
Chapter 23

Categories of Industry

Unit 6

Higher Level

Past Exam notes (For this chapter)

FACTORS OF PRODUCTION

There are four factors of production. These are Land for which we receive Rent, Labour for which we receive Wages, Capital for which we receive Interest and Enterprise for which we receive Profit.

1. Land

This refers to the natural resources that give us the raw material and energy needed for all business activities. It includes Land, Seas, Water lakes (Gas, Oil, Iron, animals, Timber). There are two types of resources given from land - Renewable energy (If carefully managed can last forever) and Non-Renewable energy (Limited in supply, need to be used sparingly)

2. Labour.

This is the human work and effort needed for a business to operate. The availability of Labour is limited by the number of fit and healthy people willing and available to work as employees

3. Capital

This is anything man made that is used in the running of a business. It includes equipment, buildings, vehicles. It also includes money needed to pay for things such as staff, heating, marketing. It is also in limited supply.

4. Enterprise

This is the human creativity and initiative that is required to pull the three other factors of production together and start a business to provide goods and services. For Example, Richard Branson. This is also in limited supply.

SECTORS OF INDUSTRY IN IRELAND

There are 3 different sectors of industry in Ireland. These are 1. Primary, 2. Secondary and 3. Tertiary

The PRIMARY SECTOR are natural based industries. This refers to agricultural, forestry, fishing,

The SECONDARY SECTOR is Manufacturing industries. This relates to the construction sector, the manufacturing industries such as chemicals, computers developments.

The TERTIARY SECTOR is the Service industries, and This is linked with retailing, tourism, transport and finance industries etc

PRIMARY SECTOR

The primary sector ^{Def} Is an **extractive** category of industry based on the natural resources of a country such as agriculture, forestry, fishing, mining, energy. IT is taking the raw material form natural resources.

2022 - Question 5 (c)
2019 - Short Question 2
2012 - Short Question 8

ARGICULTURE

Important issues & trends in Irish agriculture

2012 - Short Question 8

1. Overproduction

- Membership of the EU meant that farmers were given a minimum price for their output. However, farm output levels far exceeded what was expected resulting in the EU having to buy up massive quantities of surplus beef, milk, cereals etc.
- This out-of-control situation forced the EU authorities to introduce a annual quota system for all farmers. This effectively put a limit on the amount of farm output farmers could produce.

2. Diversification

For farmers to generate a worthwhile income in the agricultural industry diversification into other farm activities seemed a proactive way forward.

Examples of this type of diversification include:

- **Open farms** - geared towards tourists, community groups school tours etc
- **Farmhouse holidays** - renovating old building for modern usage, holiday package in a fishing location.
- **Organic farming** - consumer awareness of food labels now is at major marketing tool
- **Forestry** - replanting of farmland with forestry. The government offer support and grant aid with this development - COILLTE.

3. Consumer confidence

The issue quality and safety of our foods has been undermined in this country. Health scares such as

- "salmonella" in eggs
- Pesticide on fruit and vegetables.

Other Trend and Challenges

1. Commodities such as beef and milk are commanding higher prices on world markets as demand increases due to global population growth.
2. Cóillte the state agency operating in forestry, land-based businesses, renewable energy and panel products may be privatised along with other businesses such as Electric Ireland.
3. As a result of overfishing the EU has introduced fish quotas in an attempt to conserve fish stocks.
4. Gas deposits discovered in the Fermanagh/Leitrim border may be mined using 'fracking' a controversial mining technique. The Corrib natural gas field has also proved controversial.
5. Developments in the area of wind energy and solar power.
6. Continued growth in organic food production capitalising on Ireland's green image worldwide.
7. Restriction on turf cutting due to EU environmental directive.

FISHING

- The Irish government has seen the fishing industry as a major growth area for the years but this has come under pressure from other EU members fisherman fishing off the coast of Ireland.
- Tise can be attributed to the decline in the need for red meat amongst consumers.
- Also fishing stocks have been greatly reduced for Irish fishermen due to other vessels (Spanish fishermen) ability to enter in our waters. This is termed as depleting our fishing stocks.
- This presents a serious threat to the livelihood of coastal communities that are dependent on fishing as source of income.

