as high as the general average.

In order to examine the problem by econometric methods two models were used. (i) a simple model based on a chart of three graphs and (ii) the COMET model of EEC. Neither of these hold the smallest prospect of the realisation of full employment with low net emigration without a drastic change of policy and outlook. The COMET Model has 62 equations of which 30 are estimated and 32 identities. The whole system had to be regarded as non-linear, the estimation of the coefficients in the 30 equations being solved by iterative methods. The COMET table which is a simulation of the unemployment rate for EEC countries 1973-1980 with annual averages 1976-1980, shows that by 1980 the unemployment rate  $U^*$  in Ireland will be 16.5 per cent whereas Denmark will be 0.9, France 0.9, Italy 6.9, Netherlands 4.9, Belgium 5.3, UK 3.4 and West Germany 2.3. The average rate 1976 to 1980 is, Ireland 14.8, Denmark 2.9, France 1.1, Italy 6.5, Netherlands 4.4, Belgium 5.7, UK 2.5, West Germany 2.4.

\* $U = NA - N/NA$  where  $U$ =unemployment rate,  $NA$ =available labour,  $N$ =employed.

On this analysis Ireland is expected to have a high unemployment rate because the rate of development of the economy will not be sufficient on the showing of the recent past, to absorb the number looking for jobs. COMET does not take account of the possibility of migration and it is suggested that perhaps the unemployment rate might be regarded as the sum of the internal unemployment rate plus an (employed abroad) mobility rate. The authors state that the main object in presenting the COMET results, is to ensure that "... these will not be realised. We have no illusions as to the magnitude of the tasks facing the people to ensure a substantial reduction in the unemployment rate. We want to have these tasks accorded the priority they deserve".

Finance of unemployment benefit in Ireland is by means of employees' and employers' social insurance contributions and by a state contribution. In 1958-59 payments of Unemployment Benefit and Unemployment Assistance together amounted to £4.5 million, in 1973-74 to £32.9 million. As proportions of current transfer payments, excluding national debt interest, unemployment payments represented 12.1 per cent in both 1958 and 1973. In 1973-74, the last year for which full details of transfer payments are available, UB and UA together amounted to £32.9 million but in the same year, old age and widows' pensions were £82.4 million and £32.2 million for disability payments, actually only slightly less than unemployment payments, a somewhat anomalous situation "if one takes the view that keeping the nation's labour force healthy and competent should have a high priority in government expenditure".

The record of special employment schemes in Ireland is one of failure to substitute work for dole. It was found that the "relief" aspects of such schemes had led to "serious loss of efficiency" due to the rotational scheme, the limited application of the schemes in most areas and the fact that schemes were separate from existing public works programmes.

At the present time the aims of demand management in Ireland were to promote "a level of demand sufficient to

achieve full employment and reasonably high living standards'. Thus, organisations were created, such as, the Industrial Development Authority, Shannon Free Airport Development Company, The Industrial Training Authority, the National Manpower Service. In addition, Government Departments such as The Department of Social Welfare and the Department of Labour administer schemes for helping the unemployed and encouraging the creation of jobs in the private sector.

The IDA was given the task of encouraging the expansion of existing industry and promoting new home and overseas sponsored projects. In the years ended December 1974 and 1975, however, estimated job losses in industry exceeded estimated jobs "created" by 3,700 in the former and 14,100 in the latter years. SFADCo was established with the objective of ensuring the growth and development of Shannon Free Airport.

The Industrial Training Authority (AnCO) was set up to improve and encourage training at all levels in industrial and commercial activities. For the year ended 31 December 1975, the Irish Government contributed £5 million and the EEC over £4 million to AnCO for training programmes and receipts from levy-grant schemes in industry amounted to £3.7 million.

The National Manpower Service (NMS) was established in 1971, under the Minister for Labour with responsibility for (i) placing the unemployed in employment and meeting employers' demands for labour; (ii) the provision of regular information on the numbers and characteristics of the unemployed to the Central Statistics Office for the compilation of the Live Register; (iii) the provision of vocational guidance on employment training and educational opportunities for adult workers, (iv) the provision of careers information.

The Department of Social Welfare administers the Unemployment Insurance Acts and the Unemployment Assistance Acts which provide for national exchequer support to

alleviate hardship due to unemployment by means of unemployment benefit and unemployment assistance. Pay-related benefit is also paid under certain conditions. Unemployment benefit is financed approximately 40 per cent from the employee, 40 per cent from the employer and 20 per cent from general government revenue. Unemployment assistance is financed in full from government revenue.

A Premium Employment Scheme was introduced in June 1975 administered by the Department of Labour, the objective being to encourage employers in manufacturing industry and agriculture to re-employ workers who have been made redundant. A total of £330,000 was paid up to 5 March 1976 representing the payment to 203 employers in respect of 27,340 premiums.

Emergency Employment schemes in developing countries as described by J. P. Arles of the International Labour Office, are discussed. Experiments in Kenya, Chile, Columbia and Morocco are cited. An article in the International Labour Review by M. Kabaj on shift work is also described. An OECD survey was undertaken in 1975 to consider the policies adopted in other countries for unemployment reduction. The recommendations of the survey may be summarised as follows:

- (i) Income maintenance for the unemployed, such as strengthening unemployment benefit systems or the differential treatment of special groups.
- (ii) Maintaining job attachments and employment by means of benefits for short-time work or temporary lay offs and the assistance of weak firms and sectors.
- (iii) Providing alternatives to employment, such as training or early retirement.
- (iv) Restricting the labour supply by, for example, the restriction of immigration.
- (v) Creating jobs by mobility measures and public employment-service or by the application of subsidy schemes to certain groups.

In Chapter 4 the authors recommend that a National Manpower Authority should be set up, under the Minister for Labour, a development of the present National Manpower Service, "... taking over all the present functions and staff of that service but greatly expanding them. Its duty would be to set the greatest possible number of unemployed to work in an optimal way". The choices open to it are: (i) leave matters as they are, accepting the present level of unemployed, remunerated as well as the country can afford; (ii) rely on the purely economic approach with perhaps intensification of IDA effort in non-agriculture; (iii) wage subsidisation, whereby employers receive payments from the government to keep on workers whom they would otherwise have to let go; (iv) a direct approach: as soon as a worker becomes unemployed he is given a job low in material and capital cost, a large extension of present practice which extends only to minor road making, repairing etc., works, social in character, largely infrastructural, typical of the kind of tasks undertaken by government, with no goods or services for sale; (v) the setting up of local industries, co-operative or other, which, while producing goods or services for sale, are not primarily impelled by the profit motive; (vi) controlled mobility, internal and external; (vii) programmes of training, retraining and general education of the unemployed; (viii) improvement of employment in agriculture; (ix) retirement of the elderly on the LR.

The economic approach towards the elimination of unemployment is calculated, first, by a crude method and then by the Input/Output principle. The crude method calculates that to set 100,000 people to work with the 1975 GDP at £3,548 million and the Labour Force 1.1 million would involve a gain of £394 million. The IO method consists in estimating the increases in gross output, added value etc. for sector *i* "to be expected from putting the unemployed in the sector to work". The resultant cost in 1974 of putting a person to work would be between £1,500 and £2,000 at

1974 figures when total taxation amounted to £955 million, social security contributions being £110 million. The programme would involve training on a vast scale and the closest regard to income restraint. "Everyone concerned would require dedication and, frankly, sacrifice, especially at the start".

The authors say "As a choice between the subsidised economic and the relief approach, the former is greatly to be preferred" but they argue that "... under NMA the two are likely to merge at the construction industry level and ... the closest regard must be had to economic efficiency and usefulness in selection of works for SWP ... Realistically the best we can hope for is a considerable permanent reduction in the number of unemployed and not in elimination".

Appendix A was written by Dr. Emile Costa, Rural and Urban Employment Policies Branch, Employment and Development Department, International Labour Office, Geneva, who came on a short mission to Ireland in 1976 at the authors' invitation to advise on the study.

Dr. Costa stressed the need for a Crash Employment Programme, as it did not appear to him "that the employment situation can improve in the near future" and in order "to prevent a deterioration in the social situation". He suggested income and investment policies such as (i) fostering investment through increased profits, (ii) wage restraint, (iii) the establishment of "crisis reserves" by public and private enterprise when the present recession is over, (iv) reorientation of investment priorities if a labour intensive works programme should be launched, (v) a "certain degree of active planning by the Government and, consequently, changes in the administrative structures", (vi) deliberate preference being given to labour-intensive industries, particularly if a wage restraint policy is acceptable. This is not at the level of "the simplest traditional methods of production" but rather of intermediate technology, (vii) the

fuller utilisation of existing industrial capacity, (viii) measures in favour of redundant workers and to promote occupational redeployment. In addition to the Redundancy Payments Scheme, Premium Employment Programme and AnCO training and retraining, there could be the granting of special allowances to older workers, resettlement assistance scheme, "income maintenance allowances" for downgraded workers, (ix) the setting up of workers' co-operatives by the unemployed, (x) vocational training planning, (xi) training of young workers within industry, (xii) training of migrant workers.

A Special Works Programme suggested by Dr. Costa "should try to give work to all those who are totally or seasonally unemployed and are prepared to work"; this includes in addition to those on the LR, young people, self employed, and those excluded from the LR for various reasons of ineligibility. The average proportion of GNP which has been devoted to such programmes in developing countries is two per cent. "Since GNP per head is much higher in Ireland, it should be acceptable to devote to a SWP three per cent of the GNP which would amount to £105 million a year on the basis of a GNP of £3,533 million. It was then calculated, taking labour costs as 60 per cent of total costs that the SWP would be able to provide 27,000 man years of work at a labour cost of £45 per man week. If wages could be reduced to a labour cost of £36 per week, the SWP would provide 34,000 man years of work but . . . "when one takes into account the multiplier effect (indirect and secondary employment effects), which may be higher than 2. . . . it can be seen that the SWP should permit the absorption of 70,000 man years".

The criteria for selection of SWP workers are defined, (i) financial, (ii) length of time on LR, (iii) concentration on depressed occupations, (iv) concentrated programmes in depressed areas, (v) age and good health.

In order to repay rapidly part of its cost, any SWP should

include a substantial proportion of directly-productive projects and a training component particularly as far as young workers are concerned. It should have a public works component, a rural works component and a youth component. Projects should be complementary to other development works and should maximise short-term employment generation.

The possible administrative structure and financing of SWP was discussed. If a high order of priority in national expenditure or policy is accorded to the problems of unemployment, measures would have to be introduced to finance proposals. Regard could be given to (i) the possible flexibility in budgetary techniques, especially for sharing expenses between national and county budgets, (ii) the possible contributions in kind by participating populations, particularly in the form of materials, (iii) the possibilities of repayment by the beneficiaries of a proportion of the profits accruing from the projects.

If the SWP proved successful, "through the selection of a fair proportion of directly-productive projects to generate long-term employment, it should become purposeless after a number of years".

Appendix B is a summary of a paper entitled "Planning and Employment" read by Kieran A. Kennedy at the Twenty-fourth National Management Conference, Killarney 1976. It is suggested that employment creation should be the primary objective of any new national plan. "The most essential ingredient of the plan is a restructuring of public expenditure and tax policies in the light of the employment objective, . . . Elementary processing operations alone may secure little expansion in employment, unless followed by the development of further downstream industries." A major restraint on employment creation is the pursuit of a higher real incomes "by employees of all kinds . . . Government measures to secure pay restraint are considered under six headings: (i) general statutory restraint, (ii) greater re-



sistance to public sector pay claims, (iii) stiffening the resistance of private sector employers, (iv) fiscal measures to limit pay settlements or offset their effects, (v) profit sharing schemes, and (vi) devaluation. If all or most of these are ruled out, the objective of full employment may be unattainable."

Appendix C gives details of an ILO Manual based on the reflections on, and experiences of, labour-intensive public works programmes in developing countries over the past twenty years. The Manual should be "an indispensable guide to all directors of such programmes".

## *Introduction*

**T**HE object of this paper is to make a contribution, however small, towards the solution of one of Ireland's gravest social problems, the endemically high unemployment rate. The paper is almost entirely a loosely organised compendium of previous work, including our own. The present authors will be well content if the paper proves useful in forming plans for putting people to work, or even in contributing towards making Irish people realise the gravity of the problem they have in hand, for such realisation must lead to an insistence on action on an increased scale. We are, emphatically, of the opinion that the traditional thinking on the subject is not enough. We do not suggest new approaches. However, we do suggest emphases so different as to constitute a fundamental change of approach.

In order to effect a substantial reduction in the number of unemployed, our main proposals, which admittedly have not the force of absolute proof even after our fairly elaborate examination, and hence require fuller investigation, are as follows:—

- Considerably larger funds should be expended than heretofore, i.e., the problem must be accorded a higher priority in public expenditure.

- Perhaps our principal thesis is that the problem of unemployment must also be tackled by special employment schemes, the main object of which is not economic but to put people to work. The fullest regard must be had to economic and social efficiency in the selection of works to be tackled, from the vast number of possible socially useful works.

- Industrial development on an enhanced scale must remain the principal method, as the most economical, for

putting the unemployed, including young people with no previous job, autonomously to work.

● Regard should be had to the potentialities of employment induced from all forms of direct labour, in the service-type industries (building, etc.) and services proper.

● The tacit acceptance of continued decline in numbers working in agriculture should be abandoned and efforts made to increase employment therein by increased investment, to realise something like double the present physical volume of net output, stated by experts to be possible.

● The Irish unemployment problem is due mainly to too large a labour pool of unskilled men. Increased attention must be devoted to making education a training for life and to turning out increased numbers of trained people.

● Even in the next ten years, when those to come into the labour market are already born, and hence number of job seekers fairly accurately forecastable, with economic recovery abroad it may be necessary to have recourse to some emigration to ensure full employment at home. Such emigration will be officially recognised, to the extent that, before leaving, emigrants will be properly trained and, after leaving, their interests abroad promoted.

● As a development of the present National Manpower Service there will be created a National Manpower Authority with ample autonomous powers and funds, under the general direction of the Minister for Labour, responsible for creating full employment in Ireland in the shortest possible term of years. The ambit of this Authority would extend to all possible avenues of employment at home and abroad, including some not mentioned above, e.g., subsidised employment and employment in workers' co-operatives.

● NMA should give the closest attention to detailed planning, including optimal selection of works, well in advance, training of supervisors at all levels, inspection at irregular intervals, records etc., of all Special Works Programmes (SWP).

In Chapter 1 we provide a general background to the problem and in it we use a very simple model to show the magnitude of the problem of increasing employment in Ireland. The elaborate COMET econometric model shows

that, without recourse to emigration, the unemployment rate is likely to increase from 7 to 16½ per cent between 1973 and 1980, based on the—on the whole favourable—period 1954-1971, i.e., ignoring the depression of the past two years, by far the worst forecast, absolutely and relatively amongst EEC countries. This chapter is our main reason for stating that a revolutionary approach will be necessary to effect a reduction in the unemployment rate.

Chapter 2 summarises past experience in Ireland as a guide to what to do and, more important, what not to do in future planning of employment schemes. Chapter 3, dealing with experience with these schemes in other countries, has a similar object; we call attention to some aspects of methodology in Appendix C.

Chapter 4 begins with some remarks designed to lead to the formulation of a programme. In propounding the heads given above we were considerably influenced by a paper prepared for this research by E. Costa of the ILO which we reproduce as an Appendix and which we regard as about the most important part of this work.

Though long, the present paper, in so far as it refers to many authorities, is but a brief summary, and recourse must be had to the originals for a thorough appreciation of their contents. Indeed, within the spirit of the paper, we provide an extended list of references to works which we consider useful even though we may not refer specifically to some of them in the text.

In planning this paper we decided that we could ignore the recession and regard our problem as that of reducing the customary level of 60,000-70,000, disregarding the present day LR as unrepresentative in age, sex, employment etc., of registrants. Now we are less sure. How "permanent" is this 100,000? With the very high level of incomes ruling, tangible capitalisation will be encouraged with reduction in the labour-capital ratio\*. Has the recession, coupled paradoxically

\*A fall in the ratio could, however, still be consistent with growing employment, with a greater increase in capital.

ally with rapidly increasing money wages, hastened the approach of the Leisure Age? In this paper we largely ignore this recent high level of unemployment, though figures pertaining to it are used in Costa's Appendix.

We started this research with the idea that special works would make the main contribution to the solution or mitigation of our unemployment and under-employment problem and, in large part, the paper consists of descriptions of Irish experience in the past and world experience in recent times, designed as a guide to prudent policy in the future. E. Costa's paper (Appendix A), on which we rely heavily, has the same emphasis.

B. M. Walsh's suggestion that we should take a closer look at the economic possibilities resulted at a late stage in a change in emphasis. In Chapter 4 we show that subsidised economic development holds the possibility of generation of taxation that might pay for employment with little recourse to borrowing. There has been no change in our initial hypothesis (from the earlier Geary-Hughes paper) that the problem requires direct attack, i.e., to reduce the number of un- and under-employed, even if this policy be suboptimal in regard to the purely (i.e., unsubsidised) economic approach in the non-agricultural sector. We see little hope of future reduction in the unemployment-cum-emigration level without agriculture's physical economic development, at least to the point that it can absorb its own surplus manpower. Accordingly both the special works and perhaps the subsidised economic development should have a strong agricultural dimension.

We have no new suggestion as to how the problem should be tackled. All are at present in operation on a fairly large scale (particularly IDA, AnCO). Wage premiums and agricultural administration, research and development and special works have been tried in the past. Unfortunately, there is little to show for the effect on unemployment, of all these activities; of course it is true that if it were not for them the unemployment level might be worse, a view-

point that is scarcely inspiring. Expenditure on these known activities must be greatly increased to have such appreciable effect as to appeal to the national imagination. The National Manpower Authority that we suggest will have the closest regard to economy and efficiency in the selection of projects of special works (Costa's SWP) of which it will have charge and a strong voice with IDA to ensure that in future there will be a marked bias towards labour-intensive industry.\*

Crucial for the grand strategy as a whole will be that the extra taxation to accrue from subsidised industry will all be devoted to the lessening of unemployment and not dissipated over the whole body of general government expenditure.

We envisage three phases in the attack on the problem. The first, to be put in hand by NMA with the least delay, will be the SWP. At this stage also persons past their work will be pensioned off.

During this first phase of perhaps several years, preparations will be made (including training and retraining on a large scale) for the second phase which is that of subsidised industry. Of course some of this, perhaps on IDA's present scale, will be going on during the first phase. We must always bear in mind that the new proposed Register of unemployment and underemployment will be changing all the time, in particular through recruitment of school leavers. It will be necessary to have recourse to loans during the first and second phases, easy to raise when it will be clear that the strategy is effective.

The third phase we hope will be millennial. The economy will be functioning economically without subsidy at a higher level than at present. Probably we can never reduce unemployment below say 40,000, with say 10,000 net emigration. Smaller numbers might not be consistent with national efficiency. Our national income should be such, however, that we can compensate our unemployed adequately and ensure that our

\*IDA would, however, have other views on the issue of the appropriate level of labour-intensiveness which should be encouraged in manufacturing investment.

emigrants are properly trained and not "lost" to their country.

This whole scheme is fantasy without a kind of dedication on the part of the majority, which is lacking at present. We must remind ourselves that the present depression has involved no reduction in consumption on the part of most of us; it is a large minority who have to bear the brunt. At more or less present level of output it is obvious that those who take more leave less for the rest.

We see no hope without present sacrifice of consumption by most of us. The immediate object is a great rise in the volume of goods and services exported; income restraint is designed to make us competitive. We must remain competitive if we are to participate in growth of export demand. Essential to such participation are moderation in labour cost increases together with relatively rapid increases in labour productivity. The ultimate object is to raise the nation to a new level of material output in a short term of years—instead of our being the poor man of Europe as the COMET forecast portends.

More equal sharing would seem to be a corollary of 'Love thy Neighbour as Thyself.' Are we Christian in any real sense?

### *Abbreviations*

AFF	Agriculture, forestry, fishing
AnCO	The Industrial Training Authority
CB	County Borough
CETA	Comprehensive Employment and Training Act
c.c.	Correlation coefficient
CP	Census of Population
CSO	Central Statistics Office
DO	Depressed occupations
D/LG & PH	Department of Local Government and Public Health
DW	Durbin-Watson statistic
D/SW	Department of Social Welfare
EEC	European Economic Community
EOA	Economic Opportunities Act
ESR	<i>The Economic and Social Review</i>
ESRI	The Economic and Social Research Institute
GDFCF	Gross domestic fixed capital formation
GNP	Gross national product
ICTU	Irish Congress of Trade Unions
IDA	Industrial Development Authority
ILO	International Labour Office
IO	Input-Output
ISB	Quarterly <i>Irish Statistical Bulletin</i>
LF	Labour force
LR	Live Register of current unemployment
MES	Minor Employment Schemes
MDTA	Manpower Development and Training Act
NAU	Non-agricultural unemployed
NESC	National Economic and Social Council



NMA	National Manpower Authority (proposed)
NMS	National Manpower Service
PEP	Premium Employment Programme
SESO	Special Employment Schemes Office
SWP	Special Works Programme
TEU	<i>The Trend of Employment and Unemployment,</i> compiled by CSO, latest for 1973
TU	Trade Union
UA	Unemployment Assistance
UB	Unemployment Benefit

## Chapter I

### *The Setting of the Problem*

#### *Prefatory*

IT used to be a cliché in demography that in most international comparisons Ireland's situation has been exceptional. One need only cite our low marriage rate, high fertility rate, high emigration rate, resulting in a declining population over the past century and in the fact that the ratio of number of Irish-born domiciled abroad, to the population of the mother country, is one of the highest in the world. Emigration has also been responsible for the low proportion of the population in the active ages 15-64, resulting in a dependency ratio of 73 (1971) compared with 54.59 (c. 1971) for other EEC countries.<sup>1</sup> It goes without saying that, with a GNP per head about one-half of that of most of our EEC partners, a considerable constraint is imposed on the level of social security or indeed any kind of public payments we can afford.

Of greater relevance is the fact that in 1971 Ireland's percentage unemployed was by far the highest in Europe, twice as high as the next in order in EEC (O'Higgins and O'Hagan, 1973). At the Census of Population of April 1971 when the out-of-work numbered 65,000 the percentages were as follows:

	<i>Total</i>	<i>Total excluding AFF*</i>
Unemployed as percentage of—		
(i) Total employce class	8.1 (7.2)	7.0 (6.3)
(ii) Total gainfully occupied	5.8 (4.7)	6.3 (5.4)

<sup>1</sup>*United Nations Demographic Yearbook*, 1973.

<sup>2</sup>Excluding agriculture, forestry, fishing.

The figures in parentheses are those of the previous CP, five years before, showing that economic expansion since then has been accompanied by a small, but significant, increase in the unemployment rate. Clearly, Ireland would make a better international showing under concept (ii) which, however, is open to the objection that it takes no account of under-employment in the non-employee class, mainly farmers and working members of their families. In 1971 gainfully occupied in AFF in Ireland formed 26 per cent of total gainfully occupied and in AFF 82 per cent were non-employees.

There have been remarkable changes in the last two decades. Perhaps the most heartening is that the marriage rate, practically unchanged at  $5\frac{1}{2}$  per 1,000 for a generation up to and including the year 1965, has moved to nearly  $7\frac{1}{2}$ , almost a demographic revolution in the few short years since then. The net number of emigrants, 43,000 a year as recently as in the decade 1956-1961, has been reduced to 17,000 in 1961-66, further to 12,000 in 1966-71, and to a net immigration in 1972-1973. The result has been that, with a sizeable natural increase, the population has begun to rise, slowly but significantly, after practical stagnation during the half-century before. We shall draw inferences from these fundamental changes later which, if sometimes less than positive proof, are essential for a hypothetical background to what we conceive to be right thinking on this problem of reducing the human and financial wastage in carrying perpetually large numbers of unemployed.

Since 1961 (and until very recently) the unemployment rate, at 6.7 per cent, has been at a lower level than previously: from 1947 to 1961 the seasonally corrected quarterly rates oscillated between 7-10 per cent (Geary and Hughes, 1970). The unprecedentedly large economic advance since 1960 has had little impact on the size of the labour force, almost constant at about 1.1 million, a sizeable fall in agriculture being almost exactly balanced by a rise

in non-agricultural economic activity. Having regard to the fall in emigration, casting more job-seekers on the labour market, it is remarkable that the unemployment rate is so low, compared with the past. However, our initial supposition is that it is still intolerably high.

