

Chapter 18 - Categories of Industry

1 (2019)

2.		Name the three categories of industry and give an example of occupation in each: (i) Primary Example: Farmer (ii) Secondary Example: Builder/Factory production worker (iii) Tertiary Example: Banker	10
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2 (2015)

4			1 True	2 True	3 False	4 True	5 False		10
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3 (2012)

The primary sector (extractive) is a category of industry based on the natural resources of a country such as agriculture, forestry, fishing, mining, energy.

Current Trends

- Commodities such as beef and milk are commanding higher prices on world markets as demand increases due to global population growth.
- 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.
- As a result of overfishing the EU has introduced fish quotas in an attempt to conserve fish stocks.
- 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.
- Developments in the area of wind energy and solar power.
- Continued growth in organic food production capitalising on Ireland's green image worldwide.
- Restriction on turf cutting due to EU environmental directive.

The secondary sector includes Manufacturing, Agribusiness and Construction businesses - that manufacture products from the materials produced by the primary sector (Agriculture, Forestry, Fishing and Mining).

Takes raw materials, processes raw materials and produces finished goods.

Example: Kerry Group – Food Products.

Current Trends:

- (i) Decline in employment in Secondary Sector – downsizing and closures have resulted in an increase in unemployment, particularly in relation to Manufacturing and Construction
- (ii) Increased competition- challenge faced by Agribusiness Sector in food market from foreign retailers i.e... Lidl and Aldi
- (iii) Increased wage rates in Ireland over the past few years has resulted in loss of competitiveness – relocation of some manufacturing businesses to low cost economies etc

| 1

| 4 + 6 marks

1 Service Industry

Tertiary industries are the service industries and businesses providing a service of one kind or another to the other industries, i.e. to the extractive or manufacturing industries or to the public. They may not actually produce or make a product but they provide an important service by bridging the gap between producers and the final consumer.

The services provided would include public utilities such as electricity, provided by the Electricity Supply Board, gas provided by An Bord Gas and water and sewerage facilities provided by the country's local authorities. Other services provided would be:

Transport services, e.g. buses, trains, taxis etc. All communications services e.g. the telephone, fax and E-mail facilities. Distributive services, e.g. wholesalers.

Banking and financial services, e.g. commercial banks, building societies, credit unions, insurance companies etc. Professional services, e.g. accountants, solicitors, architects, doctors. Catering services, e.g. restaurants, hotels and cafes. Entertainment services, e.g. music, drama and the arts. Government Services, all the services provided by central government and local government authorities, e.g. economic and environmental planning, education and training, industrial and agricultural development, national security and justice.

2. Types of Industry

- Primary. Extractive. Supply or obtain food and raw materials. Agriculture, forestry, fishing, mining,
- Secondary. Manufacturing, building and construction. Food processing, Electronics, chemical and pharmaceutical, Building materials, development of the physical infrastructure , roads, bridges etc.
- Tertiary. Service industries. Public Utilities eg. Electricity, Gas, Water etc. Transport, Communications, Distribution, Financial, Catering, Entertainment etc.

2	(A)	<p>Possible responses include:</p> <p>Access to technology / e-commerce</p> <ul style="list-style-type: none"> • Poor access to broadband especially in rural areas • Poor use of websites for selling to consumers <p>Commercial Rates</p> <ul style="list-style-type: none"> • 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. <p>Brexit/uncertainty</p> <ul style="list-style-type: none"> • The uncertainty caused by UKs planned exit from the EU will have a negative impact on the exporting of goods and services. <p>Rents</p> <ul style="list-style-type: none"> • 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. <p>Wage demands</p> <ul style="list-style-type: none"> • 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. <p>Retailer closures</p> <ul style="list-style-type: none"> • The huge growth in online purchasing has led to the closure of many retail outlets. • Growth of discount retailers e.g. Aldi, Lidl, TKMax <p>Additional Points could include:</p> <p>Poor infrastructure/lack of skilled workers in certain areas/cost of utilities/ demographic changes/automation of services leading to unemployment (i.e. banking sector).</p>	<p>15 marks 3@5 (2+2+1) Reference to industry/business in tertiary sector 1m</p>
2	(B)	(i) A set of guidelines/formal written statement drawn up by a business which sets out the expected moral behaviours for a business. The rules provide a set of norms which guide or govern relationships with stakeholders/It is concerned about right and wrong, fairness, honesty and respect in a business context.	5m

2	(B)	(ii)	<p><u>Benefits of a code of ethics</u></p> <p><u>Decision-Making</u> A code of ethics can provide a foundation on which to base all decisions that affect internal and external stakeholders, such as employees or residents in the local community. Having a solid code of ethics in place from the beginning can help to guide a business as it expands.</p> <p><u>Day-to-Day Decisions</u> A code of ethics helps employees to fully understand the expectations of the company and the ethical guidelines in which to make decision when dealing with customer complaints. This will ensure that customers are treated fairly.</p> <p><u>Business Reputation/good brand image</u> Displaying the business code of ethics on its website or in press releases, while taking care to ensure that the business actions are always in line with the words on the code, can create a positive image among consumers and job-seekers, creating a loyal customer base, good employees and helping to develop the brand image.</p> <p><u>Encourages “whistle blowing”</u> May include a “whistle blowing” clause which encourages any wrong doing to be reported to management. Staff are encouraged to report unethical behaviour by creating an environment where whistle blowing is rewarded.</p>	<p>7(4+3)+4(2+2)+4(2+2)</p> <p>At least 1 benefit and 1 challenge required.</p>
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Encourages ethical behaviour

It helps encourage ethical behaviour of senior management and employees at all levels. This will reduce losses due to theft and fraud.