Example: Killybegs, Burton port, Kinsale

FORESTRY

This is a small-scale industry in Ireland as this country has very little forest cover. In Ireland Coillte offer grant aid to farmers to switch their land over to that of forest produce.

COILLTE have been given the job to develop Ireland as a major wood exporting nation.

NOTE: Throughout the years from 2000 - 2007 this was a major growth market.

MINING

This consists of extracting from the earth, examples include metals, peat, coal, oil (Kinsale in Cork), and gas where possible.

WHAT IS THE SECONDARY SECTOR
Secondary Sector

^{Def} this is converting the raw materials from the primary sector into finished products. This sector consists of two main industries - 1. Constructions and 2. Manufacturing

2019 - Short Question 2
2009 - Short Question 6

1. CONSTRUCTION

This involves the building of houses factories offices and infrastructures - road, tunnels and bridges.

Importance of the construction industry to the Irish economy

- Use of Irish resources - use sand, gravel and wood which reduces imports and keeps the money in the Irish economy.
- Employment
Trends/Challenges facing Irish construction.
- Economic fluctuations - when the economy is doing well so too does construction but when the economy is doing poorly employment can drop.

2. MANUFACTURING

This converts the raw material into finish goods (Computers, furniture). Most manufacturing in Ireland is -

- a. Food and drink production (Kerry Group)
- b. Chemicals and Pharmaceuticals (TNC)
- c. Electronic and Computer products (Dell)
- d. Other manufacturing (Indigenous)

Importance of the manufacturing industry to the Irish economy

Employment - Direct jobs (Staff) and indirect jobs (Suppliers of raw materials)

Exports - Bring money into the country.

Trends/challenges facing Irish manufacturing.

- Employment - More output being produced by fewer people.
- High labour and other costs - made Irish firms less competitive compared to countries with lower costs
- Relocation

AGRIBUSINESS**Agribusiness**

^{Def} This refers to manufacturing firms that use agricultural products such as dairy products, meat, vegetables and cereals as their main source of raw material. This sector exports up to 50%-60% of its produce. 1/3 of the top 100 Irish businesses are from the agribusiness background

EXAMPLES: Kerry Group, GLANBIA PLC

Important issues & trends in agribusiness

- Retailing developments - selling products to large supermarkets (Dunnes Stores, Tesco and large symbol stores (Spar, Centra)
- Research & Development - (R & D) amongst Agri- firms have now become a must for these businesses to maintain their market share. RIVAL firms are investing time and money in R & D so agribusinesses must match this attitude to remain competitive.
- Mergers / Takeovers / PLC's - for agribusinesses to compete on a global stage with large international business mergers/takeovers and co-ops converting into PLC's.

Example: Kerry Group

- Consumer Pressure - health scares & food hygiene expectations amongst consumers have led to agri-businesses to focus in producing more natural and healthier food products.

TERTIARY SECTOR**Tertiary sector**

2022 - Question 5 (c)
2020 - Short Question 3
2019 - Short Question 2

^{Def} the tertiary sector refers to the **services industry**. The services sector is the largest sector in Ireland. The aim of the sector is to provide a range of services to businesses and consumers. For Example, financial services, medical services, transport services, leisure services.

Tourism is one of the most significant service sectors. It is labour intensive and a major source of employment.

For example, the IFSC was built to attract and support companies who engage in internationally traded services such as finance, insurance, consulting and communications.

WHAT IS THE ROLE OF THE SERVICES INDUSTRY IN THE ECONOMY?

TOURISM

Prior to the global meltdown TOURISM was seen as the world's fastest growing industry.

Ireland is seen as a country of natural unspoilt beauty, as a result it has opened many employment opportunities in the development of hotels and catering facilities. Tourists (Especially Americans) are willing to spend vast amounts of money here.