### *Sources of Statistics*

Regular sources of official statistics of unemployment are the Live Register (LR) and the Census of Population (CP). The LR statistics, compiled by CSO from returns supplied by local offices of the Department of Social Welfare, are published in various detail from weekly to yearly.<sup>3</sup> They are, of course, the main source of current information on unemployment. The CP statistics are available only for a single date every five years but they are sub-classified in considerable detail. The great majority of unemployed register at the local offices because they have a financial inducement to do so and not primarily because they are seeking work, though refusal to accept a suitable job would be a disqualification for payment. This means that most of the unemployed not entitled to benefit are not included in the LR. These exclusions include most young people (aged 15-17) seeking their first job, endemically a problem category in Ireland because the number is so large. The CP statistics are probably of better quality than those of LR, especially as regards place of residence and classification into occupation and industry, and have been used effectively for level and trend comparisons over intercensal periods. In favour of such procedures is that, broadly speaking, there is a measure of constancy over short periods in the characteristics of the unemployed: the story at a single date tells the story of many dates near it.

Though they differ in numbers in different categories

<sup>3</sup>Media of publication of LR data are the *Trend of Employment and Unemployment* (latest for 1973, Pri. 4375), the quarterly *Irish Statistical Bulletin* and current leaflets.

(e.g., industries), total numbers on LR and at CP of males and females at near Census date usually agree fairly well (Geary and Hughes, 1970—Appendix).

### *Statistical Analysis*

Statistics from both principal sources have fairly recently been analysed in considerable detail (by one of us amongst others) (Geary and Hughes, 1970) so there is no need to repeat, or even to try to extend, these analyses here. In what follows we shall simply describe the principal relevant results of these researches with as little recourse to actual figures as possible.

Since the principal official panacea for reducing employment is economic development, in the comment that follows we have to consider very general relationships between economic and social variables, not only proven but speculative. The question here is: is this "indirect" approach likely to create full employment (however defined) in the reasonably near future? If this is so, obviously it is the choice which should be made to solve the unemployment problem, the problem of optimality arising only in regard to choice and location of economic activity. If not, we cannot exclude the possibility of a revival of emigration, though the latter term may come to be regarded as a misnomer (carrying, as it does, a trail of bitter past associations in this country of relatively largest emigration in the last two centuries) and the word "mobility" as more suitable under EEC conditions; and ultimately the word might be qualified by "external". The modern fashion tends to be for industry to come to people instead of vice versa. The Irish, with their tradition, may be less reluctant to move than most and, envioning conditions being favourable, be able to take advantage of better wages elsewhere in EEC than in Ireland. Certainly, such migration cannot be ruled out as a part-solution. We may here remark that the optimal solution of the Irish un-

employment problem will probably involve a mixture of the several approaches.<sup>4</sup>

### *Female Unemployed*

The problem of lowering the female LR is very minor compared with that of the male LR. At CP April 1971 women constituted 26 per cent of the labour force of 1.1 million amongst non-agricultural employees. A survey conducted by Walsh and O'Toole (1973) showed that married women's participation (in LF) amounted to 15.3 (part-time 9.6, full-time 5.7) per cent. Ireland's full-time rate of 5 per cent is in marked contrast to the some 30 per cent quite common in Western Europe (Walsh and O'Toole, 1973), a contrast obviously related to the far higher fertility of marriage amongst Irishwomen, hence with greater commitment to household duties, still, it is expected that the low Irish percentage will increase.

On average in 1973 the number of females on the LR numbered 12,000, or one-sixth of the total number on the LR. At CP April 1971 the female rate was 3.8 per cent, less than half the male rate of 10.0 per cent. A rate of 3.8 per cent might be regarded as "full employment" in Irish conditions. Of course, it will be borne in mind that a vagueness attaches to any definition of female unemployment because many of those engaged in "home duties" would be "able and willing" for paid employment if pay and other conditions were right. Even at CP 1966 only 6 per cent of married women described themselves as in the labour force, nearly the same as the foregoing 1972 survey figure for "full-time participation" but ignoring the 10 per cent part-time participation.

<sup>4</sup>We resume the study of Irish emigration in its relation to unemployment later. Some of our colleagues in ESRI do not like our treatment of the subject. Our most severe critic in this respect writes: "Certain contentious passages, especially digressions on the social costs and benefits of migration, should be dropped." We do not drop these offending passages less because of insistence that they are right, than that migration (or, as we prefer to call it, mobility) and other possible aspects, should not be ignored.

### *Age of the Unemployed*

In September 1973 men aged 50 or more on the LR in towns were 34 per cent of the total, a percentage which did not vary much in the five years previous (TEU, 1975). To answer the question "are unemployed persons older than those gainfully occupied?" recourse must be had to CP.

Table 1.1 shows that, corrected for occupational distribution, men on the LR are appreciably older than the generality, the phenomenon is less marked than one might have expected. The problem, the relief of unemployment, is by no means confined to the elderly. Comparison of the foregoing CP statistics may be made with those of LR. The

Table 1.1: *Male unemployed classified by age April 1971, actual and hypothetical, including and excluding AFF*

	<i>Age group (%)</i>				
	15-29	30-39	40-49	50-59	60+
Total—					
Actual	28.0	14.0	17.1	21.8	19.1
Hypothetical	31.6	17.1	18.3	18.6	14.4
Total (excluding AFF)—					
Actual	30.8	14.9	16.9	20.2	17.2
Hypothetical	35.3	18.1	18.2	17.5	10.9

*Basic source:* CP 1971

*Note:* The hypothetical percentages are those that would be found if the numbers in the different occupational groups amongst the unemployed were age-distributed as in the GO male population.

latter relate to UB and UA claimants residing in towns in September 1971 which are compared with actual (excluding AFF) in Table 1.1 in April 1971

	<i>Aged 15-29</i> %	<i>Aged 50+</i> %
LR	35.7	32.4
CP	30.8	37.4

Men describing themselves as out-of-work at CP are older, on average, than those on LR, possibly because of ineligibility of older men, though out-of-work, for unemployment payments. Another inference is that the problem may be more age-oriented than indicated by LR statistics.

B. M. Walsh (1974), regressing the proportion of the urban male LR in each age group on (i) non-agricultural unemployment rate (ii) net emigration rate and (iii) linear trend in the 19 years 1954-1972 found highly significant results for age groups over 21. Expressing the coefficients for (i) in mean elasticity form, he finds elasticities ranging regularly from .57 for ages 21-24 to  $-.81$  for ages 60+. He infers that "as the unemployment rate falls the proportion of younger men on the LR tends to fall . . . At the other end of the scale, as the unemployment rate falls, there is a fairly pronounced rise in the proportion of male LR consisting of those aged 60 and over".

CP April 1971 shows that, when the general male unemployment rate was 10 per cent, the rates for all four young age groups from 14-19 to 35-39 were much the same at 7.8 per cent; the rates increased sharply and regularly from 8 per cent for ages 35-39 to 25 per cent for ages 65-69. If these figures show the age-effect more emphatically than previously, clearly the rates for young men are formidable.

#### *Duration of Unemployment*

Unemployment is specially severe in Ireland for those who experience it at all. TEU shows that in September 1973 the average number of weeks of employment obtained during the previous twelve months was 12, the lowest figure for the six years 1968-1973, for which the average was 14 weeks, i.e..



men on the LR spend one-quarter of each year at work and three-quarters idle. Further, the number of weeks employment does not vary so much with age: in September 1973, while it is true that the under 21's got 16 weeks work, all other age groups from 21-25 to 60-65 ranged from 10-13 weeks.

From a different angle: in November 1973 almost exactly half the males and 45 per cent of the females on the LR were in continuous registration (i.e., out-of-work) for a half-year or more.

When one studies the table of the percentage of registered unemployed males who had no work during the previous twelve months one is immediately struck by the great rise between the years 1968 and 1969, obviously due mainly to the increase (in 1968), in duration of payment of UB from six to twelve months. From ages 25-29 to 60+ the percentage increased rapidly and regularly from 18 to 46 in September 1972.

In a very interesting section of his paper Walsh (1974) showed that in 1972-1973 the probability for males of remaining on the LR for at least three months averaged .60 compared with .39 in 1966-1967, six years before. The male probabilities for remaining on LR for twelve months or more nearly doubled in the six-year period, from .14 to .23. The female probabilities showed the same upward trend, but at a far lower level.

This sharp upward trend in the propensity to remain for long terms on the LR has been assumed to be mainly due to the rise in unemployment payments, proportionately much greater than in incomes which we discuss later. Walsh (1974) calculates that in 1974 an unemployed father of four would have a net income equal to 88 per cent of average net industrial earnings as long as he qualified for UB\* (which

\*However since July 1976, in the case of wholly unemployed persons, the total benefit payable by way of flat-rate unemployment benefit, pay related benefit and income tax rebate may not exceed 85 per cent of the average weekly earnings after deduction of income tax and employment contributions in the tax year in which the unemployment occurs.

qualification period, to repeat, has recently been extended from six to fifteen months) and equal to 48 per cent when he was on UA. This contrasts with the 32 per cent estimated by Geary and Hughes (1970) for total payments in December 1967 of non-agricultural UB and UA in relation to earnings which the workers concerned would have received had they been employed. It will also be borne in mind that unemployment payments are not taxable and that the unemployed also receive children's allowances, if qualified.

### *Regions*

Amongst the eight regions into which TEU presents the LR statistics, the non-agricultural unemployment (NAU) rate, for Dublin (Dublin County Borough and Dun Laoghaire Borough) is by far the lowest. Geary and Hughes (1970) remark on what they term the "staircase effect" of the regional unemployment rates. This means that the annual regional rates (in the period 1950-1968) follow each other closely with Dublin nearly always lowest: the economic level and trend in this small country is pervasive. These authors also show that the eight NAU rates are reasonably consistent with six socio-economic indicators, e.g., percentage population in towns and average employee income. Regression of net emigration rate on the NAU rate for the intercensal period 1961-1966 was

$$e_c = -9.35 + 2.57u,$$

with  $r = .83$  significant ( $P = .01$ ) with d.f. = 6.

When Walsh (1974) regresses the annual NAU rate for each region on (i) the annual NAU rate for the other seven regions and (ii) linear time trend during the nineteen years 1954-1972.  $\bar{R}^2$  is never lower than .87 and DW's are indicative of residual independence.

### *Occupation and (Normal) Industry*

The large wealth of data available in these regards from both CP and LR are perhaps the best indicators of the

circumstances of the unemployed, to be taken into account in any schemes for alleviation. In the comments following, attention is confined to the male NAU.

Geary and Hughes remark "Non-agricultural unemployment in Ireland would scarcely be the major problem it is were it not for its chronic magnitude in three very large [unskilled] occupational groups". The three groups are (i) builders, etc., labourers, (ii) road, etc., labourers and (iii) general labourers, practically all male. These are termed Depressed Occupations (DO).

At CP April 1971 together they accounted for 20,000 out of a total of 43,000, i.e., not far short of one-half. Their unemployment rate (i.e., as percentage of number of employees at work and out of work) was 22.7<sup>4</sup>, compared with a rate of 5.6 for all other male non-agricultural employees. i.e., a ratio of 4.1. The general male NAU rate was 8.6.

No fewer than 91 per cent (CP 1966, Vol. VII) of DOs (at work and idle) ended their education at primary level and one must surmise that DOs contain many of that near 50 per cent of primary level children who (c. 1963) left without completing the course.

Geary and Hughes (1970) estimate that about 2,000 young men enter DOs every year. It is true that, as Hutchinson (1973) shows, many DO entrants improve their employments in their subsequent career odyssey. The majority do not. There is obviously a vast social waste in this recruitment (mainly from under-privileged homes) to relatively poorly-paid (an entrant should reckon on only 75-80 per cent annually of the low stated pay) and probably unpleasant duties. The emotional rhetorical question in (Geary and Ó Muircheartaigh, 1974) stands "How many geniuses are lost every year amongst the 2,000?"

A mitigating circumstance, also relevant to this inquiry, is that one-third of those in DOs live in households with

<sup>4</sup>Not including male agricultural labourers out of work (April 1971), numbering 10,000 or 23.8 per cent.

agricultural land (Geary and Hughes, 1970). Many of these people therefore have a modest sufficiency, making them less inclined to seek better work.

The LR statistics are also analysed by industry. From what has gone before we are not surprised to find that in the Construction group of industries the rate (14 per cent on average in 1973) is twice as high as the general average. It is obvious that any serious attempt to reduce unemployment must concentrate on (i) General building and (ii) Other construction (roads, etc.) and/or reduce the numbers engaged in them.

Using CP April 1966 statistics, Geary and Hughes (1970) showed that, out of 184 industries, 79 had rates less than 4 per cent unemployed, which industries accounted for 42 per cent of the non-agricultural GO. The proportion of persons GO in industries with less than 2 per cent unemployed (in 1966, the conventional percentage for indicating "full employment") was 19 per cent.

Reverting to LR, there is a strong cyclical similarity between the trends in the unemployment rates in eight broad industrial groups, a fact of considerable importance in considering the extent to which the future trade cycle can be relied on to reduce the unemployment rate autonomously. If we succeed in reducing the rate in Manufacturing, will reduction follow in Construction, Commerce etc? Geary and Hughes, using annual data 1947-1967 inclusive found generally high c.cs. between Manufacturing and six of the seven other major groups, not only using *absolute* rates as data but the far more testing year to year *changes*.

B.M. Walsh (1974) carried the industrial analysis still further, in regressing the unemployment rate in each of eight broad industrial groups on trend and the general non-agricultural rate excluding the dependent variable group, using annual data for the more recent period 1954-1972. He finds high values of  $R^2$  (none less than .54, the highest Commerce .91 and Services .86 and concludes)—

Construction is a very major contributor to the national unemployment problem, and the fairly significant negative trend in this sector is the most encouraging showing [of his Table 15]. On the other hand, the significant positive trend in such important sectors as *Manufacturing and Commerce* indicates that these sectors have experienced an upward trend in their unemployment rates relative to the national average.

As to the latter part of the comment it may be noted that Walsh's (1974) data extend to the not-so-good years 1968-1972, compared with those of the Geary-Hughes (1970) analysis. Walsh makes the following important comment as a result of his consideration of the Construction industrial group: —

... the Government's capital programme, which is a major factor in this sector has not been used in a counter cyclical fashion, but has rather tended to aggravate the cyclical fluctuations in the rest of the economy.

### *Emigration*

All researchers have linked emigration with unemployment. Happily nowadays emigration is a less emotive subject than it was. Geary recalls his coming in for adverse public criticism in the 1930s when he showed that emigration in the 100 years before had more of the character of a "pull" (to other countries) than a "push" (from under-development at home) and that a large increase in population (i.e., anything like the politically sacrosanct pre-Famine 8½ million for the whole island) by the end of this century was most unlikely (Geary, 1935). Scarcely a vestige of this public attitude remains, possibly because of the diminution to vanishing point in the most recent few years of net emigration.

This diminution, coupled with the greatly increased marriage rate, in a short term of years is a most remarkable phenomenon. It means that possibly for the first time in

Irish history a majority of young people have come to believe that they could make a career in Ireland. Such a sentiment is, of course, to be welcomed, but it can also exacerbate the problem of finding work at home.

### *Relation between Emigration and Unemployment*

The number of persons born in the Irish Republic residing in England and Wales in 1966 was 674,000 equivalent to one-third of the population of the home country aged 15 or over. This extraordinary showing as between politically independent countries, naturally raised the question: does the Republic behave in the unemployment-emigration relationship as if it were a region of Britain? To answer, Geary and Hughes (1970) studied the relationship between the average rates of unemployment ( $u$ ) and of net emigration ( $e$ ) of insured persons in seven British regions in the five years 1962-1966. The regression was: —

$$e_c = -0.7684 + 0.426u$$

for which  $r$  had the remarkably high value of .98, overwhelmingly significant even with only seven pairs of observations. If this formula applies to Ireland, the NAU rate for the years 1962-1966 being 5.8 per unit ( $=u$ ), using the foregoing formula average annual net emigration would have been 8,500, regarded as a reasonable estimate of the net emigration of non-agricultural unemployed, in annual average net emigration of 16,000 in the period 1961-1966. The authors therefore found that in its reaction emigration-wise to unemployment, the non-agricultural unemployed behaved as if the Irish Republic were a British region.

This would mean that part of the explanation of the low emigration rates in the past few years is the depression in Britain. One infers that if the rate of recovery in Britain is greater than in Ireland, migration to Britain will be resumed, in possibly sizeable volume. As EEC is also depressed

but with a potential for recovery and advance possibly greater than for Britain or Ireland, a future large migration to the Continent cannot be ruled out of account. Such a move cannot be prevented, should not be deprecated, but efforts should be directed towards making conditions for migrants as good as possible, including training them properly.

No one has studied the relationship between unemployment and migration more successfully than has B. M. Walsh (1968) using single equation regressions, with either variable as dependent. An equation explaining year-to-year *change* in number of *NAU* ( $\Delta U_n$ ) is as follows:—

$$\Delta U_n = 14.61 - 0.53 \Delta E_n - 0.42 M + e$$

(5.1)    (5.3)            (5.2)

*E* being non-agricultural employment, *M* level of net emigration, all numbers in thousands, regression period 1952–1966. For a  $\Delta$  equation the  $\bar{R}^2 = .73$  is remarkably high. One may be doubtful about the chain of causation: If  $\Delta E_n$  can be regarded as indicating change in production and hence a causation variable, *M* is surely more the effect than the cause of change in numbers unemployed, i.e.,  $\Delta U_n$ . This is the view taken in another of Walsh's regressions (quoted, with reference, in (Steven H. Sandell 1974)—

$$N_c = 7.05 - 9.56 \frac{W_I}{W_B} - 0.33 \frac{U_I}{U_B}$$

(4.3)    (4.3)            (5.1)

*N*, net emigration as percentage of population aged 15–64, subscripts *I* and *B*, meaning Ireland and Britain, *W*, average real weekly earnings of industrial workers, *U*, annual average percentage of insured workers registered as unemployed (excluding agricultural workers in Ireland). This is statistically a very satisfactory relationship: its  $\bar{R}^2 = .84$  and if its *DW* = 1.37 is somewhat low, as indicating absence of residual auto-regression (i.e., completeness of relationship), the cause-effect

direction seems right, in the case of all three variables involved.

Regarding the last relationship as an equation and taking  $W_I/W_B$  as 0.8, (more or less realistic) we find that  $N_t=0$  when  $U_I/U_B=1.8$ , an annual ratio never obtained in the post-war period. It will be unrealistic to leave migration out of account in any future consideration of lowering the unemployment rate.

### *Full Employment*

This condition has been adjudged by percentage unemployed. The report of Full Employment of the National Industrial Economic Council (NIEC) published in January 1967 proposed a figure of 2 per cent. Since then there has been a lowering of sights, following a more realistic appraisal of what is possible in Ireland. Almost independently in the Colin Buchanan and Partners Report. Geary and Hughes (1970). B. M. Walsh (1973) and the National Economic and Social Council (advised by B. M. Walsh) (NESC) assume 4 per cent and S. H. Sandell (1973/74) raises the figure to 5 per cent.

The NESC (1975) asked B. M. Walsh to make population projections for the period 1971-1986 and to calculate the net increase in total employment which would have to be achieved if full employment were to be reached by 1986, on certain assumptions about the possible behaviour of emigration, fertility, marriage and participation rates. The Council prudently adds "It cannot be emphasised too strongly that Professor Walsh's projections are not forecasts of what will happen", a point stressed by Walsh himself in his report appended to the Council's. This figuring is merely a sensible aid to thought and to planning.

As a pioneer in the field of projecting the Irish population by age and sex on various assumptions Geary (1935) congratulates Walsh on his thoroughness. As Walsh's projection period is only 15 years from CP date April 1971, one can have much confidence in his population results for 1986,



especially for ages 15 or over, for all these people were in existence and included in CP 1971. Hazards attach to the projections of numbers under 15, number married, participation and fertility rates. Walsh pays close attention to the past trends in the multitude of rates involved in his projections. He presents his results in the form of Low and High estimates. The range shown for 1986 mainly reflects variations in assumptions made about emigration and participation rates.

The main result is that if the average redundancy rates (i.e., number of redundancies each year as percentage of industrial employment) were  $2\frac{1}{2}$  per cent (only half the rate obtaining in the last few years), the gross number of new jobs required would be of the order of 375,000 to 420,000—or over 25,000 a year. Is this possible?

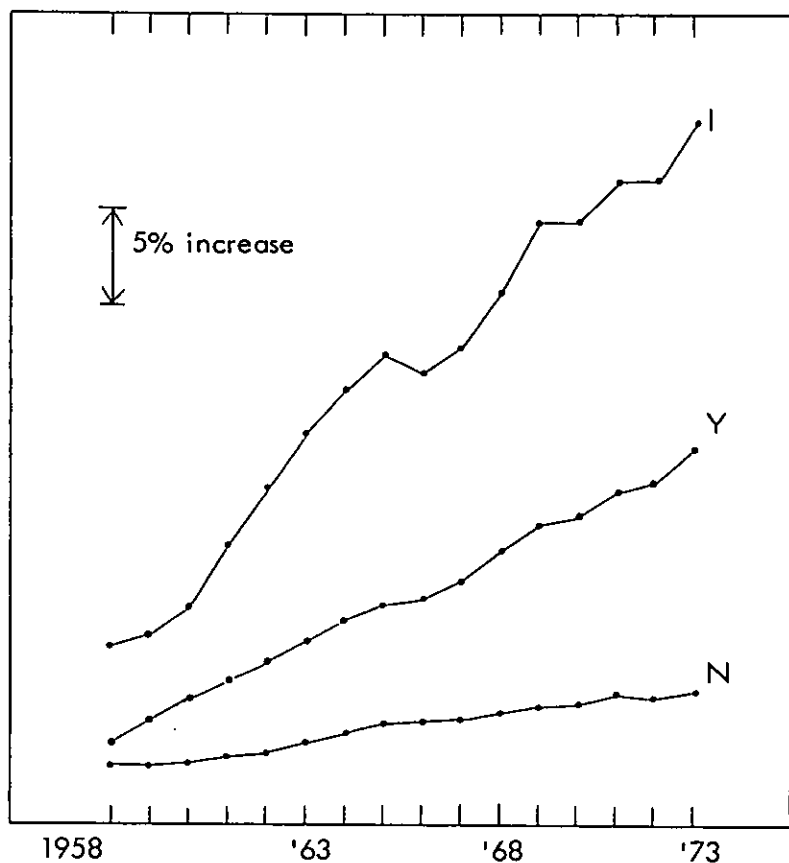
### *Econometric Aspects*

This section consists of two parts: (I) a simple model, based on a chart of three graphs and (II) the COMET model of EEC. Neither will be shown to hold the smallest prospect of the realisation of full employment with low net emigration, without a drastic change of policy and outlook.

#### *(I) A Simple Model*

Our first approach is so simple as scarcely to qualify as "econometrics" at all. In fact, this approach is based almost solely on the accompanying chart.

The chart is deliberately confined to the period 1958–1973, i.e., the recent years of depression are excluded. The data, in principle, relate to the economy outside of agriculture, forestry and fishing (AFF) except for (I) (gross fixed capital formation) which relates to the whole economy: it was scarcely worth while trying to exclude AFF, since correct figures would be certain to show much the same percentage *changes*, with which only we are concerned here.



I = Gross domestic fixed capital formation at constant prices

Y = Non-AFF factor cost GDP at constant price

N = Number at work in non-AFF

Vertical scale logarithmic. Same change scale (as indicated) for three graphs.

The differences in trend in the three variables is enormous. The eye can also detect changes *c.* 1965/66, particularly evident in the (I) graph: the year-to-year changes become more irregular in the later period.

To eliminate accidental variation in the single-year figures, five-year averages as used at the beginning and end of the 1958-1973 period may be regarded as 1960-1971. The annual average percentage changes in the three variables in the eleven years were as follows: —

	%
I	9.04
Y	4.65
N	1.38

B. M. Walsh's projections (implying full employment for Ireland in 1986, assuming, in fact, an unemployment rate of 4 per cent and two assumptions as regards annual net emigration, namely of 5,000 and zero) pertaining to the non-family farm population at work (i.e. closely similar to *N*) imply a "low" and a "high" estimate of annual average percentage growth in this population in the period 1971-1986, of course not allowing for the depression, as with *N* above. Walsh's percentages are 2.10 and 2.34.