Clearly defined offences

The Code of Ethics will clearly define the behaviours which are not acceptable. This makes it easier to identify these behaviours and deter them from happening.

Challenges of introducing a Code of Ethics.

Culture

Often, newly implemented codes of ethics may not immediately gain the respect or support of employees or management. They may see it as a critique of their personal morals.

Senior management may not treat it as a working document/May choose to ignore it. They may not “walk the talk”.

The Code of Ethics must be updated regularly and kept up to date to include new behaviours which are considered unethical. E.g. use of the company social media account/company emails.

Enforcement

Enforcing a code of ethics can also present challenges. Sanctions given to employees may damage the industrial relations climate in the business and reduce morale.

Staff training must be provided on an ongoing basis to ensure the code is understood and is not ignored. This will involve financial costs for the business.

2	(C)	(i)	The selling of a State Owned Company to private investors.	(4+4)
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2	(C)	(ii)	<p><u>Benefits</u> Possible responses include</p> <p>Government Revenue: Selling of a state enterprise provides the government with a large sum of money e.g. Aer Lingus, AIB. The revenue can be used to build infrastructure/repay the national debt.</p> <p>Efficiency: State owned enterprises are often perceived as being inefficient because they can rely on government funding and have little competition. Private firms are driven by a profit motive and should therefore be more efficiently run.</p> <p>Access to Finance: Privatised companies are able to take out loans and shares and generally have greater access to sources of finance than state enterprise. This makes it easier to fund expansion, creating wealth and employment in the economy.</p> <p>Industrial Relations: With greater job security employees in state enterprises are more likely to take part in industrial action in pursuit of pay claims, better working conditions etc. than those in the private sector.</p> <p>Competition: The elimination of a state monopoly can lead to open market competition and can lead to greater choice and lower prices for consumers e.g. Eircom/Aer Lingus.</p>	<p>3@5(2+3)</p> <p><u>At least one of each required</u></p>
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2	(C)	<p><u>Challenges:</u></p> <p>Possible responses include:</p> <p>Loss of state assets The state protects industries of strategic interest to the country e.g. transport network, the country's energy supplies for industry and domestic purposes, water supply, communications systems, the economic infrastructure of the country.</p> <p>Increased Unemployment There may be a loss of jobs through rationalisation of services, leading to higher social welfare spending.</p> <p>Lack Social Commitments Non-profit making essential services may be discontinued by the private business in an effort to reduce costs e.g. the postal and telecommunications service, electricity, gas and water services to remote areas.</p> <p>Loss of Control /Costs to state The shares of privatised companies may end up with foreign investors/There may be high costs involved in preparing a company for privatisation.</p> <p>Profit Motive/increased prices Privatised companies must maximise returns to the shareholders and this could result in increased prices for consumers.</p> <p>Evaluation</p>	2m
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8 (2013)

(A)	Discuss the opportunities and challenges of Partnership as a form of business ownership.	4 @ 5 marks 2 opportunities @ 5 marks (2+3) 2 challenges @ 5 marks (2+3)	20
(B)	The role of the Irish Government in encouraging and in regulating business in Ireland. (At least 1 of each required)	4 @ 5 marks (2+3)	20
(C)	Current trends affecting businesses operating in the <u>services</u> sector of the Irish economy.	4 @5 marks (2+3)	20
	Available Marks		60

(A) Discuss the opportunities and challenges of *Partnership* as a form of business ownership.

Opportunities

- Partnerships have access to greater amounts of **capital** as up to twenty partners can bring financial resources to the business.
- Partnerships have access to **different skill sets** as new partners may bring new skill sets and expertise to the business e.g. IT or marketing skills.
- Partnership can lead to **more effective decision making** as the decision making process is shared eliciting different points of view and opinions from a range of talented people.
- Ability to achieve **economies of scale**.
- Financial information can remain **confidential**.

Challenges

- Partners in the main have **unlimited liability**. This means that they are responsible for the debts of the business if it goes bankrupt and may have to forfeit their personal assets in order to pay business debts
- The partners are **jointly and severally liable** for the debts of the business which means that they have a collective responsibility for each other's debts and their personal assets can be used to clear the debts of their partners.
- Shared decision making could lead to differences of opinion, disagreements, arguments between the partners, and lost opportunities. This could at best lead to **delayed decision making** or at worse lead to the dissolution of the partnership.
- The profits of the business have to be **shared** according to the ratio set out in the deed of partnership.
- Not a separate legal entity therefore **partners and not the business can be sued in law**.
- If one partner dies or resigns the partnership must be **dissolved**.