Importance of the service sector

1. Employment - Labour intensive, largest sector of the economy for employment
2. Tourism
3. 3. Exports
4. 4. Loyalty
5. 5. Attract TNC

TRENDS OF THE TERTIARY SECTOR

Prior to March 2020

1. Decrease in Sales/Impact of coronavirus/covid19.

A decrease in demand for services due to Covid 19 pandemic. Businesses in the tertiary sector such as pubs, hotels, restaurants experienced a decrease in sales and forced closures.

For example - forced closure due to Covid 19 measures, decrease in employment in the sector.

2. Value Added Tax increase.

The rate of Value Added Tax in the tourism and hospitality sector was increased from 9% to 13.5%. This was applied from January 2019. This has led to increased prices in the tertiary sector.

3. Increased Competition

Traditional service providers face increased competition from online service providers.

For example - financial services such as banks face competition from online service providers such as Avant bank.

2022 - Question 5 (c)
2020 - Short Question 3
2013 - Question 2 (c)

4. Decrease in Employment due to Coronavirus/Covid 19

Workers involved in the services industry have been made redundant and/or had their hours reduced due to fall in demand for services. The fall in demand for services is because of restrictions enforced due to the impact of the coronavirus.

5. e-commerce or Services being provided online due to Covid 19.

The growth of e-business, a method of buying and selling goods and services over the internet, is changing the dynamic services sector. Retailers moving to on-line operations include Tesco and Next. Services such as education are being provided online due to the school closures that were implemented to curb the increase in the Covid 19 crisis.

CHALLENGES OF THE TERTIARY SECTOR

2017 - Question 2 (a)

1. Access to technology / e-commerce

Poor access to broadband especially in rural areas. Poor use of websites for selling to consumers

2. Commercial Rates

Commercial rates charged to business by local authorities. They have placed small local retailers under huge pressure as they try to compete with larger retailers.

3. Brexit/uncertainty

The uncertainty caused by UKs planned exit from the EU will have a negative impact on the exporting of goods and services.

4. Rents

The increase in the cost of rental accommodation in cities such as Dublin will cause employees to lodge claims for higher wages. This reduces the profits of service firms and makes it more difficult for them to remain competitive.

5. Wage demands.

Successful wage demands in the transport sector such as Dublin Bus and Luas have led to knock on claims in the services sector. This reduces the profits of service firms and makes it more difficult for them to remain competitive.

6. Retailer closures

The huge growth in online purchasing has led to the closure of many retail outlets. Growth of discount retailers for example, Aldi, Lidl, TKMax

PROMOTING INDIGENOUS FIRMS

Indigenous firm ^{Def} are an Irish/native locally based business that has been established and is **owned/managed by Irish residents**. They produce goods and services in Ireland. The owners have a direct personal interest in the survival and growth of the firm. Its principal place of business is in Ireland.

2020 - Short Question 6

For example - The Dough Bros, Eason's, SuperValu are examples of Irish based businesses that are owned by Irish residents.

THE BENEFITS OF INDIGENOUS FIRMS:

1. **Are loyal.**

Irish owned businesses are loyal to the country they are founded and set up in and may remain here regardless of cost.

2. **Labour intensive**

Small/medium enterprises create huge employment (currently over 150,000 SMEs in Ireland)- they are founded and set up in and may remain here regardless of cost.

3. **Flexible/able to adapt to changes in market conditions**

They can spot opportunities and react to changing market conditions quicker than large MNCs.

4. **Support Local Community**

The local community benefits from the revenue generated by the businesses and the wages spent by the employees.

5. **Support**

Spin-off business can develop to provide various supports/services to the existing indigenous firms. Profits are retained in Ireland and reinvested in the Irish economy.

6. **Reduced reliance on FDI.**

Domestic indigenous firms have been quite successful in growing output and employment due to the growing UK market. Large multinationals may damage environment/may exert power over government/may not re-invest profits.

BENEFITS OF FDI

1. **Large employment (direct and indirect employment)**

create greater number of jobs quicker than indigenous firms and also results in many additional jobs being created in the support services to the multinational firms/Employment boosts income and spending within localities.