We shall not be so naïve as to have recourse to simple proportion to estimate what Walsh's percentages imply, i.e., to pose the question in this form: if an increase in *N* of 1.4 per cent implied percentage increases of 4.7 in *Y* and 9.0 in (*I*), what would these percentages have to be to secure an increase of 2.1 per cent (to say nothing of the 2.3 per cent) in *N*? Without citation of actual percentages required for *Y* and *I*, we can confidently state that they would be far and away in advance of any contemplated for Irish economic development in the future, adhering to methods and outlook of the recent past. They would imply a great increase in Irish exports (already with a high ratio to GNP) since the home population, though increasing, will be small. The rapidly increasing per cent per annum would imply greatly increased rate of foreign investment in Ireland. We do not see any prospect of the Irish economy as operated at present

levels and with present policies ever achieving full employment in Ireland.

## (II) *The COMET*

The COMET model,\* the essentials of which will presently be described, holds a dismal future for Ireland's unemployment, as Table 1.4 shows.

Table 1.4. *Simulation of unemployment rate (U) from COMET for EEC countries 1973-1980, with annual averages 1976-1980.*

Year	D	F	I	NL	B	UK	IR	DK
1973	2.9	1.7	4.1	0.8	1.0	2.5	7.2	1.1
1974	3.1	1.6	6.3	1.5	1.3	2.0	9.5	1.4
1975	4.1	1.5	5.4	2.1	3.1	2.0	11.2	1.6
1976	4.1	1.3	6.6	3.4	4.4	2.0	12.7	2.0
1977	4.2	1.3	5.9	4.2	5.3	2.0	14.0	2.5
1978	3.2	1.0	6.6	4.7	5.5	2.3	14.9	2.7
1979	2.0	1.0	6.3	5.0	5.5	2.8	15.8	2.6
1980	0.9	0.9	6.9	4.9	5.3	3.4	16.5	2.3
<i>Average</i> 1976-1980	2.9	1.1	6.5	4.4	5.7	2.5	14.8	2.4

### *Notes*

$U = (NA - N) / NA$ , NA = Available labour, N employed labour, in million man years.

D = Federal Republic of Germany

F = France

I = Italy

NL = Netherlands

B = Belgium

UK = United Kingdom (incl. NI)

IR = Ireland

DK = Denmark

\*Source: A. P. Barten, G. d'Alcantara and G. J. Carrin, "COMET: A medium-term macroeconomic model for the European Economic Community", *European Economic Review*, Volume 7, No. 1, January 1976.

The figures in Table 1.4 would be unacceptable if the model were unreliable as regards Irish unemployment or if future economic and social policy were changed drastically compared with that of the estimation period of the model, roughly 1954-1971, though the period varies for the different equations. The 1976-80 averages for the unemployment rate are twice as high as for Italy, sometimes compared with Ireland, six times as large as those of our main trading partner and, at a high level, constantly increasing.

#### *Description of the Model*

The model is stated to have been developed under contract with the EEC Commission (whose staff members helped in making it) but the Commission is not responsible for the views expressed in the article (noted at foot of Table 2.1). It is stated, indeed, that the model differs in some coefficient values and in the assumed future time path of exogenous variables from the version in use in EEC. One assumes that these differences would not materially change the showing of Table 2.1. If this is accepted, Ireland must be regarded not only as the poorest partner at present, but likely to get relatively worse and to remain a perpetual burden on the charity of the other members of EEC, a situation surely not consonant with the national dignity unless, of course, the figures in Table 2.1 are wrong for whatever reason.

COMET is by far the most elaborate general economic model ever produced for Ireland. We may state, at once, that the methodology of the model is admirable from the purely economic and statistical points of view. There are 62 equations in all, 30 to be estimated and 32 identities. Most of the estimated equations are of the log-linear type, very convenient (as regards linearity) even for some of the identities. However, the whole system had to be regarded as non-linear, to be solved (i.e., for estimating the coefficients in the 30 equations) by iterative methods.

Most of the 30 behaviouristic equations are set up using

very thoroughgoing economic rationalisation, sometimes through several intermediary equations; indeed, if anything, the approach is over-meticulous, having regard to the statistical quality of the basic data and the resulting equations, as adjudged by goodness of fit. Almost all the equations are in the form of a single current depvar on the LHS and the selected explanatory variables on the RHS, i.e., each equation is a cause-effect statement.

An interesting aspect of some of these intermediate equations is their being regarded as non-stochastic, i.e., exact, logically enabling the analyst sometimes to solve them for a RHS variable.

A feature of the model, much to be commended, is the small number of current exogenous variables. Even so, it is the stated intention of the compilers to reduce these still further in new versions of COMET.

As to the acceptability of COMET for forecasting Irish economic data we observe first that the observation years, approximately 1954-1971, for coefficient estimation is not too well suited for Ireland, since the period of 18 years included two quite different epochs *c.* 1954-1960, *c.* 1960-1971. In fact, 1960 was a take-off year for the Irish economy, if not indeed for employment. Also, the activities of the IDA intensified after 1971.

The builders of COMET compare the goodness fit of estimated to actual over the the estimation period for Ireland compared with seven other EEC countries.

Generally the fit is poor for Ireland. It is true that for five of the fifteen variables the Irish fit is near or better than the average: it is mildly interesting that three out of these five are price indexes. Unfortunately, the remaining ten contain the more important variables, including GNP at constant prices.

Does the fact of poorness of fit of estimated to actual disqualify COMET for assessment of the near future of unemployment in Ireland? What any forecasts (or "simula-

tions" as our authors call them) of this type are doing is saying (speaking in *c.* 1971) that "according to our knowledge of the recent past, we expect the variables indicated to have the values given for the years 1973-1980". This statement of faith implies that the coefficients, in the various equations in reduced form, estimated from data in the recent past, will apply with little change in the future. This hypothesis is rarely true: the coefficient estimates are based on the data for only a few years and are therefore subject to large random sampling errors.

In the simpler terms these forecasts are not prophecies. They are policy instruments. They purport only to show what is likely to happen if policy is unchanged. More often than not (as in the present case where Ireland is concerned) they are merely cautionary: unless you change your policy this or that (mainly undesirable) thing is likely to happen. The calculations are usually made so that the forecasts (or simulations) will be found in the event to be wrong.

The answer to the question posed (whether poorness of fit for Ireland is a disqualification) is a somewhat hesitant "No". We would certainly wish the Irish forecasting formulae to have made a better showing in the estimation period. The results mean only that the Irish forecasts are usually to be regarded as having larger extrapolation errors than the figures for the other seven EEC countries. It will be noted that the fit for total employed labour, one of the variables involved in the estimation of the employment rate, is one of the less satisfactory by the goodness-of-fit test. Though the showing of COMET for the future of the Irish unemployment rate is so decisive, we cannot reject it as a qualitative fact, though we may consider that the figures exaggerate the phenomenon, even given the hypothesis of no change from the estimation period. After all, COMET is not the only piece of evidence we have leading to the conclusion that something like a revolutionary change in policy and attitude

(e.g., to mobility of labour) will be necessary to make a sizeable impression on the unemployment level in Ireland.

The COMET estimates were made before the recent economic depression affecting all EEC countries. This has involved a near doubling of the number of unemployed in Ireland. In many countries (including Ireland) a grim view is taken of the possibility of reducing the number of unemployed, even by people who anticipate economic recovery in the near future. Even with interest rates of over 15 per cent, labour is regarded as more expensive than capital, i.e., capital-intensive industry is more likely, autonomously, in the future than in the recent past, unless of course labour cheapens comparatively.

The 0.7 per cent per annum exogenously assumed by COMET for the rate for population during 1973-1980 is much below Walsh's estimates.\* Britain's increase is to be less than half of this, with population aged 15-65 decreasing. Ireland's assumed population increase is much the same as that for the remaining six countries. The postulated increase for population aged 15-64 is in all eight cases not greater than for total population, in Ireland in fact 0.6 per cent, which means, however, that the very large Irish dependency ratio is assumed to increase still further, if by a small amount, confirming an anticipation by Walsh.

#### *Consistency of the COMET Forecasts as affecting Ireland*

We are really looking for clues as to why the COMET unemployment prognostics for Ireland are so unpropitious. It is true that the model does not behave well (in the statistical sense) for Ireland. We had considered setting up our own model much simpler than COMET, encouraged by the experience of others in this field that sometimes simpler

\*National Economic and Social Council *Population and Employment Projections: 1971-86*. 1975. Walsh's estimates (per cent per annum growth rates 1971-1986) were "low" 1.1, "high" 1.6, depending respectively on annual emigration of 5,000 or zero.



models give more satisfactory results than more complicated models. We did not do so because, as regards the unemployment rate, the COMET results were so emphatic as to render it most unlikely that they would be negated by another model.

It is not enough for a model to show that the future unemployment rate, under conditions postulated, is likely to remain high. We must try to find out just where the weakness lies (over-shedding of agricultural manpower, too many children, industrial development, too capital-oriented, manpower, insufficiently trained etc.), though elementary analysis may serve us as well in finding answers.

It is in the COMET showing of rate of change in employment in the period 1976-1980, negative as in the case of UK and Italy, that we find the most useful clue to the high value of the unemployment rate for Ireland. Size of population aged 15-64 (exogenous) is to increase by 0.6 per cent in Ireland, compared with a fall in UK. We infer that, had the figures been known, available labour would make the same comparative showing. This is why the UK is shown to have a so much lower unemployment rate than Ireland. As one would expect the unemployment rate for Italy is to be somewhere between Ireland and UK.

On this analysis, Ireland is expected to have a high unemployment rate because the rate of development of the economy will not be sufficient, on the showing of the recent past, to absorb the number looking for jobs. It is here we should remark that COMET has taken no account of the possibility of migration.\* Perhaps the unemployment rate, might be regarded as the sum of the internal unemployment rate plus an (employed abroad) mobility rate.

It is not unexpected that Ireland is to have the lowest figure for capacity utilisation since labour as well as capital slack

\*One suspects that if B.M. Walsh's "low" on no emigration hypotheses had been used in COMET the unemployment rate forecasts would be even higher—National Economic and Social Council, *Population and Employment Projections 1971-86* (1975).

is taken into account in its formula in the model. We have also remarked, however, that the volume of gross fixed capital formation is to decline for Ireland on annual average in the five years 1976-1980. Since in COMET the capital concept is gross (i.e., includes the provision for fixed capital replacement as well as net addition to existing physical capital) this must mean that, in the case of Ireland, actual volume of the latter is expected to decline.

### *Conclusion from COMET*

While, as regards Ireland, this model has its peculiarities, on the whole it is consistent in painting a sorry prognostic for the next five years and, we surmise, there would be little, if any, comparative improvement if the "simulations" were extended to, say, 1990. To repeat, the basis of the elaborate calculations for COMET were approximately the 18 years 1954-1971, most of which would be regarded as "good" years for Ireland, and certainly well before the present depression. The depression has postponed recovery in the case of all EEC countries. Our personal answer, without proof, to the question "If a revised COMET were based on data for years up to and including 1976, would the comparative showing of Ireland in EEC be much better as regards unemployment?", would be a gloomy "No."

It is not enough, from the fact that statistical goodness-of-fit of calculated to actual for estimation periods is unsatisfactory in the case of Ireland, to reject, out of hand, the showing of this model. Simpler analyses were leading us to suspect that the national objective of full employment and low emigration, simultaneously, by some future year, say 1985, was unattainable, the depression merely exacerbating the situation.

It is impossible for us to contemplate unemotionally the showing of COMET as regards Ireland. Our main object in presenting its results is to ensure that these will not be realised. We have no illusions as to the magnitude of the

tasks facing the people to ensure a substantial reduction in the unemployment rate. We want to have these tasks accorded the priority they deserve. COMET is the main impulsion for the drastic proposals in our last chapter.

#### *Addendum to COMET*

It has been brought to our attention, since our COMET model was completed, that the Department of Finance has developed COMET, principally to check the consistency at European Community level of national projections of medium term developments. In the case of Ireland, it is claimed, the model does not give sufficient importance to the extent of the agricultural sector or to the influence of grant aided domestic and foreign investment in the growth of the manufacturing sector. Experience in the use of the Department of Finance model apparently suggests that two important areas are sensitive to the assumptions used; namely, the effect of the terms of trade or international competitiveness on the volume of exports from Ireland and the effect of relative wage and capital costs in determining the balance between investment and employment/unemployment. We do not know to what extent the Department of Finance COMET inferences will modify the dire prognostic of the original COMET.

With all the constancies we have cited for the recent past, experiences of simultaneous occurrences of *high* unemployment with *high* net emigration and, very recently, of *low* or no emigration with *very high* unemployment, it is hard to conceive of *low* unemployment and *low* emigration obtaining a decade or so from now. In the rapidly changing world anything can happen; we shall be wise to keep our options open.

As we have already suggested, one of these is mobility. It is of the first importance that we shed our traditional attitudes and take a fresh look at everything, mobility in particular. If, with a high birth rate continuing (see below),

migration out shows a tendency to revive, it will do so on the decisions of free individuals and so accepted by the nation, increasingly Europe-oriented. Official recognition (perhaps by a Division in the Department of Foreign Affairs) must transpire, to look after the interests of migrants. In the education and training of our people, the possibility of mobility must be borne in mind, e.g., in teaching foreign languages, though we Irish are fortunate in our having as a native tongue English for the vast majority, now almost the lingua franca of the West. In certain circumstances it may be conceivable for an Irish government to promote migration, should high unemployment come about.

Acceptance of the 27 per cent obtaining in 1985 as the proportion of number in manufacturing to non-AFF total at work implies a theory of autonomous-induced in the T. J. Baker (1966) sense, "autonomous-induced" being much the same as "cause-effect". Baker would not regard all manufactures as autonomous nor indeed all non-manufacture (e.g., the public service) as induced. He would probably agree that at present a much more prosperous agriculture may have higher powers of *local* induction than when he wrote his pioneering paper in 1966.

Might we suggest that government and IDA interest themselves in promoting services and service-type industry (construction\* etc.) as well as manufacturing, so as not to rely on the latter (alone) bringing this about by induction? In this connection one welcomes the CSO's five per cent Labour Force Survey which, if carried out annually and promptly compiled, will make it possible to keep the employment situation under review and to help promote balance where necessary.

While the promotion of manufacturing is deeply em-

\*Building and construction are of course, fostered by government but, we suggest, not enough, as evidenced by the enduring condition of large unemployment in this industrial group. The IDA have been trying to attract service type industries with some success in the computer services and engineering design and planning industries.

bedded in the Irish consciousness as almost the sole expedient for increasing employment and for reducing unemployment, very recent work on Irish towns (D. Curtin *et al.* 1976) has shown that the industrial town is not a particularly prosperous one. Other employments should be positively promoted.

#### *Finance\**

In 1958/59 payments of UB and UA together amounted to £4.5 million, in 1973/74 to £32.9 million, equivalent to 0.7 per cent and 1.3 per cent respectively of current GNP at market prices. These amounts are gross, i.e., of contributions to UB by employees and employers and of government to UB and UA. Contributions by employees and employers are, in the national accounting convention, regarded as part of direct taxation. As proportions of current transfer payments (excluding national debt interest £37.2 million in 1958 and £298.1 million in 1973) unemployment payments represented 12.1 per cent in both 1958 and 1973.

The amount paid to the unemployed are strategic figures from our point of view. In fact, the success or otherwise of two of the approaches we consider for lessening unemployment, namely, direct labour and labour subsidisation must be adjudged mainly by the saving they effect in unemployment expenditure. In the last paragraph we have shown that, in relation to GNP and to the total of current transfers, unemployment payments are surprisingly small despite our high unemployment rate. In 1973/74 the last year for which full details of transfer payments are available, we note that UB and UA together amounted to £32.9 million, but old age and widows' pensions were £82.4 million and £32.2 million for disability payments, actually only slightly less than unemployment payments, £32.9 million. This situation is somewhat anomalous if one takes the view that keeping the

\*Throughout this section payments to the unemployed all relate to the financial year ended 31 March.

nation's labour force healthy and competent should have a high priority in government expenditure.

It is shown above that the proportion borne by unemployment payment in the total of transfer payments has been much the same in 1958/59 and 1973/74. Indeed a quasi-constancy in the proportions devoted to the different objects of transfer payments is inevitable from the political point of view. According to precedent, any increase in unemployment payments can come about only with an increase across the board in transfer payments.

In 1973 Geary showed that "having regard to relative incomes Ireland's present distribution of transfer income (except national debt interest) measures up to the best EEC standards". Geary had purported to show, from a study of the relative trends of personal income per head ( $Y$ ) and current transfers (except national debt interest) as percentage of current personal incomes ( $X$ ) in the period 1947-1971 that when Irish income reached EEC levels, Ireland's transfer payments proportion would exceed those of all other eight EEC partners.

#### *The Future of the Dependency Ratio*

B. M. Walsh's (1975) estimates of the dependency ratio for 1986, ranging from 68 to 79 from his various projections (compared with 73 in 1971) are still very high by present-day European standards. These projected excess magnitudes are due entirely to young dependency, in turn due to the high birth rates ranging between 21 and 25 per 1,000. Are these rates, based by Walsh on very careful assessments of nuptiality and fertility, plausible? The rate in 1974 was 23.

In 1973 the birth rate amongst our eight EEC partners ranged from 10-16, actually less than half the Irish rate of 22 in the case of West Germany. Despite the nearly 50 per cent increase in the marriage rate since 1966 after a long period of stagnation, there are little signs yet of an increase in the Irish birth rate, nor indeed does Walsh foresee any

large increase.\* But it seems likely that, as Ireland's relations with its EEC partners become closer, its birth rate will also move nearer to the EEC average, as has the marriage rate.

If this difference, or anything like it, in birth rates, persists, migratory (temporary or permanent) manpower might become one of the nation's most precious assets. In an increasingly wealthy Europe the country's receipts from migrants' remittances—a not negligible £32 million in 1973—could become a formidable element in helping to balance our current international payments, rather chronically out of balance.

### *Are the Unemployed a Class Apart?*

In the absolute sense the answer is "No"—there is some movement into and out of the LR. But we have seen that half the number of men on the LR in November 1973 were there for six months or more; that in September 1973 townsmen on the LR on average had only 12 weeks' employment in the previous twelve months. It is also relevant to remark that the two big unskilled categories experience unemployment with exceptional severity. Obviously there is a hard core of unemployed, i.e., of men who are permanently on the LR.

To answer the question posed above, we require statistics of the amount of unemployment experienced by the employee class as a whole and not merely particulars of the unemployed at particular dates. Unfortunately, information of this kind for Ireland is available only for a remote date in the past, in fact at CP 1936.

At CP April 1936 the number of NAU was 69,000 or 12 per cent of the non-agricultural employee class (573,000). Of these, no fewer than 428,000, or 75 per cent, experienced

\*Geary (1935) showed that there was a significant cross-section inverse relationship (with countries as units) between fertility rate and marriage rate which he surmised was partly due to less fertile women being married in countries with high marriage rates and vice versa. This he also showed was true in Ireland, with countries as units.

no unemployment in the previous twelve months. This means that only 145,000 had some unemployment during the twelve months, about twice the number out of work at any given date. We do not know if this latter fact still obtains: there are indications that the 2:1 ratio would be lower recently but before the present recession began. Our answer to the question must be something like "Mainly Yes". This does *not* mean that most or any of the long-term unemployed are unemployable. If this were true there would be little point in this exercise. It *does* mean that perhaps the majority of the unemployed at any given time have become accustomed to unemployment as a way of life and for this reason alone, may be reluctant to change (even though change may be demonstrably for the better) especially with the present increased rates of unemployment pay. This is surmise.



## Chapter 2

### *Public Policy and Experience in Ireland with Employment Schemes*

THE first part of this chapter deals with Irish experience with employment schemes in the past. The second part consists of a short description of present schemes to cope with the problem.

#### *I. Guidance from Experience*

In the early 1930s public works schemes were initiated to provide employment for people in receipt of unemployment assistance. Unemployed men were put to work on development of housing sites, road improvement, farm drainage, public health works; these were all useful works but the emphasis was on reducing expenditure on unemployment assistance, an emphasis which was inimical to the efficiency of the works produced.

In the fourteen years 1932/33 to 1945/46 inclusive aggregate expenditure on employment and emergency schemes was approximately £16.3 million of which £12.7 million was in State grants and the remainder mainly from local authorities. This £16.3 million was equivalent to £1.3 million a year. Even allowing for the great change in the value of money this £1.3 million would be regarded as small today. The insignificant impact of these schemes on the level of unemployment may have been due partly to this meagre expenditure. We surmise that public opinion now would sanction net expenditure of one hundred times this amount a year if thereby a sizeable dint in the number of unemployed could be effected.

The Department of Local Government Report 1945-47,\* states that sums amounting to approximately £641,000 in 1946/47 were made available from the Employment and Emergency Schemes Vote for "the carrying out of new schemes for the provision of additional employment and also for the completion of works undertaken in previous years with the aid of grants".

The grants for new works allocated to local authorities through the Department amounted to £335,706 and were applied towards public health works undertaken by rural and urban sanitary authorities, road works and amenity schemes carried out by county and urban authorities and development works at sites for housing schemes.

In the case of public health works the grants allocated represented a proportion of the expenditure and the balance was defrayed by the local authorities from their own funds, generally by way of loan. Estimated expenditure on new public health schemes to which grants were allocated was £249,632 of which £247,982 related to the provision of waterworks and sewerage schemes.

Apart from road works local authorities were invited to submit proposals for the carrying out of works of local amenity, such as provision of public parks, playgrounds and open spaces, clearance of derelict sites, improvement works at fair greens, etc. The estimated expenditure on approved works of this nature was £44,141, towards which grants totalling £30,981 were allocated. The balance of the expenditure was defrayed by the authorities concerned from their own funds.

Housing development schemes to which grants were allocated were limited to development works undertaken in advance of the normal housing programmes of local authorities. Site development works towards which grants were allocated involved an estimated total expenditure of

\*Department of Local Government Report 1945-1947 (Stationery Office, Dublin).

£29,200, the balance being met by loan.

Men employed on public works schemes were mainly unskilled or semi-skilled casual workers, who had little prospect of work other than on such employment schemes. Selection of men was by rotation and employment was by direct labour in the case of smaller schemes and by the contract method for large works. The most needy, i.e., those with most dependents, received more wages a week than the less needy. Naturally such methods of selection caused dissatisfaction among workers and frequent changes led to inefficiency.

The record of the Special Employment Schemes in Ireland was one of failure to substitute work for dole. The relief aspect of early schemes led to a serious loss of efficiency due to the rotational principle. The experience of all countries has been that with public works, efficiency and relief are inconsistent. It was found that relief works programmes would not effectively reduce the number of unemployed unless they were supplementary to existing public works programmes.

In the mid-1930s Geary was associated in a research capacity with the SESO under the enlightened direction of the late Hugo Flinn, Parliamentary Secretary to the Minister for Finance. Without being executively involved in the work of SESO, Geary could observe the dedication which that officer, under the administrative control of the late E. J. McLaughlin, brought to bear on their tasks. The disappointing results were not the fault of the office, but, we think, of the lack of adequate finance and the undermentioned rules. There must be a great mass of records (including Geary's report on employment opportunities) available in the archives which could be made available to NMA for their guidance, if this were mainly indicative of what to avoid in future schemes.

From his experience at the time and with the help of hindsight Geary thinks that the earlier scheme foundered

for lack of funds and in its being so flagrantly a relief scheme designed to reduce expenditure on UA. At one time nearly everyone on UA had a short stint of work during the year, so that recipients came to regard the work as UA with a different name. Of course efficiency was far lower than in ordinary contraction work, an important cause being the effect of rotation: as a worker attained efficiency he tended to be knocked off to make room for another.

The early objects of Special Employment Schemes were (i) distribution of work over the largest possible number in proportion to their needs, (ii) rehabilitation, and (iii) testing of willingness to work. It need only be added that (i) of itself made inefficiency certain, (ii) was ineffective and, of (iii) it may suffice to state that in some cases gangers kept the manifestly inefficient on the payroll because knocking them off debarred them from UA.

Certain lessons to be learned for future guidance are obvious. There should be free selection of the best labour available, regardless of family circumstances. Rotation, certainly in the old form of so many days a week, should go and be replaced by a full week (or preferably a longer period) of work. Elsewhere we emphasise the fundamental importance of immediate supervision, detail planning well in advance and close central control.

## II. *The Present*

The aims of demand management in Ireland have been to promote a level of demand sufficient to achieve full employment and reasonably high living standards, at the same time controlling the tendencies towards excessive price increases and balance of payments deficits. Both fiscal and monetary policy have tended towards expansionary goals. The aim of full employment is paramount and the Government has concentrated on such aim by the creation of the Industrial Development Authority, Shannon Free Airport Development Company, the Industrial Training Authority

(AnCO), the National Manpower Service. In addition, Government Departments such as the Department of Social Welfare and the Department of Labour administer schemes for helping the unemployed and encouraging the creation of jobs in the private sector.

The Industrial Development Authority (IDA) was given the task of encouraging the expansion of existing industry and promoting new home and overseas sponsored projects. The stated IDA aim is to provide highly skilled employment predominantly for men and to strive to provide job opportunities by creating "better opportunities for existing workers, jobs for redundant workers, career opportunities for young persons and for returning emigrants."

As part of its function to promote regional industrialisation, the IDA has worked in the Limerick region with the Shannon Free Airport Development Company (SFADCo). The latter company was established as a state sponsored body in 1959 with the objective of ensuring the growth and development of Shannon Free Airport. The combined activities of the two organisations, IDA and SFADCo include the construction of industrial estates, the provision of sites for factories and of support to assist industries in the western region. They also assist firms with manpower problems such as the recruitment and training of workers and industrial relations. The numbers of workers employed in agriculture have dropped significantly during the recent past thereby exacerbating the problems of job opportunity creation even to the extent of keeping up with the shift. There has been an emphasis also on creating jobs requiring skilled workers, which has been instrumental in increasing the establishment of capital-intensive industry. The policy of increasing skills requires an extra effort when full employment is also an objective. The following table taken from the IDA Annual Reports shows the total number of job approvals, grant commitments and fixed asset investments for the period April

1970 to December 1975. Unfortunately, the job approvals section is a target which in times of recession particularly has been difficult to realise.

The total number of job approvals together with associated grants commitments and fixed assets investment in the period 1970-1975 is shown below:

<i>Financial year</i>	<i>Projected new jobs at full production</i>	<i>IDA financial commitment £m</i>	<i>Fixed Asset investment £m</i>
1970-71	12,487	30.3	94.7
1971-72	8,734	18.7	60.4
1972-73	14,139	35.0	135.4
1973-74	23,316	75.4	302.8
9 months to December 1974	18,884	63.4	281.2
1975	16,530	67.8	273.9
<i>Total 1970-75</i>	<i>94,090</i>	<i>290.6</i>	<i>1,148.4</i>

*Source:* IDA Annual Report, April-December 1974, Review 1970-1974, December 1974, December 1975.

Unfortunately, the time lag for the achievement of "projected new jobs" is not stated. The IDA Annual Report 1975 states however:—

The total direct job potential of the 2,238 industrial projects approved by IDA in the period April 1972—December 1975 amounted to 71,084. These projects are now at the construction stage or are already in production. They are creating actual jobs on the ground, indirectly in the construction industry and directly in manufacturing as they come on stream.

Against this "job creation" job loss must be offset:

"The overall job creation/job loss position in manufacturing industry" had the following out-turn:

	<i>Dec.</i> 1972	<i>Dec.</i> 1973	<i>Dec.</i> 1974	<i>Dec.</i> 1975
CSO Quarterly Industrial Inquiry	199,700	207,500	203,800	189,700
Estimated Gross Jobs created Dec.-Dec.		+17,800	+16,200	+14,500
Estimated job losses (redundancies, non-replacement job shifts)		-10,000	-19,900	-28,600
CSO Dec.-Dec. net changes		+7,800	-3,700	-14,100

Such a situation would not appear to help greatly the increasing numbers of unemployed nor to do anything positive about creating the "6,000 net new jobs per annum over the period 1971-1986" calculated by Kieran A. Kennedy in a paper read to the Statistical and Social Inquiry Society of Ireland in November 1975.\*

It is difficult to distinguish completely between training and education but broadly speaking, education is the responsibility of the Department of Education, agricultural education and training the responsibility of the Department of Agriculture and industrial training the responsibility of the Department of Labour.

The Industrial Training Authority (AnCO) was established to improve and encourage training at all levels in industrial and commercial activities. Its main function is the

\**Increasing Employment in Ireland*. Kieran A. Kennedy. Paper read at a Symposium of the Statistical and Social Inquiry Society of Ireland on 20 November 1975.

promotion within industry of training through levy and grant schemes; priority is given to the establishment of the training function within firms. AnCO also provided facilities for the training of unemployed and redundant workers, the initial training of apprentices and updating of the existing skills of workers, adult training and re-training.

The AnCO training centres have the social objective of giving workers an opportunity to acquire skills for which there are job opportunities. There are courses for apprentices and for adults, who may receive training allowances depending on age and domestic responsibilities; allowances are related to unemployment benefit. The courses provided are mainly in the engineering and metal trades for which there is a demand either locally or within the State. Special training facilities are also provided in an area where redundancy occurs.

For the year ended 31 December 1975 the Irish Government contributed £5 million and the EEC over £4 million to AnCO for training programmes and receipts from levy-grant schemes in industry amounted to £3.7 million. The levy-grant scheme applied to Textiles (101 firms), Clothing and Footwear (314 firms), Food, Drink and Tobacco (342 firms), Engineering (1,276 firms including the Motor Industry), Construction (1,182 firms), Printing and Paper (167 firms), Chemical and Allied Products (193 firms). Training grants are made to firms in the industrial sectors to which the levy applies.

AnCO centres provide training for apprentices off the job; there are training advisory services; courses for adult training in regional colleges, technical schools, mobile and temporary centres, in company training centres. There are also special training courses for women and for training of the handicapped.

Towards the end of 1975 pilot projects in community work were inaugurated to provide training for school leavers.



The Annual Report 1975 states: "Projects were proposed by local authorities and community bodies and were assessed by AnCO for their training content. The work . . . was undertaken by five teams, each headed by a senior trainee, who was an unemployed tradesman and was given a short training course to prepare him for his role in the project."

The report continues: —

"The total placement rate was 57 per cent. AnCO is having discussions with NMS and the IDA to find out the precise skill needs for all regions so that the training courses shall continue to be relevant to the needs of the job market and so that placement may be improved."

The employment exchanges performed originally the role of a placement service, compiling of the Live Register, payment of social welfare benefits and assistance. Payment of benefits was given priority thereby giving placement a lower priority. The Government recognised this difficulty of combining payment of benefits with placement functions and established the National Manpower Service under the Minister for Labour in 1971 with responsibility for (i) placing the unemployed in employment and meeting employers' demands for labour; (ii) the provision of regular information on the numbers and characteristics of the unemployed to the Central Statistics Office for the compilation of the Live Register; (iii) the provision of vocational guidance on employment training and educational opportunities for adult workers; (iv) the provision of careers information. The NMS is organised on a regional basis with a number of placement officers in each region under the control of a Regional Director.

The majority of job seekers registering with the NMS are in the semi-skilled and unskilled categories. The following table shows the numbers of vacancies notified to the service, job seekers and unfilled vacancies during 1975:

	<i>Men</i>	<i>Women</i>	<i>Total</i>
Number of <i>vacancies notified</i> during 1975	14,389	7,726	22,115
Number of <i>vacancies filled</i> during 1975	9,771	5,252	15,023
Total <i>job seekers registered</i> at 31 December 1975	20,999	7,819	28,818
Total <i>unfilled vacancies</i> registered at 31 December 1975	681	233	914

*Source*: National Manpower Service Report, 1975.

When the enormity of the problems of unemployment is considered, it is difficult to understand any impediment on the expansion of the NMS during 1976, as occurred with the imposition by the Government of financial restraints on all Government departments' activities. The contrary would appear to be sensible in the case of allocation of funds to the NMS at a time when numbers of unemployed are increasing, particularly long-term unemployed. At 9 January 1976 total numbers on the Live Register amounted to 116,953 of whom 66,361 were on Unemployment Benefit and 45,807 were receiving Unemployment Assistance whereas at the corresponding week in 1975 numbers on UB were 58,040 and 34,124 on UA. There was therefore a shift to UA payments, the first week in January 1976 being 41 per cent with the comparable week in 1975 which was 37 per cent of total unemployed. In fact, this shift to long-term unemployment is partly concealed in official Live Register statistics, due to the very stringent conditions applied to women thereby excluding almost all of them from UA benefits.

The NMS is responsible also for the implementation of the EEC regulations regarding mobility of labour within member states. This does not appear so far to have developed,

as the total number of vacancies specially notified at the request of individual firms in EEC countries in 1975 was 140, while only three were reported as interested in such vacancies.

The Department of Social Welfare administers the Unemployment Insurance Acts and the Unemployment Assistance Acts which provide for national exchequer support to alleviate hardship due to unemployment, and by means of unemployment benefit and unemployment assistance. Social insurance applies to all employees aged 16 years and over regardless of the level of their earnings. To qualify for unemployment benefit, the claimant must be unemployed, capable of and available for work, satisfy the contribution conditions and not be involved in a strike, be sacked for misconduct, have refused an offer of suitable employment, nor of training at an AnCO course if selected. Unemployment benefit is payable normally to people aged under 65, (in certain cases extended to age 67) for 65 weeks; when the benefit period expires, a further 13 paid contributions are necessary for re-qualification. Pay-related benefit may be paid with unemployment benefit; it applies to persons insured at the ordinary or agricultural rate of contributions on earnings up to a ceiling of £2,500 a year. Payment of pay-related benefit may continue for up to 63½ weeks provided the relevant flat rate benefit is also payable, and is calculated on the claimants' gross taxable earnings in the income-tax year preceding the pay-related benefit year. Recipients of unemployment benefit, wholly unemployed, may not receive the combined benefits of flat rate benefit, pay-related benefit and income tax rebate in excess of 85 per cent of average weekly earnings after deduction of income tax and employment contributions, in the tax year in which they became unemployed.

When unemployment benefit is not payable there may be eligibility for unemployment assistance provided that the unemployed person is aged between 18 and 67 years, has

lived continuously in the State for at least six months at any time before claiming, is capable of, available for and genuinely seeking work and satisfies the means test.

Unemployment benefit is financed by approximately 40 per cent from the employee, 40 per cent from the employer and 20 per cent from general government revenue. Unemployment assistance is financed in full from government revenue.

A Premium Employment Scheme was announced by the Minister for Finance in the 26 June 1975 budget statement. (The scheme is administered by the Department of Labour.) Its objective is to encourage employers in Manufacturing industry and Agriculture to re-employ workers who have been made redundant. The Employment Premium Act 1975 granted a premium of £12 a week to employers in respect of each additional eligible employee employed after 29 June 1975 in the relevant industrial sectors. A total of £330,000 was paid up to 5 March 1976 representing the payment to 203 employers in respect of 27,340 premiums.

## Chapter 3

### *Experience with Employment Schemes in other Countries*

THIS chapter treats of methods used in other countries for the alleviation of unemployment. An abridgement from a considerably larger chapter, it is derived entirely from work, published and unpublished, kindly made available to us by the ILO and also from a study published by the OECD. The chapter is a brief synthesis of a very much larger volume of material, so that attention is directed to the various sources noted to which reference must be made for a proper understanding of the points merely touched on here.

#### *I. Emergency Employment Schemes*

The first section, based on an informative article by J. P. Arles of the ILO, relates to experience and guiding principles for developing countries. While the countries considered have far lower national incomes a head than here, it is a moot point whether Ireland is or is not a developing country. Certain regions in Ireland have this character, and these are the regions most in need of employment schemes; also problems associated with efforts to relieve unemployment are similar everywhere.

The present section based on an article by J. P. Arles of the ILO,\* deals with emergency situations requiring remedial action of some urgency. The article does not rigorously confine itself to this specification. It is particularly useful for application in Ireland in its theoretical and "intentional" treatment.

\*"Emergency Employment Schemes," Arles J. P. *International Labour Review* Vol. 109, No. 1, 1974.

Schemes are evaluated mainly according to three main criteria: (i) speed and effectiveness, (ii) extent, nature, importance, (iii) long-term effects, on employment in particular. As to (i), there is some consideration of agreements or laws requiring employers to hire more labour; as to (ii) fuller utilisation of industrial capacity is dealt with and (iii) "the widest and most promising field seems to be that of public works . . ."

The experience of Kenya, 1964 and 1970, is cited, where agreements were deliberately short-term, designed to give authorities a "breathing-space". Employers undertook for a period of one year to increase the volume of labour employed by 10 per cent in both the public and the private sector in 1970, when there was the stipulation that most of the employment should be provided in rural areas. The Ministry of Labour could modify the conditions as affecting employers. Trade unions agreed to a wage standstill and undertook not to strike. In 1970 a total of 46,000 jobs were created, 30,000 in the private sector. The result was a massive influx of new registrants which "resulted in an increase . . . in the volume of unemployment". The towns attracted a disproportionate number of registrations and placements, with labour shortages in rural areas so that the scheme was a "total failure" in this latter respect. The tripartite agreements had no permanent effects on employment or on business investment decisions or methods of production. Wages were 2 to 3 per cent below what they would have been had there been no agreements. The one bright spot cited was that the 1970 agreement was successful in maintaining industrial peace. It is suggested that the project might have been successful if the agreements extended over several years.

#### *Industrial Capacity and Shift-Work*

The article states that it is a "well-established though surprising" fact that capacity is under-utilised in the developing countries; 60 per cent of capacity is stated as a "reasonable"

estimate for the Third World; there is an inverse correlation between degree of under-utilisation and size of firm. The main *external* causes are "scarcity or irregular supply of raw materials, an inadequate infrastructure and insufficient, unreliable or unstable markets."

It is suggested that recourse might be had to subcontracting "as a means of ensuring regular orders for small-scale enterprises". Attention might be turned to the promotion of international subcontracting for establishing "contractual links between large firms in the industrialised countries and small undertakings in . . . the Third World". Such subcontractors would be trained by the large firms at home or abroad.

In the case of machinery lying idle for excessive periods, it is possible to increase the size of the workforce, resulting in an increase in productivity. When the working pattern is sub-optimal, introduction of shift work may be the answer. In theory the increase in employment opportunities may range from 20 to 260 per cent. In practice the increments are smaller. An experiment in Chile by an ILO expert shows the gap between theory and practice. It was calculated that an increase in the existing average of 1.4 to 3 shifts could increase industrial employment by 114 per cent. Due to the main constraints of foreign exchange, small-scale family enterprises, intersectoral dependence, the shifts were reduced from 3 to 1.6. However, even the improvement from 1.4 to 1.6 led to a net increase of 93,000 jobs or 15 per cent on the existing 615,000.

The stated objection to shift work is shortage of skilled workers, particularly of supervisors and operational planners. Constraints are also imposed by legislation and by trade unions, e.g., prohibiting night work by women and minors; and it is stated that in Columbia there is a 35 per cent premium on night work. A World Bank mission considered restrictions on women and minors as "anachronistic". The view is expressed that the wide disparities in wages between

night and day work in developing countries is largely the result of a preference for working at a normal time of day.

The implications of the foregoing analysis are highly relevant to the choice of the measures to be adopted: it is, indeed, on the socio-physiological factors explaining workers' preferences that stress should be laid. If it is mainly its inconveniences, coupled with a feeling of isolation and loneliness, that account for aversion to night work, it can be said that any improvement in the amenities of night work (housing, transport, food, police protection) will influence utilisation rates, and that the preferences themselves will change under the effect of an extension of night work resulting from those improved amenities.

### *Special Public Works Schemes*

The stated objectives of special public works schemes differ only slightly from those given elsewhere in this chapter: (i) employment, (ii) redistribution of income in favour of the poorer classes, (iii) execution of productive projects, (iv) acquisition of skills. Experiments appear to have made only a marginal contribution to relieving unemployment and under-employment in the Third World (thus Morocco, 6-12 per cent, Bangladesh, 3 per cent, Pakistan, 2 per cent of the unemployed). The point is made that this familiar "percentage of unemployed" understates the real impact of the projects; for example, in Morocco, each of 250,000 individuals—perhaps half of all unemployed males—were annually employed for 60 days receiving on average about a quarter of GNP a head. In Morocco also, the benefit/cost ratio, at a discount rate of 10 per cent, for all projects was 1.4 and it is authoritatively stated "the projects . . . compare favourably with those carried out by other channels." Again "it does seem that, in many cases, these appraisals invalidate the criticism frequently made that experiments of this kind cannot be justified on economic grounds". As in USA the projects failed in the matter of acquisition of skills. Schemes are exposed concerning profits and corruption and, at the



national level, "disinterest, if not disdain" of the authorities.

The authors conclude by arranging the three types of measures (tripartite agreements, better use of industrial capacity, special public works) in developing countries in ascending order of merit. The first is described as "stopgap", the second contains the risk of a shift toward capital intensity.

It is natural, therefore, that preference should be given to the third category of measures—the public works approach—by reason of their potential impact on labour and capital in the rural sector and because they are equally suitable as a response to an emergency situation, in the strict sense of the term, or as part of a longer-run development effort. This brief survey of special public works schemes suggests that their capacity to make an effective impact on employment depends to a great extent on political and administrative factors.

### *Shift Work*

That increase in shift work has obvious potential in increasing number of jobs is the basis of two articles\* in the *International Labour Review* by M. Kabaj. These contain comparative statistical information mainly relating to socialist countries which, if they have full employment now and so are untypical of Ireland, had high unemployment at the start of the regimes. We deal very briefly here with Kabaj's articles. Comparative shift coefficients and employment expansion opportunities are given as follows:—

Particulars are available for main industry branches. The improvement in employment depends on the magnitude of the actual coefficient, much lower for Great Britain than for the planned economies.

The coefficients in the last two columns of Table 3.1 are theoretical and not possible of achievement in Great Britain

\*"Shift-work and Employment Expansion". "Shift-work and Employment Expansion: Towards an Optimum Pattern", *International Labour Review*, Vol. 91, No. 1, 1965 and Vol. 98, No. 3, 1968.

Table 3.1: *Shift coefficients and employment expansion opportunities for Great Britain and six socialist countries for total industry*

	Year	Actual shift coeff.	Employment expansion opportunities (%) with shift coeff. of—	
			1.6	1.8
Great Britain	1964	1.22	31	48
Bulgaria	1963	1.45	10	24
Czechoslovakia	1963	1.40	14	29
Hungary	1963	1.41	13	28
Poland	1961	1.57	2	15
USSR	1962	1.51	6	19
Yugoslavia	1963	1.47	9	22

*Note*

For socialist countries the shift coefficient  $S_1$  is usually

$$S_1 = (E_1 + E_2 + E_3) / E_1,$$

where  $E_1$ ,  $E_2$  and  $E_3$  are the number of man-days worked on the first, second and third shifts respectively. In Great Britain the coefficient  $S_2$  is

$$S_2 = E_s / E$$

where  $E_s$  is the number of operatives working on shifts and  $E$  the total employment in the present.

where full employment obtained at the time, with mass immigration. But they could be relevant for Ireland, assuming the actual coefficient could be appreciably improved, having particular regard to whether increased production was competitive in price at home and abroad.

A summarisation of Kabaj's "concluding remarks" in his later paper are:—

1. "The shift system is an inherent feature of modern industrial civilisation . . . With . . . increases in capital/labour ratios . . . the wealth of nations has come to depend on fuller . . . utilisation of modern industrial equipment . . ."

2. Shift work has social disadvantages so that the search for an optimum pattern is important.
3. In socialist countries two phases can be distinguished. In the first phase, one of "unemployment and unlimited manpower", the dominating aim was to maximise the shift coefficient. The problem of finding an optimum pattern arises only in the second phase of full employment.
4. The optimum pattern is a compromise between social and economic factors. As in Table 3.1, the optimum shift coefficient is often regarded as lying in the range 1.6-1.8.
5. The concept of an optimal shift coefficient provides the planner with a yardstick for the formulation of targets for the expansion of employment through the more rational use of industrial resources.
6. While it may not be possible to eliminate night work completely the study suggests that "there are wide opportunities for reducing night shifts without prejudices to production costs, labour productivity and profitability".

## II *Account of OECD Study of the Present Employment Situation : Problems and Policies\**

This section continues the consideration of policies adopted in other countries for unemployment reduction and describes an OECD inventory of the measures taken or contemplated in the field of employment and manpower to deal with the current situation.

The report states that any assessment of selective employment and manpower measures is made difficult due to a lack of quantitative information about the resources allocated to

\*OECD *The Present Employment Situation : Problems and Policies* Paris :1976

such measures and to inadequate evaluation criteria. Many of the selective measures taken by the countries concerned are not fully operative, creating difficulty in assessing their effectiveness.

It is evident, however, that governments are devoting larger resources to restrain increased unemployment and to alleviate its hardships. Budgetary constraints have restricted the scale of the measures taken; whether priorities are right is another question; it is evident, however, that larger expenditures are required and will continue to be required for some time to come.

Unemployment compensation has played a useful role in replacing wage loss, "softening the hardship of generally deflationary policy," and having some stabilising effects by "permitting governments to pursue rigorous measures to bring inflationary tendencies under greater control." The report continues "emergency public works or relief projects so far have been little used, reflecting budget constraints, dissatisfaction with past performance, and an apparent preference for the acceleration of public infrastructure investment for major public sector objectives."

The recommendations of the OECD survey may be summarised as follows:

- I *Income Maintenance for the Unemployed*  
Strengthening unemployment benefit systems.  
Differential treatment of special groups.
- II *Maintaining Job Attachments and Employment*  
Benefits for short-time work or temporary lay-offs.  
Assistance of weak firms and sectors.
- III *Providing Alternatives to Employment*  
Training.  
Early retirement.
- IV *Restricting Labour Supply*

## V *Creating Jobs*

Mobility measures and public employment services.  
Public service employment and community projects.  
Public works for job creation.

Financial incentives for private job creation.

Job creation through regional development plans.

Wage subsidies for direct job creation.

Application of subsidy schemes to special groups.

- 1 *Income Maintenance for the Unemployed* has been achieved in OECD Member countries by the use of initiatives to modify existing social security systems by the following methods:

*Strengthening unemployment benefit systems* has become one of the most important methods for substantially offsetting wage losses and easing personal hardships. These systems were primarily designed for frictional unemployment but have had to be modified, because of the current recession, particularly in benefit levels, duration, scope of coverage, differential treatment of special groups. Benefit levels have been raised considerably to compensate for cost of living rises with provision for periodic review in, e.g., the UK and for indexation in Germany, Belgium, Italy.

A few countries experimented with trigger devices for automatic extension of duration or entitlement to benefits. In Canada, the government contribution is based on an eight-year monthly moving average of unemployment rates. In the United States, by legislation with a cut-off date, duration is automatically increased when the national rate of unemployment exceeds four per cent for three consecutive months. In Japan, benefit duration is extended in certain circumstances or triggered auto-

matically if unemployment exceeds four per cent for more than four consecutive months.

*Differential treatment of special groups* : Austria, Finland and Norway directly help older workers; Japan varies in duration of benefits with age and employability; in France, interim supplementary allowances help workers whose jobs have been lost for economic reasons, older workers receive special benefits, redundant workers are treated as a special group; Australia, Canada and the United States have special programmes to assist workers affected by adverse international trade changes.

- II *The policy of maintaining job attachments and employment* emphasises the necessity of maintaining jobs and keeping firms in existence. Legislation has been introduced in several countries to provide notice and time for consultation in prospective redundancy cases. Work sharing has been encouraged also and in some cases indirect subsidies have been made to employers through provision of benefits to workers employed for less than normal hours.

Benefits for short-time work or temporary lay-offs, while providing benefits for partial unemployment, also have the object of minimising dismissals. Germany, France, Belgium, Italy, Japan and Luxembourg have schemes of benefits for those working short time; most countries have a limit for the time for short-term benefits. In Italy the scheme has special application to the construction industry.

*Assistance of weak firms and sectors* : Many countries have tried to keep firms in existence by various means of government intervention. Canada, France and the UK have taken budgetary measures to improve the liquidity position of enterprises. France and the UK have made loans on an *ad hoc* basis

or through participation in shares. The Netherlands and Ireland have endeavoured to find new enterprises or new management to take over firms which are on the point of closing; this may be combined with special financial incentives and assistance for re-training existing personnel. Special government contracts may be given to provide new management with orders; in Sweden the government gives bulk orders to firms; in Finland orders for paper-making machinery were advanced.

- III *Providing alternatives to employment* has been increasingly recognised by governments including possibilities for transforming involuntary to voluntary retirement by development of the concept of flexibility of working life.