2. **Improve the Balance of Payments**

On the current account by boosting exports - goods produced here sold throughout Europe resulting in much needed revenue for the economy/Easy access to international markets.

3. **Positive spin-off effects for the local economy and local indigenous firms.**

Creation of spin-off business for Irish suppliers and service providers (many firms are set up to provide raw materials or services to the multinational creating more jobs and revenue for local economy).

4. **Increased government tax revenue for the economy**

Although the low corporation tax rate (12.5%) in Ireland is one of the main reasons multinational firms invest in Ireland they still make a large contribution to Government revenue through corporation tax on profits, VAT on purchases and PAYE paid by employees.

5. **They bring a knowledge base and business expertise to Ireland/make.**

it easy for 'would be' entrepreneurs to set up their own businesses thereby promoting an entrepreneurial spirit.

6. **They invest in new technologies/R&D and Education,**

increasing the skill base of Irish workers which improves employee mobility and expertise/advanced production methods leading to higher productivity and lower unit costs.

Trends/challenges facing Indigenous firms.

1. Decline in traditional manufacturing.
2. Emergence of indigenous Irish high-tech firms
3. EU market
4. Niche marketing

Challenges

2020 - Short Question 6

1. Coronavirus/Covid 19/Decrease in Sales

A challenge for Irish indigenous forms is the decrease in sales due to the Covid 19 pandemic. Businesses face challenges such as meeting loan repayments, maintaining staff levels and maintaining/increasing sales and profitability.

2. Increased competition from large foreign business/TNCs/Multiples

Local Irish businesses such as local pharmacies, bookstores, newsagents etc face competition from firms such as Boots, Amazon, Tesco. These businesses have huge economies of scale, and this makes it difficult for the small Irish indigenous firm to compete.

3. Increased regulation

Irish businesses face increased regulations from the European Union. This includes regulations re the information that packaging must display.

4. Lack of skilled workers

Indigenous firms are struggling to source the talent they require. There is a lack of skilled workers in certain areas due to the migration of people to cities such as Dublin.

5. BREXIT

The UK leaving the European Union has created huge uncertainty for certain indigenous businesses. It has the potential to have negative consequences for Irish trade. Irish indigenous firms who export to the UK could be faced with trade barriers such as tariffs.

Enterprise Ireland assisting Indigenous Firms

Enterprise Ireland has the responsibility for developing Indigenous Irish industry with an export focus. It is focused on helping Irish-owned business with 10 or more employees seeking to deliver new export sales.

1. Funding supports.

A range of supports, for start-ups, expansion plans, and R&D business plans. Enterprise Ireland provides funding and supports for companies - from entrepreneurs with business propositions for a high potential start-up through to large companies expanding their activities and growing international sales. It provides equity investment for business. Its Seed Venture Capital Scheme supports the development of high-growth companies.

2. Export assistance.

Enterprise Ireland provides international offices that can assist in the growth of exports by providing marketing services/connections and introductions to potential customers overseas.

3. Supports to develop competitiveness.

They help companies to become leaner to make them more competitive in international markets.

4. Incentives to stimulate in-company R&D

The help companies with R & D for new product, service and process development to ensure sustainability, and growth through the evolution of products and services.

5. Assistance with R&D collaboration

They assist companies with research institutions, to develop and bring to market new technologies, products or processes. Enterprise Ireland provides supports for both companies and researchers in Higher Education Institutes to develop new technologies and processes that will lead to job creation and increased exports.

6. Connections with and introductions to customers overseas

They have access to a global network of contacts - from heads of government to end customers. Enterprise Ireland provides a programme of trade missions, trade fairs and knowledge events to give clients the opportunity to connect with existing and new customers and increase sales in international markets and exchange ideas

COMPETITION FOR FDI

Competition between countries to attract foreign investment is increasing. IDA Ireland is facing stiff competition from foreign nations who can offer bigger grants (e.g. the UK, Germany) or have low wage employees (e.g. Eastern Europe, Asia)

Single European Market SEM

Since the emergence of Ireland in the EU trading block it has been easier for Irish firms to trade freely on the continent. To compete with these larger TNC's Irish firms have opted to form alliances, mergers and takeovers to survive in the market-place.