*Education*: In Germany, employees have the right to pursue further education with compensation for loss of pay and expenses; French law permits up to two per cent of a firm's labour force to take leave for training at any one time; in Belgium full-time workers aged under 40 may be absent from work on full pay for a stated number of hours; Italy provides the right to 150 paid hours' educational leave over a period of three years; Japan gives incentive grants to small firms for paid educational leave on training related to employment; Australia has found that special incentives may be required in periods of reduced activity, to induce workers to take long service leave.

Training for the unemployed was used in most countries. Contingency plans were developed in Norway, and new programmes introduced with special emphasis on youth in the UK; the US has a new "delivery system", whereby block grants may be used to provide comprehensive manpower-ser-

vices including classroom instruction, institutional and on-the-job training and allowances for workers in training. Early retirement has been introduced by permitting the unemployed to withdraw from the labour force and obtain pre-retirement pensions, when their unemployment benefit is exhausted or after a fixed period of unemployment at a given age. Belgium, Finland, France, and Spain have adopted this method. Sweden has reduced the general retirement age 65 and provided part-time early retirement by people aged 60 years or over.

IV *Restricting labour supply* : Social attitude changes may result in restricting the labour force supply, e.g., Australia has noted an acceleration of long-term trends towards lengthier periods of initial education and training. Some countries restricted immigration for economic and social reasons. Germany discontinued immigration from non-Community countries at the first sign of rising unemployment in late 1973 in order to maximise employment opportunities for nationals. France also suspended immigration in early 1974.

V *Creating jobs* by the use of active manpower policy was the strategy used by government in many countries.

*Mobility measures and public employment service* were designed to facilitate the search for jobs and the matching of workers and jobs. In the US efforts were made to increase services by reviewing staff deployment and by recruiting a reserve force for claims processing; The Netherlands reported increases of staff for the employment service and new methods of operation. Canada introduced a job information bank system. In Germany a special



allowance was paid to unemployed persons who took new jobs requiring adjustments, such as moving, receiving training or accepting reduced earnings initially.

*Public service employment and community projects* have increasingly been used for the creation of jobs. The US made extensive use of public service employment with the object of increasing the number of jobs available to nearly three times its former level and with the ultimate goal of creating full-time unsubsidised employment. The Netherlands, New Zealand and Sweden all have programmes at various stages of development. In the case of Australia, The Netherlands and France, public employment has been permanently expanded.

*The local initiatives programme* in Canada is a direct job creation programme for the implementation of community projects initiated by unemployed groups during periods of high seasonal unemployment. The UK has a Community Industry Scheme for youth employment on projects of social or environmental value. Public Works for job creation have not been very popular; Germany and Sweden have contingency plans and funds available for such purposes, while Finland and Denmark have initiated projects on an *ad hoc* basis and Belgium also tried to speed up its public works appropriations to produce immediate employment effects.

Increased expenditure has recently been projected by many countries for housing and other public works in order to reduce high-level unemployment in the construction trades in the relatively short-term.

*Financial incentives* by governments for job creation in the private sector provide for private investment grants, rates of interest, depreciation

allowances, rebates on taxes. In the UK the disparities in the unemployment rates between areas have been reduced by regional employment premiums; France and Ireland have investment subsidies conditional on the number of jobs created and kept in existence. In an effort to reduce urban congestion Japan gives grants to employers in less developed areas where the increased capacity absorbs more workers.

Wage subsidies for direct job creation are regarded as an important strategy for creating additional jobs in a non-inflationary way. In Germany, during early 1975, a wage subsidy was paid to firms engaging additional permanent employees from the unemployed in areas with above average unemployment. France initiated an incentive bonus of 500 frs. paid for six months for each job created between June and November 1975, to employers hiring under a permanent one year contract certain categories of unemployment persons.

*The application of subsidy schemes to certain groups* has taken place in Austria and Finland by granting financial incentives to promote the employment of new and inexperienced workers; in Germany subsidies were given for inexperienced and older workers and in France for young people.

There is a continuing trend towards subsidising the employment of handicapped workers in many countries.

## Chapter 4

### *Conclusions and Recommendations*

THE paper is already long but there are still a number of important topics undealt with which, indeed, we had planned at the outset to include. These topics comprise (1) the construction of a forecasting model of our own, simpler than COMET (Chapter 1) but including external labour mobility as an endogenous variable; (2) examination of a specific (but not exhaustive) list of potential public works to derive experience from which precise rules, in modern Irish conditions, for running such enterprises could be derived; (3) conduct a substantive survey of the unemployed using guidelines derived from the pilot already carried out; (4) economic theory. There are other problems, or aspects of problems, but these four, in our view, are the most important. The present is but one of the earlier studies on the country's unemployment problem: it has no pretension to what is termed "definitive" and to repeat, the paper is merely a compendium.

As to (1), no model of ours would be likely to negate the dire showing of COMET for the future of unemployment in Ireland. COMET and the economic implications of the B. M. Walsh demographic forecasts for full employment are our main impulsion. In regard to (2), obviously the determination of works to be undertaken, having regard to priority and optimality, is for large organisations and not for a couple of researchers. We were, however, greatly helped at an early stage in this aspect by T. O'Gorman and his Bord Fáilte colleagues who indicated that their Tidy Towns enterprise alone had brought to light details of several hun-

dred local tasks which required doing, as public works. Obviously government departments, local authorities and other groups are aware of many more. Our study of Irish experience in the past (Chapter 2) and of other countries in the present (Chapter 3) will embolden us to make proposals which we hope are sensible to the point of forming a basis for discussion by experts. As to (3), while the pilot survey provided some useful information, the statistical possibilities would be vastly enhanced by an inquiry extending to say 10,000 unemployed respondents.

As to (4), we decided at the outset to confine our attention to the practical aspects of our subject, with a narrow definition of the word "practical".

A general study of the theory of unemployment would cover a large part of economic theory itself. A more confined theoretical concept is possible and, to this end, we made a study of a recent paper entitled "Public Employment and Fiscal Policy" by M. Wiseman with Discussion (1976) which is, in effect, wide-ranging as regards US theory and practice on the problem of putting the unemployed to work.

While this paper can be recommended to administrators and students, it must be pointed out that there is no consensus as to the "best" way of putting the unemployed to work. Indeed, judging by the small number\* who found work under the various schemes, we wonder whether the US Administration really believed in such an approach at all perhaps preferring the general economic improvement to reduce the number of out-of-work. A serious Irish effort would have to be relatively on a far larger scale than those of USA.

Wiseman's (1976) approach is partly statistical, analysing job creation by sex, race, age and education, a model perhaps for Ireland when its schemes get under way. Aspects con-

\*Amongst males, in March 1975 when the unemployment rate was at the depression level of 9.2 per cent, special employment created amounted to only 0.3 per cent of the LF.

sidered in paper and discussion on both practical and theoretical lines are the anticyclical, inflationary, Phillips Curve, net (as distinct from gross) employment and other effects. Wiseman (1976) makes the important point that direct job creation (presumably as distinct from measures to promote general development) are "speed and job impact". He favoured fixed term for jobs, say, one year, but all discussants did not agree with him. The net effect on employment (which is all that matters) will be less than the number of jobs created, but James Tobin (1976) thinks "The best programme of all would find a way to fill existing vacancies with unemployed workers". Tobin (1976) has an ingenious "simple algebraic framework for thinking about these matters", which incorporates employment, unemployment, vacancies and wage-inflation rate. A tentative conclusion of Tobins: —

Some of these considerations lead me to wonder whether a programme that placed eligible workers into private or public jobs with a federal wage subsidy might not be a better device for balancing several objectives than are the public service employment programmes.

These remarks have no pretention to summary. The paper (and, no doubt, the many references therein) and the discussion are as we stated, well worthy of study, especially for their mention of many of the considerations to be borne in mind in setting up an efficient public employment programme.

### *Principles, Practice, Policy*

We believe that almost the first essential in tackling the problem of unemployment (and indeed any other social problem) is for the public to view phenomena with a fresh mind. In a rapidly changing world old shibboleths may contain the worst kind of error and inconsistency, however true these beliefs were in the past; and some of them may never have been true. False targets (i.e., targets bad in themselves

or, if not bad, unattainable) are harmful if only because they lead to division and discouragement in the nation.

We find it necessary to return to first principles to determine what we conceive to be the right attitude towards the problem of endemically high unemployment, prior, of course, to the determination of policy. The first principle is that the rights of the individual, including, above all, his personal freedom, are paramount. The rights of the individual take precedence of the rights proclaimed for family, parish, state or any other entity. The individual is the best judge of his or her own affairs. We do not trouble to qualify these statements since qualifications are obvious.

Basic rights include a minimum standard of material comfort. (For the moment it will suffice that these should apply within the nation, if necessary with sacrifice by certain sections, i.e., a more equal sharing.) The individual is equally entitled to levels of education, training and information adequate to enable him or her to cope with the problems of living. For the sake of human dignity as much as to provide the necessaries of life each individual has a right to a job. The famous principle is acceptable to us "from each according to ability, to each according to needs."

COMET shows that the main reason for the high unemployment rate is "too many people chasing too few jobs", the too few jobs being, in turn, due to too low a level of fixed capital formation, due ultimately to our relative poverty as a nation (in EEC if not in the world generally). The "too many people" is due to the relatively high birth rate, making it necessary to give our views, for discussion only, on this difficult topic.

Most Irish people will agree that the recent substantial increase in the marriage rate is a good thing, not only for the individual but for the nation. Though it is perhaps too early to judge, there are, as yet, no signs of an increase in the *birth* rate which, if true, would mean that the *fertility* rate (roughly birth per marriage) was tending appreciably

downward, as it has, of course, in Ireland in the longer period. That allegedly high Irish birth rate (and still less the fertility rate) is far from being as immutable as the laws of the Medes and Persians. Geary\* even argued, and produced statistical evidence for his argument, that, in the past, the number of births had its law: that the number of births was of the same order of magnitude as number of deaths, and always far fewer than the biological maximum, is an aspect of this law. This view might require qualification in view of the decline in the death rate, especially amongst the poorer peoples. Very recently Geary† has raised a doubt as to the commonly held view that the world is overpopulated.

The fact that, as stated in Chapter 1, young people, perhaps for the first time in Irish history, decided that livelihood could be obtained in Ireland, is of very recent and short duration. We ask the question without propounding an answer: is the present low emigration rate "natural" for Ireland? If not, can we ever hope to reduce the present high unemployment rate to Western European levels? The economic and social boundaries never coincide with the geographical boundaries for any country in the modern world, less so for Ireland than for any other country. Full employment for the Irish is a tenable ideal, provided that the country of employment is not specified.

The principles involved here are the individual's freedom of movement and that it is better to have a job anywhere than to be idle at home. Again, these principles are subject to obvious qualifications. We hesitate to advance, as a social principle, parents' right to have as many children as they like. We take the view, rather, that social forces will tend, of their own, to limit the birth rate in Ireland. But these social forces may take a long time to be effective.

\*R.C. Geary: Irish Population Prospects Considered from the Viewpoint of Reproduction Rates. *Journal of the Statistical and Social Inquiry Society of Ireland*. March 1941.

†R.C. Geary: Lecture in TCD, 1974.

We have suggested that, in future, emigration from Ireland, be it large or small, should be regarded as an aspect of mobility of labour. Irish workers abroad will retain their Irish nationality and domicile if they so desire. They will, in future, be properly educated and trained for their sojourns abroad. Their interests will be safeguarded, primarily by the Department of Foreign Affairs. Migration will cease to be the shame of the nation.

Having regard to the level and trend in the birth rate in other EEC countries, to say nothing of their value at home, Irish young persons, properly educated and trained may be the nation's most precious asset.

There is no suggestion here that external mobility of labour holds the complete solution of the Irish unemployment problem. In the first place, the demand for labour abroad may be less in the future than in the past, even with economic recovery. Also, in our philosophy, the rights of the individual are paramount, and it is not right that anyone should be forced against her or his will, to leave the country for work.

So we assert that the national conscience must regard itself as involved in this matter. When the number of registered unemployed was half what it is at present (to say nothing of the worsened situation of the largely unregistered school-leavers) we wrote

In the classical words of the Unemployment Acts a person qualified for aid when 'able and willing to work but unable to find suitable employment'. That such people, through no fault of their own, should find their earnings reduced substantially is an affront to natural justice and a burden on the conscience of citizens in general. The ideal would be that every employee should have a civil service type contract, whereby his income is reduced, or ceases altogether only because of grave misdemeanour; it should not be reduced on involuntary unemployment. Apart from cost, there would appear to be no difficulty about administering such a scheme using the existing social security system.

(Geary and Hughes, 1970).



The large majority of the labour force (even most of the employee class) are never threatened with unemployment even in bad times like the present. We believe that this majority must accept sacrifice to reduce unemployment. Sacrifice means willing acceptance of disposable earnings or profits below those which wage earners or employers would have the bargaining power to impose. While it is true that increased money income is an impulsion to *home* demand and hence to reduction of unemployment, the potential for export demand from reduction of employee remuneration is very much greater. Public works schemes will also be necessary, demanding a substantial increase in earmarked taxation, i.e., taxation specifically designed to reduce unemployment, with the effect of reducing disposable income of all classes. Recourse must also be had to internal and external loans. We believe that the public are far more ready for sacrifice than is commonly supposed if it can clearly be seen to be effective in substantially reducing the number of unemployed.

We also believe that those who still hold the old-fashioned idea that the unemployed are simply the work-shy have decreased in number. Many more, however, think that unemployment pay at its present levels is something like an equitable minimum wage. It is certainly true, as indicated in Chapter 1, that having regard to the Irish GNP we are probably doing more for our unemployed than is any other EEC country. However, our GNP is very low and the pilot survey clearly shows that this is not enough in absolute terms.

Before discussing the various choices for the relief of unemployment we wish to call attention to a relevant paper by our colleague, K. A. Kennedy.\* While the paper is very much the author's own he acknowledges his thanks for "helpful ideas" to no fewer than eight staff members (including one of us), that to a large extent the paper synthesises

\*"Planning and Employment" read at the Twenty-fourth National Management Conference, Killarney 1976, *Management* (1976).

ESRI ideas. At our request he has kindly supplied us with a summary of his paper to be found in Appendix B.

### *Action Required*

We have already indicated that we have no pretention to propounding a detailed solution of the Irish unemployment and underemployment problems; E. Costa's appendix paper, we think, largely dispenses us from this task. The main objective has been to show that the problem is a very serious one and we shall be amply rewarded if we have done something to convince the public and the government of the fact. We are certain that the ordinary economic process, even with the favourable trend of the period of say 1960-1973, or the anticipated trend in the future, will not solve the problem.

We assign E. Costa's paper to an appendix to emphasise that he has no responsibility for the rest of this paper. Indeed we regard the appendix as a vital part of the whole paper, for its inherent quality, as well as for the distinction, the practical and theoretical experience and the independence of the author. At the same time we feel bound to set down our own ideas as a result of a study of a large amount of material. Our views are more general, though nowhere in serious conflict with Costa.

Our most important recommendation is that there be set up a National Manpower Authority, analogous to the Industrial Development Authority, under the Minister for Labour, a development of the present National Manpower Service, taking over all the present functions and staff of that service but greatly expanding them. Its duty would be to set the greatest possible number of unemployed to work in an optimal way. Optimality implies profitable or socially useful works, with high labour content, low cost per worker but adequate wages, reasonably high labour productivity in work initiated by the NMA. No programme can be optimal in all objectives; the NMA must find its way. It will be endowed with the highest prestige by having ample funds and

a wide discretion as to spending them. It will work closely with IDA and other existing authorities, public and private, to ensure that goods and services produced, whether for profit or otherwise, have a high labour content. NMA will require a highly competent research wing containing expertise in construction engineering, accountancy, economics and statistics always, and other consultative skills as required. We cannot overstress the importance we attach to research. It is *not* a matter of following the best international models. Ireland must evolve its own methods.

### *Choices Open*

There are several choices open:

1. Leave matters as they are, accepting present level of unemployed, remunerated as well as the country can afford.
2. Rely on the purely economic approach with perhaps intensification of IDA effort in non-agriculture.
3. Wage subsidisation, whereby employers receive payments from the government to keep on workers whom they would otherwise have to let go.
4. A direct approach: as soon as a worker becomes unemployed he is given a job low in material and capital cost, a large extension of present LA practice which extends only to minor road making and repairing etc. These works are social in character, largely infra-structural, typical of the kind of tasks undertaken by government, with no goods or services for sale.
5. Another direct approach: the setting up of local industries, co-operative or other which, while producing goods or services for sale, are not primarily impelled by the profit motive.
6. Controlled mobility internal and external.

7. Programmes of training, retraining and general education of the unemployed.
8. Improvement of employment in agriculture.
9. Retirement of the elderly on the LR.

Notes follow on each of the nine policies listed:

1. *No change in policy.* It would mean little change in the present level of the LR for a long time to come. Policy should be directed towards getting work for the younger people so that those remaining on the register are the older. As the total LR gets smaller the country can afford to pay them more. The long-term unemployed elderly people will mostly have been unskilled and therefore heavy manual workers, less fit for such work as they get older, and cannot be criticised for lack of inclination for such work. One desirable objective will be an older LR.

2. *The purely economic approach.* IDA has been successful in attracting investment and creating employment and should be encouraged and financed towards even more intensive effort. We know that IDA is aware of the need for attracting and expanding labour-intensive industry, although the world competition for industry is intense and we must take what we can get. The research departments in IDA and NMA must do their utmost towards identifying labour-intensive industry. Has sufficient attention been given to services, necessarily labour-intensive?

Even if present-day optimistic prophets are right that we are slowly emerging from the current depression, they say little about the effects on employment. We avoid arrogating to ourselves the role of prophecy, but we consider that the situation of full employment experienced by most economically advanced countries since World War II is unlikely to recur. We fear that unemployment has, more or less permanently, shifted to higher levels everywhere, in Ireland

in particular. Perhaps other countries will have to adopt special measures as we recommended for Ireland here. Admittedly the COMET model foresees a bright future for employment in France and Germany.

3. *Wage subsidisation.* This has had what we regard as a promising start. The Premium Employment Programme, PEP announced by the Minister for Finance in his Budget statement in 1975, in so far as it relates to manufacturing industry makes but a small dent in the total unemployed, about 4,000 in the first year. We hope the programme will be continued. Clearly the premiums should be increased and the programme extended to the construction and other service industries and to services themselves. We realise that it is difficult to apply PEP to some industries including construction.

4. *Direct labour.* Most of the experience described in this paper, in Ireland in the past and in other countries in the past and present, has had to do with public employment relief schemes. Truth to say, our study has left us with the impression that these schemes have not been a great success anywhere except as ways for distributing a somewhat larger dole; we can at least, learn from mistakes. An exception are agricultural schemes in Ireland which seem to have had useful results. Yet special work schemes generally must remain, especially at the start, the best way for absorbing sizeable numbers of the unemployed. Only we must be careful not to call them "relief schemes", or select or operate them as if this were their character.

The following seem rules to be observed: —

(i) Project leaders should be specially selected and trained in the very wide range of skills required, administrative as well as technical with close regard to the art of management. Some of the trainees may be found amongst the unemployed themselves. They will not be expected to be possessed of all

the skills, engineering and other, but will know how and where to look for them. Their role will be that of manager (or "ganger" on smaller jobs) with wide discretion but observing general rules, including accurate record-keeping on centrally-determined models.

It is not to be expected that county engineers and other local officers can add to their duties the general overlooking of special works, though these works will normally be those which would fall to be executed by them. The works must be carried out with the closest co-operation between the relevant local authority and the NMA or, at the local level, between the county engineers etc. and the NMA manager. Care must be exercised that special works are additional, and not just substitutional for works that local authorities would undertake anyway, hence with little or no addition to employment.

(ii) One of the first duties of NMA will be the systematic collection of the thousands of tasks, large and small, which might be undertaken, with uniform particulars of site, nature of work, man years, fixed capital, labour, time duration etc., from which central NMA will make a selection, quasi-optimal in character.

(iii) A trained inspectorate will be appointed to report in uniform fashion, on the progress of the works undertaken.

(iv) A roster of applicants will be established, including school-leavers who do not normally register at the local offices of D/SW, with full qualifications for each. Application for jobs on special works will be entirely voluntary, i.e., refusal will not disqualify the applicant for UB or UA. Selection of applicants will be primarily on the basis of the best qualified to do the job, i.e., the standards will be those of a private employer. There will be ways, however, in which this prime consideration can be mitigated in hard cases.

(v) Past experience in Ireland has shown that to a large extent work sites do not correspond with place of residence

of the unemployed. This means that lodging must be provided for many workers. Travel and subsistence must be provided for workers who have to travel.

(vi) A kind of rule emerged from previous Irish experience, that small jobs were for direct labour i.e., the ganger under the direct control of the NMA manager and larger works should be contracted out, the contractor using the labour designated by NMA. While this arrangement, as regards contracting out, may make for efficiency as measured by total cost of the work, it will probably result in a smaller aggregate wage cost than otherwise might be the case. We do not wish to be dogmatic or doctrinaire on this point. Each case should be considered on its merits. Unless due regard be given to economy with the vast sums involved through efficiency and general factor and labour productivity, the whole idea of special works on the scale required may founder at the start. The best way to endow special works with prestige and to remove from them the stigma of relief, is to devise their methods and to judge their results by business standards. Cost-efficiency is of the very essence of special works and NMA must give this problem special consideration. The answer may be that when the works are on a scale requiring professional skills these should be paid for on a fee basis.

(vii) The co-operation of ICTU will be sought to ensure that wage demands for special works while fair are not excessive. The lower the wages the more the projects can be undertaken. The full approval of the TU movement will be necessary if the whole new special works scheme is to be a success. It may well be that ICTU and other important bodies may have to alter their traditional sights in this process.

5. *Local Industries.* There have been complaints in the press at the absence in Ireland of goods of an essentially Irish

character; making such goods requires skill and skill requires training. The few Irish artefacts already available are so good as to encourage the notion that, especially amongst women in rural areas, home workers and small industries could considerably increase the incomes of participants and so gather up some of the slack of underemployment. With organisation we consider that added income could be considerable if, as was anticipated in better times, tourism was to become one of our largest non-agricultural industries. Sales to tourists would mitigate our import balance, one of the main deterrents to economic advance. We could make our own prices for characteristically Irish goods and, to that extent, protect ourselves from that economic bugbear, international prices. NMA should consult Kilkenny Workshops and other practitioner bodies on this proposal.

6. *Migration.* We have dealt at some length with this topic in Chapter 1 and elsewhere in the paper. We have suggested that in view of traditional unhappy associations the term "emigration" should be changed to "labour mobility". We indicated that this is not merely a change of words. The Irish mobile worker will be a different *persona* from that which he or she so often was in the past, especially in the fact that he will be properly trained and educated and, as the need requires, looked after by the Irish authorities.

It is a great advance that Irish migration is at last officially recognised as a fact of Irish life, and not as the shame of the nation as it was in the past. This is partly the result of our EEC membership, whereby we are subject to the EEC Regulation of Free Movement of workers. But there is also the 1969 Committee set up by the Minister for Labour whose prime object seems to be to encourage emigrants to return to Ireland, it also provides for allocation of grants to voluntary organisations in Ireland and abroad which assist emigrants.

We have given reasons why we think that when a world



economic upsurge gets well under way again there may be a renewed demand abroad for Irish workers. This is speculative. In the longer term, effective demand will depend on the relative trends of the birth rates in Ireland and the advanced industrial countries. We have also indicated our apprehension that recovery will take longer than most experts think; and that, when it comes, it may not have a major effect on existing unemployment levels at home and abroad as it may be capital-intensive, so with a lesser demand for labour.

7. *Education and training.* Not only in Ireland but in the world generally there is a realisation that at all levels, but especially at that overwhelmingly most important level, the primary, education should be a training for life. Primary education in so far as it succeeds in imparting the three Rs has gone far on the way in preparing the future worker for life. Having regard to the huge drop-out rate before completion of primary education and from other evidence, we believe that closer attention be given to reading and writing at least. As a training for life, bluntly a training for jobs, we are convinced that, at all levels, choice of subjects could be improved and the content of existing subjects made more useful. AnCO, vocational training and training on the job are on the right lines; they need only extension.

The foregoing remarks are relevant to the whole population and only the minority exposed to the risk of unemployment. Education, of itself can do much to lower the endemic level. The argument is almost syllogistic: to a large extent the high percentage unemployed is due to the high rates amongst the unskilled indicating too large a labour pool of unskilled; the unskilled are largely undereducated and untrained; hence by improving education and training the number of unemployed could be reduced.

Every effort, including financial inducement, must be made to induce the unemployed to continue their schooling, training and retraining, especially the younger unemployed.

It will be of great importance to convince these people that the training they get will be useful for getting them jobs. And the best way to convince them is to get jobs at home or abroad.

8. *Agriculture.* Is the continuing decline in manpower in agriculture as inevitable as is almost invariably assumed? Almost the main deterrent to a decline in the number of unemployed has been the shedding of manpower from agriculture towards the non-AFF labour pool. We are told that this depopulation has reached the point where present-day farmers have no heirs on the farm, if this accentuates the elimination of the small uneconomic farms by consolidation it might be a good thing but it offers only a poor employment prospect. Must agriculture become a capital-intensive industry in Ireland?

If any sector wanted the new outlook we have been pleading for, it is agriculture. One senses a note, sometimes indeed a full symphony of fatalism in most discussions on Irish agriculture. But also it has been authoritatively stated that the physical output of our magnificent natural pastures could be quadrupled and total output doubled. Under the CAP the tendency of farmers to seek economic salvation through prices, instead of quantum and quality, i.e., away from manpower, has been exacerbated.

Irish agriculture must increase in efficiency, in finding new products and raising output of existing products suited to Irish soil and climate, and in all other respects, to obtain and to hold a larger share of the vast EEC market, to say nothing of the rest of the world, including the huge hungry part of the Third World, stated to number a thousand million, a quarter of the world's population.

If it be argued that agriculturally Ireland is no worse off than elsewhere in EEC, we suggest that Ireland should consider the advisability of being the exception, instead of eternally following the band.

It is our profound conviction that the land, whether rural or urban, is not just another form of fixed capital to be owned outright and disposed of at will, like other forms of capital in the western economic system. Instead, whatever the form of tenure, it should be regarded as held in trust for the nation by the occupier. It is interesting to note in this connection that Michael Davitt, the greatest figure in the land movement of the last century, believed that land should be nationalised.

Geary,\* in a research based on a large number of farms in the same county, found that output varied enormously for no obvious reason, but one must assume that the competence of the operator was one reason. In fact, regularly on each size of farm group the range in output between the upper and lower ten per cent deciles was 3:1. He concluded that the quality of husbandry on many farms large and small should not be tolerated. Misuse on large farms was a more serious problem than on small. A new Land Act should provide for the substitution of competent for incompetent operators, with fair compensation for the latter. The fact that, as is clear from CP, 1971, the number of relatives assisting was insufficient to ensure the succession might have two effects, both advantageous: (i) reduce number of small farms by consolidation, (merely a speeding-up of a process that is taking place all the time), (ii) young people in towns to take up agriculture as a profession, in fact a return to the land. The present manpower drift from the land is one of the major impediments towards our attaining full employment. Hence the net drift must be arrested, or even turned, if in a modest way.

9. *Retirement of the elderly on the LR.* From a human point of view the situation of the elderly (however defined) on the LR can be tragic. They are mostly long term. Clearly

\*"Variability in Agricultural Statistics on Small and Medium-Sized Farms in an Irish County". *Journal of the Statistical and Social Inquiry Society of Ireland* Vol. XIX 1956-57.

they are disadvantaged in seeking work in competition with younger persons. It cannot reasonably be expected that they should learn new ways and new trades.

It is suggested that long-term elderly persons on the LR should be granted OAPs at an earlier age than normal, so removing them from the LR. They should have the benefit of any income-related OAP which may transpire, income in such case being current income from normal occupation.\*

*The Economic Approach towards the Elimination of Unemployment.*

For Costa's estimates the extreme assumption is made that all recipients of UB and UA are on SWPs, i.e., relief work though, to the extent that recourse must be had to it, it will never be so called, or so regarded. Here we take the opposite extreme view, namely, that all the registered unemployed are to be economically employed. Our calculations are oversimplified and unrealistic but we believe that methodologically they hold a clue for more sophisticated analysis. Also, they may indicate whether there is any hope for an economic solution to the problem, i.e., is the cost (to be borne by the nation through general government) altogether beyond our means? As will be seen we think not—if the nation is willing.

The crudest method first. Suppose that the problem is to set 100,000 people to work. The LF (including unemployed) is 1.1 million. In 1975 GDP has been estimated at £3,548 million. The gain from setting 0.1 million at work is £394 ( $=0.1 \times 3,548 / (1 - 0.1)$ ) million. Methodologically such a

\*It has been suggested that many elderly people could contribute to their own well-being and the national income by undertaking part-time work; they should not be discouraged by conditions attaching to their pensions from doing so within reasonable limits. In a sense retirement of the elderly unemployed does not reduce the total unemployed. We confess that we make this recommendation from a humanistic point of view, having special regard to Ireland, where the very large number of unskilled experience increased economic unemployment as they grow older.

†We are indebted for the basic idea in this section to B.M. Walsh, who also improved it by helpful suggestion.

Table 4.1: Potential additional IO flow values on assumption that all unemployed are set to work 1974

<i>£ million</i>														
	<i>Sectors</i>													
	1	4	5	6	7	10	11	12	15	16	17	18	Other	Total
1. Gross output	856	953	299	148	182	242	174	536	458	221	1,262	353	414	—
2. Added value	376	148	95	55	75	90	64	233	327	100	970	23	169	2,725
3. Imports, complementary	2	27	17	3	45	55	67	3	0	22	7	17	96	361
4. Percentage unemployed ( $r_i$ )	20	11	16	16	14	10	15	26	11	13	8	20	—	13
5. Multiplier ( $m_i$ )	·2500	·1236	·1905	·1905	·1629	·1111	·1765	·3513	·1236	·1494	·0870	·2500	—	—
<i>Potential addition</i>														
6. Gross output	214	118	57	28	30	27	31	189	57	33	110	88	48	1,030
7. Added value	94	18	18	10	12	10	11	82	40	15	84	6	19	419
8. Imports, complementary	1	3	3	1	7	6	12	1		3	1	4	11	53
9. Intermediate goods	187	39	27	34	21	15	8	29	15	14	30	87	36	542
10. Household consumption	25	44	25	11	3	9	11		30	9	35		14	216
11. Exports, visible, invisible	23	44	33	7	20	26	4		2	12	5	1	12	189
12. Net government current	0							13			41		0	54
13. Gross physical cap. form	-2	2	4	4	2	8	8	147	10	2			1	186
14. Minus similar imports	-19	-11	-32	-28	-16	-31			-0	-4	-1		-15	-157

Primary sources: E.W. Henry I-O manuscript table for 1974 (preliminary and subject to amendment) ISB for March 1976 for unemployment rates December 1975.

Notes to Table 4.1

Sectors

1. Agriculture, forestry, fishing. 2. Solid fuel. 3. Stone, ores, gravel. 4. Food, drink, tobacco. 5. Textiles, clothing, leather. 6. Wood, furniture, paper, print. 7. Chemicals, rubber, plastic. 8. Petroleum refining. 9. Clay, cement, pottery. 10. Metals, machinery. 11. Vehicles. 12. Construction. 13. Electricity. 14. Gas, town. 15. Trade margin. 16. Transport. 17. Services. 18. Artificial sector.

Rows 1-3 relate to the whole country, derived from the Henry IO paper. Rows 6-14, the "potential addition" figures are derived from the Henry figures by multiplication by  $m_i = r_i / (100 - r_i)$ , e.g.  $214 = 856 \times .25$ ,  $94 = 376 \times .25$ . The  $r_i$  figures relate to December 1975, after examination deemed most suitable for the present purpose; the  $r_i$  for sectors 1 and 18 are conjectures.

In the IO convention, rows 7-8 are primary input (row 7=wages, pensions, profits, depreciation, indirect tax less subsidies). Rows 10-14 are final demand heads. As in the original figures of the IO table, in the "addition" series, col. 6=sum of cols. 9-14.

The six sectors in the "Other" (second last) column have to be separately estimated and aggregated.

Table C.1: Components of cost benefit calculation of a given LPWP project

## (a) Costs

<i>Individual</i>	<i>LPWP Agency</i>	<i>Government</i>	<i>Society</i>
1. Opportunity costs (net of taxes): —possible forgone employment —leisure —family care and works at home  2. Loss of transfer payments: —welfare support —unemployment insurance —other subsidies  3. Extra costs due to the participation of LPWP: —transport expenses to work sites (if not paid by government) —increasing energy to work (if not paid by government) —additional clothes for work.	1. Project outlays: —investment costs (land, capital, labour) —operation, maintenance and replacement costs (OMR) —administrative costs (fixed and variable) —additional administrative costs (direct and indirect)  2. Additional subsidies paid during LPWP: —food aid (if not granted by external donors).	1. Cost of possible anti-inflationary policy (see Chapter VI Section II)	1. Opportunity costs (gross of taxes): —forgone use of land, capital, labour due to LPWP  2. Cost of training the unskilled workers.

## (b) Benefits

<i>Individual</i>	<i>LPWP Agency</i>	<i>Government</i>	<i>Society</i>
1. Increase in earnings due to LPWPs job (net of taxes).  2. Additional fringe benefits due to increased income.  3. Benefits derived from on-the-spot job training: —better opportunities to find qualified job in the future with the skill acquired in LPWP. —perspectives of increased wage rate due to the improvement of skill. —personal satisfaction of becoming a skilled worker.	1. Direct benefits collected from LPWP project.  2. Indirect benefits collected from LPWP project.	1. Savings in administrative expenses of transfer payment programmes: —unemployment administration —welfare programme —employment service operations  2. Increases in taxes —direct taxes on: LPWP participants and those who benefit from the multiplier effect —secondary taxes on users of work done by LPWP.	1. Social benefits derived from LPWP project: —additional output, resulting from an improvement in the country's infrastructure, from resources becoming more productive —reduction of poverty and unemployment improved income distribution —reduction of social costs resulting from social turmoil control (crimes, political troubles) —improvement in the workers' skills.  2. Secondary benefits resulting from the multiplier effect.  3. External benefits derived from LPWP project.

figure, for 1975, is too crude but it gives some idea of the magnitude involved; also the principle involved in what follows is the same at sectoral level, using IO.

E.W. Henry has kindly made available to us an eighteen sector IO table for 1974 which he prepared in connection with his study of energy conservation. While he emphasises that his figures are preliminary and subject to amendment, they are useful to us in so far as we are concerned mainly with illustrating a method. As will be seen from the Notes to Table 4.1 this method consists in estimating the increases in gross output, added value, etc. for sector  $i$ , to be expected from putting the unemployed in the sector to work, found by multiplying the IO figures by  $(m_i = r_i/100 - r_i)$  where  $r_i$  is the percentage.

Aggregate added value (row 2) £2,725 million, the sum of heads wages, pensions, profits, and indirect tax as less subsidies, is near enough for our purpose to the official GDP of £2,900 million for 1974: there is no reason why they should be identical.\* Our most important figure is that of row 7, the added value from putting the unemployed to work, namely, £419 million, or an addition of 15 ( $= 100 \times 419/2725$ ) per cent to GDP. Its principal constituents will be seen to be 94, 82 and 84 millions for sectors 1, 12 and 17 respectively. The 20 per cent for AFF is pure surmise but it is far less than the doubling which experts regard as possible for agriculture. Of course construction (12) looms large but it may come as a surprise that services (17) have similar possibilities.

We set out the last column of Table 4.1 in the form of an account in Table 4.2 to make a couple of points. The principle is that the account would be in exact balance in an IO table proper. Here, as will be seen, there is a discrepancy of £16 million, negligible in the light of the figures involved. This near-concordance does not justify this arithmetical exercise, though its absence would be a disqualification.

\*Taking account of extraneous items Henry's figure becomes £2,928 million.

Table 4.2: *Aggregate potential additional IO flows*

	£m		£m
7 Added value	419	9 Inter. goods	542
8 Imports, comple.	53	10 Household	216
9 Inter. goods	542	11 Exports	189
Discrepancy	16	12 Govt. current	54
		13 Capital form.	186
		14 <i>Minus</i> sim. impts.	-157
	<hr/> 1,030	6 Gross output	<hr/> 1,030

Source: Table 4.1, last column

Nor would there be a serious increase to the import balance an endemic feature of the Irish economy, in fact a mere £21 (= 53 + 157 - 189) million.

The elimination of unemployment on the lines envisaged would entail a vast increase in government subsidies and other pump-priming expenditure. What kind of sums, apart from borrowing, might be available?

NIE 1974 (Table A.16) shows that, in 1974 total taxation amounted to £955 million. The table shows details of direct and indirect taxation and the total includes social security contributions of £110 million. Having considered these details, and having regard to the relaxed character of this exercise, we see no reason why the additional taxation should not be the foregoing 15 per cent (additional added value as percentage existing added value, as quoted above) of present total taxation, or £143 (= 955 × 15/100) million.

But this is not all. Account must be taken of savings on unemployment payments, in millions in 1974: UA 24, redundancy 3 and UB (estimate) 17, total £44 million.\* Of course taxes (mainly indirect including rates, minus household subsidies) will have been paid to government out of

\*The amount (in particular as containing pay-related benefit) would be much larger in 1976.



this £44 million. At a guess, set this at £8 million, leaving £36 million government saving. The total extra sum available to government to eliminate unemployment,\* assuming no change in taxation levels and no borrowing, would be £179(=143+36) million. As the number to be employed may be regarded in 1974 as 100,000 (including a special addition to LR in respect of underemployment in agriculture), or £1,800 per person set to work, or say £1,500-2,000 (or perhaps £2,000-3,000 in 1976).

### *Critique*

This £1,500-2,000 is like what IDA spent in the 1974† to get a man a job in industry.

At first sight the calculation in Table 4.1 would appear optimistic because the unemployed in each industry are not as competent as those at work, as containing higher proportions of unskilled and of long-term unemployed. Also, there is no indication that the registered unemployed were ever all working in the sector indicated at the same time. The idea is rather that the percentages in row 4 and hence the multipliers in row 5, are indicators of unused capacity. But, so regarded, these figures are also overstated. The calculations have no pretensions to accuracy; at this stage we want only the range of £1,500-2,000 (in 1974). Other multipliers could be used, granted the availability of IO margins, i.e., in primary inputs and final demand. Also, from the administration of this whole economic employment scheme an IO table in far greater sectoral detail (perhaps with hundreds of

\*All, or almost all, would be available to government for relief of unemployment, including industrial subsidies, discovery of markets, training and retraining of workers, pensioning off and, no doubt, always some UB and UA in respect of frictional unemployment. There seems no good reason why there should be increased government outgoings in respect of traditional objects like payments to public servants, children's allowances and other subsidies etc. because of this revised unemployment policy.

†The IDA subsidy per job created was £2,500 in 1974. While this figure is larger than our highly speculative £1,500-2,000, it may be remarked that our figure is much greater than the NMS premium of £650 for 1976 per person retained in employment. Recourse would be had to any and every method by MNA to set people to work.

sectors) will be necessary so as to be able to select, after consultation with experts, the sectors with greatest future potential. In such conditions the calculation of Table 4.1, in aggregate might even be suboptimal.

The programme would involve training on a vast scale, greatly expanding AnCO, vocational schools, on-the-job training and the training of trainers, all of which would have to come out of the afore-mentioned £1,500-2,000 a year.

This was altogether a supply exercise. No account was taken of demand to which the best resources of Coras Trachtala for exports (to which most increased production should be directed) and of private sector salesmen should be devoted.

There is not the faintest hope of the realisation of increased economic employment on a large scale without the closest regard to income restraint. Government purchases or guarantees with regard to marketable goods and services is out of the question as leading to rampant inflation and national bankruptcy.

Everyone concerned would require dedication and, frankly, sacrifice, especially at the start. This applies to managements as well as workpeople.

Signs that some such programme is likely to be a success would have vast repercussions (unallowed for above), with economic multiplier effect, i.e., the percentage increase in GDP would exceed 15 per cent. Also loans internal and external would readily be forthcoming, with their prospect of early repayment.

Part of the cost should be devoted to pensioning off elderly persons on the LR, beyond their work.

It was pointed out to us that there are a number of restraints which set "fairly narrow limits to what is practicable for some time to come and point in some directions at least to different approaches to a solution of the problem". The argument differs somewhat from our point of view but merits reference.

The first constraint mentioned was our relatively low productivity. The NESC Report\* on Jobs and Living Standards stated:

If past performance is a guide to the future, then full employment (on Professor Walsh's projections) by 1986, at living standards obtaining in that year in the smaller EEC countries is an unattainable objective. But if past performance cannot be improved upon in the future, then either full employment is achieved while the gap in living standards remains (or grows), or the gap in material standards is narrowed for those in employment but total employment falls below present levels. The major objective of the Irish community must therefore be to improve on past performance.

It was argued that experience in Ireland with employment schemes has been far from impressive either in relation to employment creation or efficiency in performance. The authors would argue, however, that such schemes were on too small a scale, were regarded as "relief" and the method of selection of workers on rota was both wasteful and inefficient. It was put forward as a probability that the bulk of employment schemes would be in the areas of infrastructure and amenities and that it might be "imprudent to assume that Ireland can grow sector by sector in any way that is substantially different from the well established pattern."† The Report "Prelude to Planning" argued that "The overriding objective must be to realise the full potential for growth of the Irish economy . . . in realising this potential the key sectors of the Economy are manufacturing industry and agriculture . . . The inescapable precondition for faster growth is an improvement in industrial competitiveness". The authors would not quarrel with these points of view but maintain that the overwhelming problem is to get the unemployed work. As normal economic processes seem

\* *Jobs and Living Standards: Projections and Implications*: NESC Paper No. 7, (1975).

† "Prelude to Planning" NESC Report No. 26 (1976).

to be ineffective at present then something constructive must be initiated which could give the required momentum.

We were also reminded of the "critical importance of choices in the allocation of expenditure". Prelude to Planning stated "In 1977 the phased approach towards reducing the borrowing requirement must take the form of moderating the growth in public expenditure or increasing tax rates or some combination of both. Increases in the rates of direct and indirect taxation should be avoided". It was said that the country should not take any action which might significantly weaken our competitive position. The authors agree that the subsidised economic approach to the problem is preferable but special works programmes are viewed as a temporary alleviation of the unemployment situation by useful and necessary means.

#### *Conclusion as Regards the Economic Approach*

As a choice between the subsidised economic and the relief approach the former is greatly to be preferred. In any case, under NMA, the two are likely to merge at the construction industry level and, as has been emphasised here more than once, the closest regard must be had to economic efficiency and usefulness in selection of works for SWP. The economic approach will take many forms, including general and wage subsidies to managements, help to find markets for extra output etc.

There is no suggestion that redemption lies in exclusive recourse to this subsidised economic approach. All we have done is to show that there is more to it than has commonly been supposed. If it be argued that such proposed subsidies are in conflict with EEC regulations, we can, with conviction, take refuge in the "special case" argument, based on our unique unemployment problem and on the dire showing of COMET for its future.

Realistically, the best we can hope for is a considerable permanent reduction in the number of unemployed and not

in elimination. Of those who are assisted to find work, in the short run (say, in the next five years), more will be employed in the SWP than otherwise. There may be three stages in time, the first dominated by SWP, the second with subsidised economic works taking over a large part, the third in which subsidies, gradually reduced, become no longer necessary. All at work are economically employed, still with an appreciable unemployment/emigration level, but low by former Irish standards.

We do not presume to indicate the lengths of these three stages or, indeed, to endow our prophecy with figures of any kind. We only state our belief that the whole scheme is feasible.

The very first essential is that the Announcement of a scheme (to eliminate the huge national waste that unemployment and underemployment entails) should appeal to the national imagination. After consultations, the Announcement should indicate the general lines to be adopted indicating that the programme as a whole has the support, in principle, of all political parties, of ICTU, FUE, NFA etc., in fact as many economic and social groups as there are in the country. The Announcement might be in quite general terms—to avoid anything like controversy at the start: there will, of course, be conflict in detail. There should certainly be mention of the proposal here for a NMA and that government will dispose of large sums from current taxation, in fact of approximately £1,500–2,000 per man-year economic work created.

To start with, a Register should be set up to NMA of people who want jobs, with all relevant personal particulars including statements of willingness to be trained, deployed industrially or geographically etc. The Register would differ from the present LR in containing all school leavers who want jobs, domestic workers, wholtime or part-time. The Register will be purged of those elderly persons who really do not want work and should be pensioned off.

*Only persons on the Register should be employed on government-subsidised industry.* We must eliminate the mystery of the lack of relation between the Register and increased employment.

Why should a start not be made almost at once on a few industries deemed to have a large potential and on a few SWP works, having regard to the experience, rules and suggestions, mainly of others, in this paper?

Our solution to every problem requiring government intervention is strongly influenced by UK principle and practice. We cannot, however, look for our neighbour's guidance in this positive approach to the solution of, or marked improvement in, our unemployment problem. Frankly, we do not think that our scheme would work in the UK. With its so high density of population, the high standard of living and the so immense expenditure involved in the scheme, the risk of failure there would be too great. Basically our economy at a much lower level and the fact that we have a low density of population (which means that—different from the UK—failure might not entail starvation) is far stronger relatively than that of the UK. All we would want is courage, resolution and involvement of everyone.

## Appendix A

### *Outline of a Scheme for Relief of Unemployment in Ireland\**

by

*Emile Costa*

#### *Introduction*

WITH more than 116,000 persons on the Live Register in March 1976, representing some 10 per cent of the economically active population, it is generally agreed that reduction in the level of unemployment should be a prime objective of policy in Ireland. The current recession and the structural adjustments which are a consequence of Ireland's entry into the EEC resulted in more job losses and redundancies than jobs created in the industrial sector in 1975 in spite of the vigorous efforts of the IDA. Thus it does not appear that the employment situation can improve in the near future. Moreover, one cannot overlook that the Live Register does not give a full picture of the unemployed— young people in search of a first job, usually are not eligible for unemployment assistance, but some of them do register for work—that there is a substantial amount of under-employment in agriculture† and that the number of women

\*This appendix was prepared for us by Dr. Emile Costa, Rural and Urban Employment Policies Branch, Employment and Development Department, International Labour Office, on a short mission, at our invitation, to Ireland. We are extremely grateful to Dr. Costa and to the ILO. We have decided to present this paper without comment.

†As stated in the Report of Committee on the Review of State Expenditure in Relation to Agriculture (1970), 53 per cent on holdings over one acre, if equipped with average facilities for their line of production, had an employment requirement of under 200 man-days per year in 1965. And there are now about 40,000 "part-time farmers".

who, although they do not register as unemployed, would be able and willing to work if pay was sufficient is probably not negligible.

In such circumstances, in order to prevent a deterioration in the social situation, there is an urgent need for a Crash Employment Programme. This requires sacrifices and bold decisions by all concerned, more particularly by the Government and the Trade Unions. This also requires the adoption of a whole set of measures, as direct employment creation through a Government financed special works programme does not seem to be possible on a scale sufficient to absorb all the unemployed—those long-term structurally unemployed who were already jobless before 1974 (some 67,000) and those unemployed as a result of the recession and of the move to free trade. Nor would it be appropriate for all of them. Mainly the hard-core would provide the labour for an "emergency" works programme, which consequently might well last for a number of years. Any other measures which would permit it to be kept to a manageable size are therefore all the more relevant.

*A. Policy measures suggested as part of a  
Crash Employment Programme*

As pointed out by Kieran A. Kennedy in his paper on *Increasing Employment in Ireland* read at the Symposium of the Statistical and Social Inquiry Society on 20 November 1975, it would first be necessary to introduce a package of policy incentives which would maximise the use of scarce resources in the creation of adequate employment, in order to try to reach the target of 300,000 net new jobs outside agriculture to be created between 1971 and 1986 which was suggested by Brendan Walsh, a target towards which little if any progress has been made up to now. Quite naturally, most of these incentives and other measures would affect incomes policy measures and the industrial development



strategy, since industrialisation has been considered in the past few years as the basic source for employment generation. Other measures would be related to training policy and possibly to emigration.

### *Incomes and investment policies*

1. More and more it is agreed in Ireland that there is a trade-off between incomes and employment. While wages are rising far more rapidly than productivity, the share of *profits* in non-agricultural national incomes has fallen during the present decade and the rate of return on capital in Irish manufacturing industry is only in the 5 to 7 per cent range—and lower if proper inflation accounting techniques were applied.\* Obviously there is a need for fostering investment through increased profits—without going into the political and institutional problem of the ownership, control and use of profits, and whatever the level of foreign borrowing and of assistance from the EEC Regional Fund. It is suggested that higher profits might be ensured through (a) a wage restraint policy as proposed under (2) below; (b) tax relief on profits as proposed under (6) below; (c) possibly, labour subsidies to enterprises to keep the labour costs to the level of productivity, after a full discussion of the problem among Government, Employers organisations and Trade Unions.