Niche Marketing

Businesses that identify niche marketing in the global economy where factors such as quality of design, image, innovation or customer service are of more importance than price.

Example: BAILEYS CREAM LIQUOR

Environmental issues

There is a definite need for IRISH businesses to develop environmentally friendly activities. This will help to promote the business name and keep the Ireland's green reputation on the global stage. This also acts as a marketing tool to sell the produce.

Transnational Firms in Ireland

These are firms that produce and market goods and services in more than one country. They are also known as multinationals For example Microsoft. They do not have strong ties to any country. They will locate in any country that is profitable to do so. To promote economic activity Ireland tries to attract FDI to Ireland

FDI ^{Def} Foreign Direct Investment refers to TNC setting up facilities in Ireland to produce goods and services for export.

Importance of TNC

1. Exports - 90% of Ireland Exports are from Non-Irish TNCs. Exporting bring money into Ireland.
2. TNC provide employment - they employ directly (High skilled jobs) and also indirectly.

3. Local Business benefit.
4. Contribute a lot of Taxes.
5. Make up for weakness of indigenous firms - Manufacturing, chemicals, electrical engineering, computer hardware and software and dominated by high tech TNC
6. Raise Labour Skills levels.

Examples of TNC

Ireland TNCs	TNC located in Ireland.
Kerry Group	Microsoft
AIB	Google
Cement Road Stone Holding	Facebook

WHY MNC LOCATE IN IRELAND

OVER the past 10-15 years, IDA Ireland has been placing a strong emphasis on attracting high tech companies, such as those involved in computers, biotechnology and chemical production.

#They locate here for the following reasons

2020 - Question 2 (B)

1. Access to the EU Market

As Ireland is a member of the European Union, it benefits from free trade between all member states. Multinational companies who come to Ireland, can manufacture their products here in Ireland and access the EU market without paying any tariffs/taxes.

For example - Pharmaceutical companies such as Pfizer produce goods in Ireland and distribute them to the EU via ports such as Antwerp in Belgium.

2. Well-educated workforce

The Irish workforce in Ireland is highly educated in comparison to other nations. Most Irish workers have a minimum second level education and a large proportion have third level education.

This allows MNC's to access a workforce with the ability to produce their products/services.

For example - companies such as Intel and Microsoft have access to high quality labour such as Business, IT and Engineering graduates that they need.

3. Low Corporation Tax

The corporation tax rate of 12.5% in Ireland is one of the lowest in the world. This allows companies to reduce their tax liability by setting up here in Ireland and retaining much more of their profits than they would in their home countries.

For example - Companies such as Apple chose to set up in Ireland in order to minimise their corporation tax liability.

4. English-speaking nation

The Irish are now the only English-speaking nation in the EU. For MNC's coming from the USA, it is a lot easier for them to do business in their own language.

For example - American Companies such as PayPal decided to set up in Ireland as their European headquarters.

5. Green Image

Ireland has an international reputation for being a 'clean green environment'. This attracts MNC's here as it can be much easier for them to export products which have been manufactured here.

6. Government Incentives

Through the IDA, MNC's can receive grant aid to set up in certain parts of the country and are also provided with access to purpose-built business parks which make it much easier to get started here. Companies such as eBay, Dell were incentivised by IDA Ireland to set up here.

Trends and challenges of TNCs

1. Labour and other costs - Ireland has become more expensive and less profitable.
2. Global competition for FDI - other countries are starting to offer lower corporation tax to attract TNC
3. Energy supply risks - Ireland depends a lot on imported energy (gas and oil).
4. Highly Skilled Labour - TNC to set up exporting companies in Ireland.
5. Local economic shocks - If TNC closes its plant it can have a negative effect to the local area.
6. Profit repatriation - Large profit earned in Ireland from the TNC are usually brought back to the head office.

Opportunities and challenges for the Irish Economy of foreign multinationals (mncs) locating in Ireland.