2. A policy of *wage restraint* through the temporary non-payment of the escalator clause, which would involve a non-negligible fall in real incomes for those in private employment, could of course only be proposed, again after an in-depth tripartite discussion and would involve the Government in pay determination. It might only be accepted by the Trade Unions as one of the austerity measures under a Crash Employment Programme and as an evidence

\*Contribution by Derek Chambers, Confederation of Irish Industry, at the Symposium of the Statistical and Social Inquiry Society on 20 November 1975.

of the solidarity of the working class. It should anyhow be distinct from a wage freeze. The limitation of wage increases to the level of labour productivity increases would seem to be the most reasonable approach and the most acceptable to the Trade Unions.

3. As soon as the present recession is over and with a view to alleviating unemployment during possible future recessions, "*crisis reserves*" might be constituted by public and private enterprises.\* Enterprises would be encouraged, through tax relief on these reserves, to defer certain investments until the Government would consider them as appropriate, i.e., when a recession occurs. A percentage of the reserves might have to be invested in Government loans, thus producing interest for the enterprises concerned.

4. The adoption of the above measures would imply a certain degree of *active planning* by the Government and consequently changes in the administrative structures. This is true also of the Special Works Programme suggested under B hereafter.

#### *Industrial development strategy and related measures*

5. Due to the small size of the domestic market, emphasis has been laid on and tax relief granted to export industries. If a labour-intensive works programme is launched, some *reorientation of investment priorities* would be necessary to meet the increased demand for wage goods from the formerly unemployed workers. This would permit limitation of the possible inflationary effect of the programme. In addition to the need for supporting, as a general rule, the processing of local food products and minerals, IDA would therefore have to consider giving a higher priority to food processing, clothing and footwear, furniture and electrical appliances indus-

\* Such reserves have been constituted in Switzerland since 1951.

tries than has been the case up to now.\* Incidentally, textiles and clothing, as well as food processing industries, are among the sectors where the numbers of unemployed are relatively high.

6. Much has been said about the preference which should be given to *labour-intensive technologies* in Ireland. Generally speaking, it is perfectly understandable that IDA—although it happened to pay up to 60 per cent of the capital cost of small labour-intensive industries—prefers industrial projects with the best capital-labour mix which meet commercial viability criteria and are competitive on foreign markets. Moreover, the high income levels to which the Irish people aspire may just rule out labour intensive industries as being uneconomical. Nevertheless, in a quasi-emergency employment situation, particularly if a wage restraint policy is acceptable, it seems that labour-intensive industries should deliberately be given some preference.

This could be made by granting tax relief on profits to new labour-intensive industries. For instance, a tax cut of 50 per cent could be granted for a number of years (let us say, five years) to enterprises whose fixed asset investment per job created is under £2,500; the tax reduction could be 25 per cent when fixed asset investment per job is under £5,000.

Of course, there is no question of introducing in Irish industry the simplest traditional methods of production. But the Department of Industry and Commerce might wish to collect information on intermediate techniques from the Intermediate Technology Development Group in the United Kingdom or from the ILO (Technology and Employment Branch) and to disseminate such information, particularly to small enterprises.

It is hardly necessary to add that it is in the construction

\*Of course, an increase in agricultural production would also be necessary. As stated below, the labour-intensive works programme itself should help in coping with this necessity.

industry sector that intermediate technologies are both most practicable and most needed due to the high unemployment rate.

7. Undoubtedly there is scope for *fuller utilisation of existing industrial capacity* in Ireland. It is considered in the Planning and Research Division of IDA that there is an under-utilisation of 35 to 40 per cent of the capacity as compared with 1973 in about 90 per cent of the enterprises, especially in mechanical, textiles and food processing industries. Clearly the main cause of under-utilisation is the lack of outlets due to the recession and to the limited size of the domestic market, but deficient management practices and high labour costs particularly on over-time, may also prevent the full use of machines. An in-depth study of this problem seems to be needed so that when the economy recovers or when there is an increase in internal demand for wage goods as a result of a special works programme—any possibility for increasing output and employment, for instance through more shift work, could be utilised without any substantial increase in capital.

8. Possibly the *measures in favour of redundant workers and to promote occupational redeployment* could be made more flexible. Surely the present system including the Premium Employment Programme on the one hand, and the Redundancy Payments Scheme and the Resettlement Assistance Scheme on the other hand, is more than reasonably effective. Also the Training for Individuals Programme in the Industrial Training Authority (AnCO) provides good opportunities for training or retraining the unemployed, including the payment of training allowances. However, the following steps are suggested to facilitate occupational redeployment or to alleviate certain situations:

—Special allowances could be granted to older workers who are over 55 at the time of their dismissal and cannot be

redeployed. These allowances would provide beneficiaries with 90 per cent of their former wage for a 40 hour week up to the age of retirement; thus these older workers would no longer look for employment (this system is working under the French National Employment Fund).

—The Resettlement Assistance Scheme could be expanded to cover, on the one hand, the "key workers" in undertakings which are decentralising their activities and, on the other hand, those recruited by firms moving into areas of acute unemployment who are sent from these areas to the firms' headquarters for special training (like in the "Key Workers' Scheme" and the "Nucleus Labour Force Scheme" in the United Kingdom).

—A "double residence grant" could be paid to redundant workers with family responsibilities who are unable to move their family residence immediately to their new place of employment (like under a French Decree of 24 February, 1967).

—"Income maintenance allowances" could be granted to workers who are downgraded in the process of transfer within their enterprise and, for a limited duration, to redundant workers who are obliged to accept a lower paid job than their former one whilst awaiting more suitable redeployment.

9. The setting up of *workers' co-operatives* by the unemployed should be considered with special interest by IDA which, in addition to the special working capital arrangements for small industries and to providing its usual advisory services, could provide them up to 100 per cent of fixed asset cost as cash grant, particularly in Western regions. These co-operatives would particularly aim at meeting the internal demand for wage goods, as stated under (5) above, and fish and other food-processing, furniture and furnishing fabrics industries, as well as clothing industries and other consumer goods factories, that IDA is already largely sup-

porting, would seem to be particularly appropriate. The co-operatives should require little investment per job created and work on a multiple-shift basis.

They would be composed, first, with unemployed skilled and semi-skilled workers but, with AnCO's assistance, they should also engage unskilled workers on a training-cum-production basis. The need for training in co-operatives management should be considered with AnCO before setting up any co-operative of unemployed workers.

Such training, and indeed the management of any workers' co-operative, might possibly be entrusted to trade unions or at least organised with their collaboration, drawing on the experience of Histadrut in Israel. This, however, seems difficult to implement in the Irish context.

For unemployed women, the possibility of setting up knitting and weaving units in rural areas might be envisaged. IDA advisers should be made responsible for a number of villages and deal with obtaining raw materials and marketing and sales of handicraft products produced by the women.\*

10. *Other Measures.* There is definitely a need for *vocational training planning*,† which should be a task for the National Manpower Service. No systematic assessment of manpower requirements is being made at the moment. Out of AnCO's 9,000 trainees per year—who should be 11,500 in 1978 as a result of the on-going expansion programme—about 8,000 are adults, most of them unemployed, and out of these some 50 per cent only can be placed into employment. Selection of training courses in AnCO is made on the basis of various manpower surveys carried out by AnCO's Research Department, of advance warning by IDA, and of consultations of employers' and workers' organisations in the

\*This approach has been experimented in Cyprus, where "Home Economics Agents" have been appointed by the Ministry of Agriculture to be responsible for 6 to 8 villages to advise displaced rural women. Dressmaking instructors had first to train those women.

†Apart from educational planning, which can only produce results in the long run.

training centres. Clearly the placement rate would be higher if vocational training planning were systematic.

11. As regards *training of young workers within industry*, the Government might consider the possibility of paying the enterprises which recruit and train unemployed workers under 25 years of age, an allowance varying according to the duration of training, plus an amount equal to the minimum wage for the same period (system applied in France under a Decree of 4 June 1975). It can be hoped that some firms would undertake hiring and training on a voluntary basis in response to a publicity campaign for the Crash Employment Programme.

12. For various social reasons, *emigration* is not to be pushed at present in Ireland. However, to the extent that emigration would not completely vanish, it might be advisable to train migrant workers to specifically meet the requirements expressed by other countries,\* for instance EEC countries. A study of this problem is being prepared in AnCO. Such "planned emigration" is primarily of interest to the workers concerned but the expenditure on training would not be lost by Ireland because of the balancing effect of emigration on current international payments and of the possible return of the workers to Ireland after a few years with improved capacities. The problem could be discussed by the Advisory Committee on Emigrants' Services in the Department of Labour.

The set of the above measures could go part of the way to relieving unemployment in Ireland, and some of them may have fairly quick results. But in the short run the major impact can only be made by a Special Works Programme which would directly create employment for a mass of unemployed. This programme would be the main component of the Crash Employment Programme at least for a few years.

\*This is done by a number of countries of emigration.

## B. *A Suggested Special Works Programme*

### *Possible scope and cost of the SWP*

As a basic principle, the SWP should try to give work to all those who are totally or seasonally unemployed and are prepared to work. It is very difficult to estimate this "deployable labour surplus" at present. Assuming on the basis of available data and information collected, that the LR population (116,000) represents only 88 per cent of all job-seekers, including young people and the self-employed,\* one would reach a total of some 132,000 unemployed. In terms of man-years available for work, however, this number should be reduced, considering that, according to the latest figure (September 1973), the average number of weeks of employment obtained during the previous 12 months by men on the LR was 12, i.e., 25 per cent of a year if allowance is made for four weeks annual leave.† The number of man-years available for work then comes down to 99,000. Finally, assuming that 87 per cent only would be prepared to take a SWP job at current rates of pay, the latter number should again be reduced to 86,000.

Now, if the SWP would also aim at absorbing rural under-employment (as desirable), one should add to this number the equivalent in man-years of 100 days per year for the 40,000 "part-time farmers", i.e., roughly 13,000 man/years, which brings the total deployable labour surplus to some 100,000 man/years. Although this figure has been obtained on the basis of a series of assumptions, it seems to give a fairly good idea of the magnitude of the actual availability of labour.

What proportion of this surplus could be absorbed by the set of measures suggested under A above is obviously a guess. But it would not be unreasonably optimistic to say that it

\*Basis: NMS surveys carried out in 1974 in thirteen catchment areas (6,900 jobseekers as against 6,100 on the LR). But this proportion may be fortuitous.

†R.C. Geary in Chapter 1 of this study.



could absorb up to 30,000 man-years, including the effect of the special allowances to redundant older workers, which in fact would set them out of the labour market. Consequently the SWP, taking into account its indirect and secondary employment effects, some of which have already been taken into consideration under A (5) and (9), should absorb at least 70,000 man-years.

Considering the experience of developing countries which have launched such special works programmes, particularly the Brazilian and Tunisian experiences, this is not an impossible task. The average proportion of the GNP which has been devoted to these programmes in developing countries is 2 per cent. Since GNP per head is much higher in Ireland, it should be acceptable to devote to a SWP 3 per cent of the GNP, which on the basis of an estimated GNP of £3,533 million at market prices in 1975, would mean an expenditure of £105 million per year.\*

If the SWP is labour-intensive enough—and depending upon the content of the programme, to be defined below—labour costs should amount to 60 per cent of total costs (including equipment, materials, and administrative costs), i.e., to £63 million per year. Again, this 60 per cent is based on the experience of other countries, although in some schemes in Asia it reached 75 or even 80 per cent.

Assuming that the bulk of the labour would be paid the normal rate for non-agricultural unskilled labour, the labour costs would amount to some £45 per man/week on the basis of a wage of £40. Of course, the skilled workers would have to be paid a higher rate, but they would not be a high proportion of the total labour employed and, on the other hand, young workers under 19 and workers in rural areas (who could be paid the minimum agricultural wage set at £33.40 or £33 at the end of 1975) would get a lower rate. Keeping then to a labour cost of £45 per week and

\*This does not allow for the maintenance costs of completed works.

assuming that the workers would be entitled to paid annual leave,\* the SWP would be able to provide 27,000 man/years of work.

If it were possible to pay the unskilled workers at a lower rate, for instance at a rate in between the amount of the unemployment benefit (£24.20 from April 1976 for an average man with adult dependant and two children) and the non-agricultural minimum wage, say, £32 per week with a labour cost of £36, the SWP would provide 34,000 man/years of work if the workers would be entitled to paid annual leave.† Then, when one takes into account the multiplier effect (indirect and secondary employment effects), which may not be higher than 2\*\* since part of the secondary effect has already been considered under A, it can be seen that the SWP should permit the absorption of 70,000 man/years.

Of course, this result largely depends upon the wages and other conditions of work which would be granted to the SWP workers, and upon the amount of the allocations made for the programme by the Government. If 3.5 per cent of the GNP were devoted to the SWP instead of 3 per cent then with an allocation of £123.6 million, direct employment generation by the programme would be 32,000 man/years with a normal wage and 40,000 with a reduced wage. It would then be much easier to reach the target of 70,000 man/years.

Finally, to get the actual financial cost of the SWP to the Government, one must deduct the savings on the unemployment benefits and unemployment assistance which would be involved in putting the unemployed to work. It will be assumed, again, that the average worker has one adult dependant and two children and, for the sake of simplifica-

\*The question of conditions of work under special works programmes is discussed below.

†This of course implies that, in fact, the techniques applied would be even more labour-intensive. This should be possible, because the prevailing wage is high as compared to productivity.

\*\*After experience in other countries.

tion, that half of them would be entitled to UB (i.e., to £24.20 per week) and half to UA (i.e., to £20.85 per week).\* On this basis, the actual financial cost of the SWP would be as follows in the four different hypotheses suggested above:

	<i>SWP=3% GNP</i>		<i>SWP=3.5% GNP</i>	
	<i>Labour cost £45 per week (£m)</i>	<i>Labour cost £36 per week (£m)</i>	<i>Labour cost £45 per week (£m)</i>	<i>Labour cost £36 per week (£m)</i>
Allocation	105.00	105.00	123.60	123.60
Savings on UB+UA	<u>31.18</u>	<u>39.37</u>	<u>37.10</u>	<u>46.37</u>
Actual cost	73.82	65.63	86.50	77.23

*Note:* In these calculations, it has been assumed that SWP workers, like UB beneficiaries, would not pay insurance contributions.

The question of financing the SWP will be discussed below, after the content and the administrative structure of the programme have been defined.

#### *Selection of SWP workers*

Whatever the allocation would be, a selection should be made, since in any case, if one sticks to the above suggestions, the maximum number of man/years directly utilised on SWP projects would be less than 40,000. Apart from those who would anyhow not be prepared to take a SWP job, there would be a direct selection on the basis of the wage level if a reduced wage is acceptable. But, apart from that, a number of criteria could be envisaged.

(a) The purely financial criterion would imply giving a preference to those workers entitled to UB and having

\*If part-time farmers are employed under the SWP, they would no longer be entitled to doles in the Western areas, which would involve some savings too.

children. But since UB is payable for a maximum period of 65 weeks, it would also imply that the workers' turnover in the SWP would be relatively high, which is not conducive to efficiency.

(b) Another criterion may be the length of time applicants have been on LR. Then one would have a larger proportion of UA beneficiaries, which would reduce savings. This criterion may well have to be retained, however, since for psychological reasons it may coincide to some extent with the "readiness to take a SWP job".

(c) A third criterion would be to concentrate on depressed occupations, i.e., builders' labourers, road labourers and general labourers. This would be logical as these workers provide the basic labour for any works programme. It would not preclude the recruitment of skilled, semi-skilled workers and accountants and clerks in so far as they are technically required for implementing the various projects and not available in the central and local services responsible for the projects concerned.\*

(d) Since, as a basic principle, workers would be hired locally a fourth criterion would be to carry out most projects in the areas where the number of unemployed is the highest (Dublin and Dunlaoire) and in depressed areas where the unemployment rate—as well as underemployment is relatively high (Ulster, North Connacht).† However, due to land distribution patterns and to social structures, it does not appear that suitable works would be available in sufficient numbers in those depressed areas. This question

\*Principles about the staffing of projects and gangs balance are given at pp. 1133 ff. V-46ff. and V-113ff. of the ILO *Guidelines for the Organisation of Special Labour-Intensive Works Programmes*.

†Thus, in the Public Employment Programme (PEP) in the USA, additional federal funds were provided to States and localities where the unemployment rate reached 6 per cent or more for three consecutive months. Similarly, under the Comprehensive Employment and Training Act (1973), funds have been made available to areas where the rate was 6.5 per cent or more for three consecutive months and detriggered when it went below 6.5 for three months.

will be considered again in the context of the definition of the programme content. In any event, if needed, unemployed urban workers from such areas could be temporarily sent to other areas where works are available, although this would definitely increase the transport, accommodation and other administrative costs under the SWP. In this respect, a Pilot survey of the unemployment carried out in May 1975 revealed that 55 per cent of those in the sample of 300 would accept work away from home and, out of these 55 per cent, some 65 per cent (i.e., 35.75 per cent of the total) would work anywhere in Ireland; the readiness to work away from home is of course subject to the wage level and other conditions of work under the SWP.

(c) Obviously the age and good health criterion is of primary importance. Concerning age, it has already been suggested that redundant older workers should be entitled to special allowances so that they would no longer appear on the labour market. It is also suggested that other unemployed older workers (let us say more than 55 years old) should not be selected for SWP work: they could of course get a job as a result of other measures adopted under the Crash Employment Programme and of indirect and secondary employment generated by the SWP. As far as workers under 25 years of age are concerned, it is suggested that at least 25 per cent of the total direct employment under the SWP be assigned to them; a special component for young workers is proposed below as part of the programme.

All criteria (b), (c), (d) and (e) seem to be relevant and they should be used in reverse order, criterion (e) being the first, for the purpose of selecting SWP workers.

A final point related to the selection of workers: it is generally agreed that the rotational system should be excluded since it reduces the workers' overall income, involves a feeling of "relief work", does not facilitate training on-the-

job and entails a loss of efficiency. But the possibility of working on a two-shift basis during long summer days should be envisaged since it could be a means of reducing administrative costs.

### *Content of the SWP*

In order to repay rapidly part of its cost, to generate as much long-term employment as possible (and thus to create sooner or later the conditions for its own disappearance, which is both socially and politically desirable), any special works programme should include a substantial proportion of directly-productive projects and/or a training component, particularly as far as young workers are concerned. For this reason, it is suggested that the SWP should consist of three components; a public works component, a rural works component, and a youth component.

The importance of a careful project selection cannot be too much emphasised if one wants to prevent the traditional criticisms that public works schemes provide no permanent solution of the unemployment problem and include a high percentage of works of little or no economic value.

A careful project selection implies that: (i) SWP projects should be complementary to other development projects; (ii) they should maximise short-term employment generation; this has already been pointed out above when it has been suggested that the average labour cost for the programme as a whole should be 60 per cent of total costs,\* but in addition, account must be taken of immediate indirect and secondary employment effects; (iii) as just pointed out, they should also maximise long-term employment generation; (iv) they should have a high economic return, a high benefit/cost ratio. Points (ii), (iii) and (iv) combined gener-

\*A direct consequence of this requirement is that the SWP should mainly consist of minor works: it should be basically "a large programme of minor works", as all programmes of this kind. But this does not rule out the possibility of including large-scale projects in the programme.

ally lead to a higher priority being given to directly productive projects such as land development, irrigation or drainage rather than to infrastructure projects, and to infrastructure projects rather than to social investments. However, final decisions can only be made after considering the merits of each particular work, if possible through a cost-benefit analysis.

A careful project selection—and planning—also implies that a shelf of projects has to be prepared within a multi-annual SWP: this is to a certain extent a corollary to the complementarity requirement. In this regard, it appears that there are in Ireland a number of project proposals which could be implemented when funds are made available. It is important that these projects start as soon as possible. It would be desirable too that future projects be included in a comprehensive regional development policy.

(a) *The public works component*

It is agreed that there is no shortage of infrastructural projects (roads, housing, schools and hospitals) which could generate direct employment. There are a number of projects ready for quick implementation in the Department of Local Government, which apparently could constitute a substantial part of the first year programme of the SWP. Since these projects have been proposed by County Councils, there is every reason for thinking that similar proposals could be prepared in the years to come. The projects mainly cover the provision of basic infrastructure for expanding housing schemes: water supply, sewerage, access roads, minor drainage works. It is considered that they should trigger off employment generation in the building industry. Other projects ready for implementation in the Department of Local Government include the construction of community halls, playgrounds, tracks and footpaths, for promoting tourism, etc. The Dublin Corporation, in particular, should be able to prepare a set of projects in the field of housing

and environment for direct employment of the unemployed in the future.\*

A possible area for expansion of this component is the provision of recreational facilities both for the Irish community and for attracting more tourism.

(b) *The rural works component*†

In this important sector, it appears that there are structural difficulties which should be overcome if one wants to expand employment and absorb under-unemployment.

First, we will have to set aside the forestry sub-sector, in which the Department of Lands employs 2,600 regular workers more or less permanently. Under the regular programme, it is difficult to provide enough work to keep these workers fully employed and, in fact, their number had to be reduced by more than 50 per cent in past years. Even if part of the regular programme works were advanced by a few years, they would be carried out by this labour, which apparently might resent the use of extra-labour, to do their own job. Possibilities for employment expansion seem therefore to be most limited.

But it is agreed that there should be a fairly wide scope for land clearance, reclamation and improvement, including minor drainage and flood control schemes, as well as for construction and maintenance of rural roads, to promote agricultural development, particularly in the Central and Western regions of the country. In fact, the Farm Improvements Scheme was the most successful of those recommended by the Interdepartmental Committee on Public Works, as stated in its final report in 1945 '46.

\* In this respect, it may be pointed out that the ILO *Guidelines for the Organisation of Special Labour-Intensive Works Programmes*, pp. IV-40 to 72 propose basic principles for choosing appropriate technologies for various categories of work.

† It should be stressed that this component would be particularly suited to be part of a comprehensive regional development policy. It cannot be neglected that "many Irish farms suffer, from a shortage of farming capital and operate low input and low output systems" (CEE, *The Irish Economy*, Economic and Financial Series, No. 10, 1975, p. 43.)



However, the Farm Improvements Scheme, as implemented by the Department of Agriculture and Fisheries, consists in granting non-repayable cash to small farmers to have land improvement and small drainage works carried out on their own holdings through contractors. As such, it does not lend itself to the "mobilisation" of the unemployed or of under-employed rural labour. Moreover, it is well known that in poor areas in Connacht and Ulster, most farms are small, frequently owned by farmers over 50, half of whom being bachelors without initiative, who would not be readily prepared either to participate in rural works or to accept that unemployed workers come to work on a large project which would cover, *inter alia*, their own farm. Obviously, there is a need for education and extension work to be done at county level in co-operation with what is already done by the Department of Agriculture and Fisheries. It might be advisable too, to launch a campaign giving information on the purposes and activities of the Crash Employment Programme,\* and particularly of the SWP. In this task, as in other activities under the SWP, the County Councils should play a major role. Besides, specific land development projects could be carried out on Government lands, however small they are, if one does omit forests.

It would be a task for the authorities responsible for managing the SWP (see below) to select the minor projects to be implemented and the areas where most emphasis has to be laid on; it being understood that minor drainage schemes should not be undertaken before larger schemes under the Arterial Drainage Act are completed. Such minor schemes could include digging and maintenance of secondary channels from the arterial network to villages, for instance. It should be noted, however, that four arterial drainage schemes (Corrib/Mask/Robe; Boyle; Bonet; Dunkellin and Lavally) are ready for implementation under the Office of

\*It may be a way to attract into farming young people from among the unemployed.

Public Works when funds are available. Rough preliminary estimates based on the experience in the on-going Boyne project show that these four projects could absorb about 4,300 man/years of casual labour under the SWP.

Another much larger possibility for using unskilled labour for arterial drainage would be the Shannon drainage project, which would easily require ten years even under a crash programme.

(c) *The youth component*

As stated above, it is suggested that at least 25 per cent of the total employment under the SWP be assigned to workers under 25 years of age. Some of them could work under components (a) and (b). But it seems to be advisable to have two other specific schemes, one being a training-cum-production scheme and the other, a public service scheme for the educated.

The *training-cum-production* scheme might be an expansion of the present AnCO's Community Youth Programme, the objective of which is to assist young people through training and work to obtain basic industrial skills, a greater understanding of a working environment and the opportunity to develop self-reliance and maturity. The projects, which are now about 100 in Ireland and consist each of six young workers plus an unemployed craftsman as a team leader, include repair work on old folks' homes and centres, community halls or centres and children's playgrounds, but the type of projects is open to new ideas. They last for about three months each and may be divided into units of work. The sponsor of each project provides materials, while AnCO imparts basic training to the labour provided.

If such a scheme is expanded, it should come under the authority responsible for the SWP, with AnCO's co-operation for the training input. After a trial period, it could include a wider range of projects, directly connected with projects actually implemented under the two other SWP components.

It might also include projects for the summer employment of students so that they could earn enough money to remain in school, on the lines of what has been done in the USA under the Neighbourhood Youth Corps Programme and in Canada under the Opportunities for Youth Programme. It must be stressed that any scheme of this kind should include vocational guidance and preferential placement of the participants into permanent jobs when opportunities arise.

The *public service scheme for the educated unemployed* would provide the youths concerned employment in clerical, survey-making, research-related jobs, or as teachers or policemen, or as para-professionals like nurses, etc. As in the Public Employment Programme in the USA, the jobs would be provisional—a limited duration might be fixed—and the participants would be expected to move to permanent jobs in the private or public sectors when possible. The approach would be based on the idea that entry requirements for many professional or para-professional occupations are artificially high. On-the-job training would enable upward mobility for the participants.\*

The scheme would be specifically designed for unemployed secondary school leavers. A survey carried out in 1974 by the National Manpower Service showed that out of 37,733 second-level pupils surveyed, 5,431 had reported to be unemployed, or stayed at home, or "did not know" what to do, i.e., 14 per cent of the total. The total of secondary school leavers being 44,700 at that time, this percentage would represent 6,270 unemployed or assimilated. Assuming an increase to 7,000 by now, and assuming too that they could be remunerated £30 per week since they would get on-the-job training,† the total cost of the scheme, if all the unemployed would be interested, would be under £11 million, which is quite acceptable within the SWP as it is suggested (total cost of £105 or £123.6 million).

\*"New Careers" Programme concept in the USA.

†Maybe one could propose only £25 per week.

### *Administrative Structure\**

It seems to be inevitable that running such a large scheme as the SWP would require a specific central authority and additional staff both at the central and at the county level.

The SWP *Central Authority* should preferably be located in the Department of Labour (possibly in the Department of Local Government), but it would be directed by a *Committee* consisting of representatives of the Departments of Labour, Finance, Agriculture, Fisheries, Lands, Local Government, Social Welfare, Public Services, Health, Industry and Commerce, and of the Office of Public Works. It should also include representatives of the Confederation of Irish Industry, of the Irish Congress of Trade Unions, of the Industrial Development Authority, of the Irish Farmers' Association and possibly members of the Parliament, each representing one of the nine regions.

The Committee would lay down basic policies about the type of projects and of workers to be preferred under the three components of the SWP; consider and approve operational guidelines prepared by the Central Authority; consider and approve project proposals emanating from County Councils and the Dublin Corporation as well as from co-operating departments and indicate expenditure ceilings and subsidies for different counties; consider project proposals of a controversial nature and give final decision about their inclusion under the SWP, possibly as part of regional sub-programmes; review at regular intervals the progress of the SWP and suggest appropriate measures to repair operational deficiencies; review evaluation arrangements and consider evaluation reports.

As a secretariat to the Committee, the Central Authority's terms of reference would have to provide detailed operational

\*Chapters I and II of the ILO *Guidelines* describe in detail, the planning and administrative structures and procedures proposed for labour-intensive works programmes. Those chapters are mainly designed for developing countries bigger than Ireland. Here they are briefly summarised, simplified and adapted to Ireland's structures.

guidelines to Departments responsible for implementing projects and to County Councils in particular as regards procedures for recruiting workers; to make proposals for the SWP budget to the Department of Finance; to scrutinise project proposals on technical and economic grounds, determine priorities and allocation of budget; to determine training needs for SWP personnel and make arrangements for this; to determine evaluation goals and procedures; and to prepare progress and evaluation reports. As a first task, when the SWP is undertaken, it will have to take into consideration all projects proposed by co-operating Departments and County Councils and ready for implementation. In addition, it will then make a census of other works which could be required under the SWP to meet the employment target for the first year.

In order to cope with these tasks, the Central Authority would be staffed with a Director; a small number of professionals: two economists, a civil engineer, a drainage engineer, a soil conservation specialist, an accountant and accounts clerks, plus secretarial support. Soon after the SWP has started, a small evaluation cell with two economists and two engineers would also be needed. But it is essential that the staff should—and can—be kept to a minimum, since the technical scrutiny of the projects proposed by County Councils can be entrusted to the personnel of relevant co-operating Departments.

At the *local level*, the County Councils would be responsible for submitting project proposals to the Central Authority.\* They would also be responsible for ensuring strict adherence of SWP criteria and procedures by all project executing departments and other persons responsible for implementing projects, and for forwarding all information requested by the central evaluation cell to prepare progress and evaluation reports. In submitting project proposals, the

\*Of course, project proposals could also be put forward by co-operating technical departments at the central level.

Councils would take advice and accept suggestions from heads of local services of co-operating Departments and of workers', farmers' and employers' organisations, as well as from voluntary organisations,\* if any. This would be done informally, or formally within a special Local Committee. Local services of co-operating departments would prepare the final detailed design of projects once these have been approved by the Central Authority.

The recruitment of SWP workers should be organised by the Manpower offices throughout the country on the basis of the approved selection criteria. In rural areas, particularly if one intends to utilise seasonally unemployed farmers, it may be advisable to appoint a social promoter who, in collaboration with local staff of the Department of Agriculture, could foster local interest and voluntary participation in the SWP.

As a secretariat to the County Councils for SWP matters, an administrator/economist and a couple of accounts clerks with secretarial support are likely to be needed. Furthermore, co-operating technical departments would probably have to strengthen their staff (especially engineers, overseers, surveyors and draftsmen).

Finally, for the preparation of possible projects of regional interest, it would be appropriate if several County Councils and their SWP staff could join forces and set *ad hoc* committees in which a representative of the Central Authority would participate.

### *Financing problems*

It is hardly possible that the SWP—and indeed some of the measures suggested in part A above—could be financed

\*In this respect, the SWP might draw on the Canadian experience in the Local Initiative Program (LIP) and the more recent Local Employment Assistance Program (LEAP), in which any individual or group can put up a proposal for Government support to an activity provided this activity is non-profit making and the jobs are filled by unemployed people. A good description of LIP is available in *There's work to be done—Unemployment and Manpower Policies*, HMSO, London, 1974. A study on Canadian emergency employment schemes is under preparation in the ILO.

without any increase in taxation, internal or external loans and some degree of inflation, unless savings can be made out of other State budget items. This is a question of according or not a very high order of priority in national expenditure or policy to the gravest national problem.

In this regard, however, attention should be paid to:

(a) the possible flexibility in budgetary techniques, especially for sharing expenditures between national and county budgets (ILO *Guidelines*, pp. III-7 to 12);

(b) the possible contributions in kind by participating populations, particularly in the form of materials (ILO *Guidelines*, pp. III-21 to 23).

(c) the possibilities of repayment, by the beneficiaries, of a proportion of the profits accruing from the projects (ILO *Guidelines*, pp. III-15 to 17).

It must be recalled here that under the Farm Improvements Scheme, in holdings exceeding £15 Poor Law valuation, the farmer was required to repay one-third of the cost of labour by means of a long-term annuity, while in holdings not exceeding £15 Poor Law valuation, he was required to contribute 25 per cent of the labour in kind.

Besides, in order to limit or master inflationary pressure resulting particularly from increased workers' demand, attention will have to be given, first, as stated above, to increasing the supply of wage goods; then, to limiting over-all consumption, especially that of richer classes; and, third, to any possibility of controlling the purchasing power distributed to workers within the SWP (ILO *Guidelines*, pp. VI-32 to 37).

#### *Remarks about the implementation of SWP projects*

(a) It must be admitted that, at the outset, the productivity of long-term unemployed may be low. In order to cope with this situation, it would be necessary to appoint and, if required, train skilled workers and foremen who might

not be selected from among the unemployed; to provide for on-the-job training of labourers; to organise the work in a rational manner, through sound site management, site layout and material handling, operational instructions and regular returns from the sites, as in any well-managed construction site (ILO *Guidelines*, pp. V-46 to 56); to control the work, including quality control, control of work tasks, progress control and cost control (ILO *Guidelines*, pp. V-57 to 70), and perhaps to introduce payment by results, a question which will be considered below. However, foremen will have to understand the special character of the labour concerned.

(b) It is possible that some large sites or projects involving the use of labour recruited in distant localities require special transportation and accommodation facilities for the workers. It is suggested that such facilities would best be organised at the County level, but that the Central Authority might make lorries available for the transport of workers, which would require a special transport section. With respect to amenities on site and transport facilities, reference can be made to the ILO *Guidelines*, pp. VI-49 to 57 and V-71 to 74.

(c) It is not in the nature of labour-intensive works programmes specially devised to give work to the unemployed to use the contractor system. Direct labour, which has been used in Ireland under schemes run by various departments, should be the normal solution. Nevertheless, particularly for big projects, contractors may have to be utilised and decision would have to be taken on an *ad hoc* basis. But then, contractors would have, first, to respect the criteria for the selection of workers (in fact, recruitment should even then be the responsibility of Manpower offices) and, second, to comply with the rules set for the payment of wages and other conditions of work if particular rules are laid on for SWP workers.



### *Wages and other conditions of work*

This is a crucial issue. Not only because, if wages were lower than the minimum wage, more labourers could be given work, but also because in most countries where special works programmes have been implemented, labour laws are not wholly applicable since the workers are not considered as normal wage earners and therefore do not pay insurance contributions. The question is discussed at length in the *ILO Guidelines* pp. VI—1 to 57.

It is felt that in the Irish context it would not be possible to depart from the normal rules in the case of SWP workers and that the smallest taint of "relief" should be removed from the programme. This, considering the relatively high level of wages in the country, may result in leading the Government if they want to make a serious attempt to quickly reduce the level of unemployment to devote even more than 3.5 per cent of the GNP to the SWP, which would be a heavy burden for its finances and would generate stronger inflationary pressures. For that reason, and in order to facilitate the consideration of this acute problem, a few points are submitted hereafter, on the basis of experience in other countries. If accepted they might offer a partial solution, provided the special nature of the Crash Employment Programme is clearly explained to the population.

The Tunisian Trade Unions accepted that wages and other working conditions under the Campaign against Underdevelopment would be different from those prevailing in the public and private sectors on the basis of the following principles:

—this policy is justified as long as a country's economic infrastructure has not reached a minimum level (in Ireland, it could be "as long as the unemployment rate has not decreased to an acceptable level");

—the programme must serve the interests of the country and not of private individuals;

—only the government may be authorised to offer working conditions below the usual standards, so as to prevent private employers from turning the programme to their advantage.

Now, even so, if urban unemployment workers were offered by the SWP a durable job for the whole year, it would not be possible to pay them less than the minimum wage in the construction industry. Only if occasional jobs are offered could the wage be lower. And in the case of under-employed farmers, a low wage level may be accepted when work is offered in slack seasons: then the wage is an addition to the main income which ensures a reasonable total annual income. It must be added that when a project directly benefits the workers, it can be considered as a self-help work which would require no payments.

Two additional points can be made. First, if it were admitted that SWP workers, not being regular wage-earners, would have the same status as far as insurance is concerned, as UB beneficiaries, and pay no contribution, some reduction in their wage could be acceptable. But of course, they should be insured against occupational injuries and the sites should comply with normal safety precaution rules and be open to labour inspectors' visits.

Second—and more important—if the "finish-and-go" system was adopted as an incentive system, it would enable efficient workers who have completed their daily (or weekly) task to leave earlier and have a "bonus" in the form of free time. Then, if the task was fixed at a reasonable norm, a lower wage should be acceptable to them, provided, of course, the Trade Unions would not object to it. It seems that the special character of the SWP could justify such an approach which is a simple form of payment by results.

*Duration of the SWP and gradual reabsorption of SWP workers in the national economy*

It does not seem, in the present situation, that the SWP could disappear very soon as a result of economic recovery.

But no Government has ever considered that an unemployment relief scheme could become permanent. If it is successful, that is, if it helps, through the selection of a fair proportion of directly-productive projects, to generate long-term employment, it should become purposeless after a number of years, even though it may have to be revived later on when there is another recession.

In order to speed up this process, further steps can be taken,\* such as:

(a) Integration of those SWP workers who have acquired sufficient training on the job into relevant Government technical services as permanent workers for instance to ensure the maintenance of works completed;

(b) encouraging the grouping of former SWP workers into labour co-operatives by granting such co-operatives temporary tax relief and supplying them with basic tools;

(c) granting former SWP workers priority admission to employment in both the private and public sector. This, however, supposes that there is sufficient economic growth; otherwise, it would only mean shifting rather than absorbing unemployment.

\*ILO *Guidelines*, pp. VII—18 to 21.

## Appendix B

*Summary of a paper entitled "Planning and Employment" read by Kieran A. Kennedy at the Twenty-fourth National Management Conference, Killarney, 1976*

"Planning is concerned with *objectives* (where we want to go), *constraints* (the limits on our freedom of action, including resource limitations), and *instruments* (the measures needed to achieve the objectives). Employment creation is suggested as the primary objective of any new national plan. The plan should be addressed particularly to the government measures required to achieve full employment. Should it be obvious that the measures available would be inadequate, consideration should be given to modifying the constraints to permit greater freedom of action. If the objective still cannot be achieved in full, it would be better to recognise this openly. In that way, the costs and benefits of the alternatives—emigration and/or unemployment—are more likely to be considered explicitly.

"The most essential ingredient of the plan is a restructuring of public expenditure and tax policies in the light of the employment objective. Since resources are limited, difficult choices are unavoidable. Choices also arise in relation to the exploitation of natural resources. Elementary processing operations alone may secure little expansion in employment, unless followed by the development of further downstream industries.

"The current debate on public versus private enterprise is considered hollow: what is needed is more enterprise generally. For private enterprise this involves a recognition

of the need for profitability, but it is possible to devise instruments to ensure that profitability is more closely geared to employment expansion. Various means of encouraging new domestic private enterprise are proposed. For public enterprise, there is need for a clear definition of the criteria under which it will be expected to operate, bearing in mind that there may be a conflict between efficiency and detailed accountability.

“The pursuit of higher real incomes by employees of all kinds represents a major constraint on employment creation. This constraint is unlikely to be eased on a voluntary basis, and the overall growth of output may be insufficient to satisfy pay demands except through an unsatisfactory rise in employment. Government measures to secure pay restraint are considered under six headings: (i) general statutory restraint; (ii) greater resistance to public sector pay claims; (iii) stiffening the resistance of private sector employers; (iv) fiscal measures to limit pay settlements or offset their effects; (v) profit sharing schemes; and (vi) devaluation. If all or most of these are ruled out, the objective of full employment may be unattainable”.

## Appendix C

### *An ILO Manual*

A Manual is now available in typescript prepared by a group of economists and engineers in the Employment and Development Department of the ILO, based on the reflections on, and experiences of, labour-intensive public works programmes in developing countries over the past twenty years.\*

In this paper we recommend public works programmes on a vastly increased scale compared with the past for the relief of the unemployed and we consider that this Manual should be an indispensable guide to all directors of such programmes.

We refer readers to the Table of Contents of the Manual which is very detailed and gives a good idea of its wide scope. We shall thereby regard ourselves as dispensed of the task of giving a summary of this very long work. We shall simply make some brief comments on part II of Chapter VII, which part is entitled "Economic Evaluation", mainly in relation to its cost-benefit (CB) aspects.

Emphasis is laid on the importance of uniform accounting of each project *ex ante* and *ex post* on the same basis by a trained evaluator.

In Table C<sub>1</sub> the various components of costs and benefits at project level are shown from four viewpoints: the

\*World Employment Programme "Guidelines for the Organisation of Special Labour-intensive Works Programmes" by Emile Costa, Sunil Guha, Ibrahim Hussain, Nguyen T.B. Thuy and Aime Fardet, International Labour Office, Geneva, 1976.

Table C2: *Classification of Cost and Benefit Components*

(a). costs	(b). benefits
1. Direct Costs	1. Direct benefits:
(a) Programme outlays, or joint costs	—from directly productive projects (land development, irrigation, drainage, forestry and fishery projects)
(i) Administrative costs	—from non-directly productive projects (infra-structural projects: roads, trails, schools and other buildings):
—variable costs, (labour and related)	
—fixed costs	
(ii) Other administrative costs	2. Indirect benefits:
—direct (recruitment, selection, placement)	—“induced by” benefits i.e., increase in production of those supplying inputs to the LPWP
—indirect (expenditure incurred by other organisations)	—“stemming from” benefits i.e., increase in productive activities of those involved in processing or marketing commodities produced as a result of the LPWP project.
—cost of training	
(iii) Investment costs:	3. Secondary benefits (multiplier effect).
—land	
—building	4. Social benefits (unquantifiable and immeasurable).
—equipment (local, imported)	
2. Social Costs	(c). <i>Externalities</i>
(shadow pricing)	

individual, the agency responsible for LPEPs, the government and the society (i.e., the nation). In Table C2 the components are classified in a somewhat different way.

The opportunity cost (or shadow price, really the true economic cost) mentioned in Table C1 of any factor is the “social cost of using that factor, i.e., the value of lost chances to do things.” In the case of an unskilled worker with no other offer of work available the opportunity cost would be

zero: this situation is very rare, however; nearly all the unemployed have odd jobs or housework with some value even if small, which value (i.e., the opportunity cost) would be lost if the individual were employed on a LPWP programme. The opportunity cost concept is important mainly in regard to two cost items, unskilled labour and imports (i.e., foreign exchange requirements). The use of market prices for valuation purposes will distort the actual economic values; usually the over-supply of unskilled labour will result in its opportunity cost being far below the actual wage rate, whereas scarce supplies of foreign exchange will be undervalued in terms of the national currency by the official exchange rate.

The Manual is admirably clear in defining the items used, particularly those of Table C2. Furthermore, the definitions are given algebraic effect with much thoroughness. It is in regard to giving statistical effect to non-market values that the difficulties arise as the Manual stresses. It is less clear in regard to estimation of shadow prices than with other aspects of these programmes, for the most part being content to refer to the considerable literature on the subject.\*

Perhaps with an undue (no doubt, old-fashioned) regard for the sanctity of statistical estimation, the authors must confess to a measure of scepticism in regard to cost benefit analysis in its purely statistical aspect. We think we could find enough quotations from the Manual to support us in this belief. There is a specific mention of "incommensurable benefits". Indeed, in the working accountancy tables we note that provision is always made for market as well as shadow price valuation. We have no desire, however, to press the present point of view on Irish LPWP administrators. In the Manual the specification detail of all costs and benefits, even without the actual figures, is of great importance, ensuring that, in practice, no aspect will be overlooked. This alone justifies CB from our point of view. We have less objection

\*In particular, UNIDO Guidelines for Project Evaluation, New York; 1972.



to actual CB valuations of different projects including shadow pricing, provided that these are carried out by the same group of skilled evaluators, such exercises being undertaken for the purpose of selection from the vast number of possible projects, i.e., for evolving something like an optimal programme. This will be one which provides the largest possible number of man/years work at the lowest cost per worker, regard also being had to the social value of the work done: we recognise that no programme can be optimal in regard to all conditions mentioned. We encounter the familiar general economic conflicts of choice here, conflicts which can be resolved only in a practical way. Emphasis, we suggest, must be on number of man years work created.

The Manual's principal statistical instrument is B/C, the ratio of the economic value of benefits to the value of costs. The treatment in the Manual is theoretical, i.e., "ideal" in character. It is inevitable that no country could fully realise the statistical formulation, quite apart from the point in the last paragraph. Instead, we describe in some detail the method actually used by one of the authors of the Manual on mission to a developing country. This method is a great simplification compared with that described in the Manual and, we suspect, may have to be used in countries in which certain kinds of statistics are not available.

The national objectives in this unnamed country were to provide employment for the unemployed, to increase the incomes of the underemployed and "to capitalise the present abundance of labour (not all of it by any means unskilled) in order to create investment which will be productive but which would not ordinarily be justified in relation to the labour input required, judged by conventional investment criteria. "With these objectives in mind the programme consists of labour-intensive public works projects (wages accounting for at least 60 per cent of total cost) which are directly productive (mainly in agriculture) indirectly

productive (roads etc.) and socially beneficial (e.g., amenities and construction of schools).

The ILO author explained that the Manual guidelines were not closely followed because "the general methodology would require micro data surveys for each component of inputs and outputs" which there was not time to carry out, and the World Bank had fairly recently estimated the main shadow prices for a rural development programme.

The author gives a summary of the World Bank's methods and estimates from which one derives the impression of close thought being given to each element of estimate, but the resulting estimates looking somewhat arbitrary. The elements with shadow (or "accounting" prices) are as follows: —

(1) Unskilled labour when "unemployed" may actually have some work content. Price is taken as  $U^* 3.1$ , one-third of daily wage actually paid.

(2) Other labour generally priced at market rates.

(3) The official exchange rate may not be a valid measure of the domestic value of a unit of foreign currency. After a close argument it is decided to multiply the official rate of U 6.13 (to one \$) by 1.3.

(4) Transportation of workers is taken to be 0.7 of the money cost.

(5) Because of the large import (foreign exchange) contents the cost of fertiliser is raised by 16 per cent.

(6) Other imports raised costs by 10 per cent.

(7) Land planted with trees was unproductive before, hence opportunity cost was nil.

(8) Forest products were substitutes for imports, hence price was increased by 5 per cent.

\*U=currency unit of country.

(g) Non-internationally traded goods were valued at current domestic prices.

Costs incurred and benefits gained during the three years 1971-1974 were evaluated and the benefits and costs estimated on a per worker basis. The assessment was necessarily tentative because of gaps in information mentioned by the author.

We set out the methods in some detail, because of their possible adoption in Ireland.

The table for *costs* may be summarised as follows:

Cost per worker (U)	<i>National cost</i>	<i>Foreign aid</i>
Capital	612	715
Management Variable	2,191	456
Fixed	1,231	251
Other administrative	209	—
<i>Total</i>	<u>4,243</u>	<u>1,422</u>

*Grand total*: U 5,665

In the author's table there are sixteen separate estimates (as compared with seven above), each explained in some detail.

On the benefit side *agriculture* is of course, by far the most important. The approach for "directly productive projects" is by discounted value during "the expected economic life of the agricultural project", taken as 50 years, stated to be used in other analyses. Discount rate (always a problem with this approach) is taken at 10 per cent.\* Related projects (figures in parentheses are U per worker) include forestry (1,751), mixed farming (1,357), fodder plantation (413), irrigation (1,311) other (356). Total benefit (described as "direct") from agriculture and related projects is therefore U 5,188 per worker.

\*Note that this is far less of a problem if the object is comparison of benefits from a variety of projects, the same rate, of course, being used for all.

Up to the end of 1973 the programme completed 12 new *primary schools* and extended 24 schools, almost 250 classrooms in all. It is remarked that the benefit is the difference between what private contractors would have charged and the programme cost. The per worker gain is U 161.

With *road construction*, methods of calculation were those devised by the World Bank. Construction was confined to feeder roads of short length and low traffic, in fact 113 roads, total length 47 miles. Total benefit over 30 years discounted at 10 per cent amounts to U 4.6 million or 714 per worker.

Total benefit amounts to U 6.063 (=5,188 + 161 + 714) per worker. The benefit-cost (B/C) ratio is 1.07 (=6,063/5,665) if estimation of costs includes foreign aid or 1.43 (=6.063/4,243) if only national costs were taken into account. It is remarked that these ratios were not particularly favourable but it is added that only direct benefits from work projects were taken into account. For instance, no consideration was given to the possible long-term benefit of training on these works or the over-all impact of the works specified on the economic development and welfare.

It is suggested in conclusion that to improve the benefit-cost ratio the greatest need is greater efficiency at the work site involving measurement of work, a new wage policy, more supervision and planning, and training by professional instructors instead of by foremen and gangers. Ireland has much to learn from this experience, particularly in the manner of assessment of benefit in relation to cost of works.

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