Opportunities

1. Direct employment. Employ highly skilled graduates, right up to PhD level which prevents a 'brain drain' from the country. Many of these graduates are engaged in R&D, an important area in multinational businesses.
2. Tax revenue for the Government e.g. transnationals pay 12.5% corporation tax on their profits. This low rate of corporation tax is a key Government strategy in attracting FDI.
3. Positive spin-off effects for the local economy and local indigenous firms. They source their inputs from domestic companies where possible, thereby increasing employment in those firms. They mentor Irish firms to bring this about. Local taxis, catering firms, cleaners, security firms, local pubs and restaurants all benefit from the presence of a multinational in their locality.
4. Enhance Ireland's reputation and acts as a catalyst for further FDI. As companies such as Intel and Google have a major presence here, it can be inferred that Ireland is a good place to do business (international goodwill).
5. Bring a knowledge base and a business expertise to Ireland in terms of management systems and organisational culture. The latest technology is introduced based on research carried out in other countries, thereby requiring less Irish expenditure on R&D. Irish managers gain experience and learn from these foreign business executives.

Challenges

1. Excellent high-tech companies have easy access to international markets. Some FDI companies are considered footloose having no loyalty to Ireland. They may leave immediately if operating costs are lower elsewhere.
2. Repatriation of profits, which means wealth leaves the Irish economy.
3. Tax avoidance schemes such as those operated by Apple mean the actual tax gain for the country is much less than expected.
4. Brexit. The decision of the United Kingdom to leave the European Union will mean that the UK are free to 'outbid' Ireland to attract multinationals. Once it is outside the EU, Britain

Chapter 23

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Past Exam Questions

(For this chapter)

SHORT QUESTION**2020 - Question 3**

Eight of the top ten aviation leasing companies in the world are based in Ireland. The aviation industry is part of the tertiary sector.

(a) Explain the term tertiary sector

(b) Outline two trends in the tertiary sector in Ireland

(i)
(ii)

2020 - Question 6

(i) Explain the term indigenous firm

(ii) Outline one challenge facing indigenous firms

2019 - Question 2

Name the three categories of industry and give one example of an occupation in each -

- (i) _____ Example _____
- (ii) _____ Example _____
- (iii) _____ Example _____

2015 - Question 4

Write true or false after each of these statements -

Sentences		True or False
1	Factors of productions refer to the resources required for the generation of goods and services	
2	The secondary sector refers to the construction and manufacturing industries	
3	Service industries manufacture physical products for sale to consumers	
4	Industries such as agriculture, fishing and forestry are based on a country's natural resources	
5	Indigenous firms are foreign owned firms located in Ireland	

2012 - Question 8

Define the term primary sector.

Outline two current trends affecting this sector in Ireland.

(i)	
(ii)	

2009 - Question 6

Define the secondary sector and outline the current trends affecting this sector in Ireland.

Current trends

(i)
(ii)

2007 - Question 10

Name a state-owned enterprise in the production category.

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Explain two reasons for state involvement in this category.

2003 - Question 1

Explain the term service industry.

LONG QUESTION**2022 - Question 2****Braw**

Anna Coffey Lynch is an Irish artisan chocolatier. She started her own business, Braw Chocolates in the middle of the Covid 19 pandemic.

Adapted from properfood.ie

- (C) (i) Distinguish between primary and the tertiary sector of the economy
(ii) Outline the current trends affecting business in the tertiary sector of the Irish economy (20)

2020 - Question 2

- (B) Illustrate the reason why multinationals companies (MNCs) locate in Ireland (20)

2018 - Question 2

- (C) Evaluate the effectiveness of enterprise Ireland in assisting indigenous Irish business (15)

2017 - Question 2

- (A) Discuss the challenges facing businesses in the tertiary (service) sector in Ireland (15)

2013 - Question 2

- (B) Discuss current trends affecting businesses in the services sector of Irish economy.
Provide examples to support your answer (20)

2007 - Question 2

- (A) Discuss the importance of the categories of industry to the current Irish economy (20)

2006 - Question 2

- (A) Outline the categories of industry in the Irish economy. In each case of these, describe its contribution to the economy (20)