(B) Outline the role of the Irish Government in encouraging and in regulating business in Ireland.

Irish Government role in **encouraging business**:

- Through **decreases in taxation** business activity is encouraged. A reduction in PAYE rates would increase spending power and stimulate demand for goods and services. A reduction in Corporation Tax may improve company profits, and the ability to fund future growth of the business. A reduction in VAT reduces cost of goods and services, stimulates demand and makes the Irish economy more competitive.
- Through **increases in State expenditure** business activity is encouraged. The government could increase capital expenditure on infrastructure, schools, hospitals etc. This will create jobs and consumer demand.

- Through a **network of state agencies** that give business advice, training and guidance, mentoring services and grant aid to facilitate growth and expansion.
Examples include:
Fáilte Ireland (developing and promoting tourism)
Enterprise Ireland (grant aid to indigenous industry, e.g. R&D and marketing)
FÁS to be replaced by SOLAS (provides industrial training for workers)
IDA Ireland (provides grant aid to attract FDI)
County Enterprise Boards to encourage entrepreneurship.
- Through **government planning**. Forward planning reduces uncertainty for business. National wage agreements involving the social partners allow businesses to predict their future wage costs, as well as decreasing significantly the risk of industrial relations problems during the length of the agreement.

Government role in **regulating business**:

- The government regulates business in order to protect the **environment**. It established the EPA (Environmental Protection Agency) whose role it is to protect the environment through its licensing, enforcement and monitoring of business activities.
- The government regulates business in order to protect the **consumer**. The Sale of Goods and Supply of Services act 1980 gave rights to the consumer in relation to goods or services bought or hired. The Consumer Protection Act 2007 established the NCA which investigates and prosecutes unfair trading practices.
- The government regulates business in order to protect the **employees** in the workplace with legislation on unfair dismissal, equality and industrial relations. It established the Health and Safety Authority which works to create a national culture where all stakeholders commit to a safe and healthy workplace.
- The government regulates business in order to protect the **general public** against misuse of information in manual or electronic format through the Data Protection Act of 2003. Data protection is the means by which the privacy rights of individuals are safeguarded in relation to the processing of their personal data.

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

- Taxes such as the household charge, property tax and cuts in government expenditure on social welfare have led to a fall in the disposable income of consumers. As consumers' spending power is reduced the demand for the goods and services that businesses sell in the retail services sector has fallen.
- Closures/examinerships/insolvencies of retailers.
- Recession hitting the small and medium enterprises e.g. suppliers to construction industry.
- Big multiples versus small retail outlets and the difficulty in competing.
- Growth in discount retailers e.g. Aldi, Lidl, TKMaxx.
- Deregulation in some industries e.g. taxi industry.
- The Gathering 2013 and its impact on services (Hotels, travel etc).
- Businesses in the services sector are facing a decrease in footfall because of the challenges facing town centres due to competition from large suburban shopping centres and the restrictive parking regimes in operation. Expensive parking tickets, fines and the threat of clamping are driving people out of town centres where many service sector businesses operate.
- VAT increases lead to more expensive goods and services for the consumer which in turn causes demand to fall, thereby affecting business. For example the volume of sales in department stores fell by 18.4%, and electrical goods fell by 12.0% as a consequence of the negative impact of the VAT rise to 23%.
- Increases in excises duties on tobacco products have led to an increase in tobacco smuggling. Excise duties on cigarettes continue to rise, increasing the incentive for customers to choose cut price illegal products sold on the black market. In 2010, Ireland's retailers lost €896 million in turnover to the Black market.
- The growth of the ICT sector has led to employment opportunities. At a recent Intel Forum on Education, the CEO of Fujitsu Ireland said that 75% of ICT employers in Ireland have job vacancies. There has been growing concern at the rising skills shortage in the ICT sector, a situation made worse by the low number of students opting for technology courses at third level.
- The growth of e-business, a method of buying and selling goods and services over the internet, is changing the dynamic of the services sector. Retailers moving to on-line operations include Tesco and Next.

(A) Categories of Industry (discuss):

Primary (Extractive): Agriculture, forestry, fishing, mining.

Secondary (Manufacturing/Construction): Electronics, food processing, chemicals, pharmaceuticals, building, development of the physical infrastructure, roads, bridges, tunnels, etc.

Tertiary (Service industry): Public Utilities, e.g. electricity, gas, etc.
Transport, communications, distribution, financial, tourism, entertainment, etc.

Importance to current Irish economy required

(A) Categories of Industry (outline and describe)

Primary (Extractive): Agriculture, forestry, fishing, mining.

Secondary (Manufacturing/Construction): food processing, electronics, chemicals, pharmaceuticals, building, development of the physical infrastructure, roads, bridges, tunnels, etc.

Tertiary (Service industry): Public Utilities, e.g. electricity, gas, etc.
Transport, communications, distribution, financial, entertainment, etc.
Banking, tourism, entertainment.

Contribution – **one** from Primary, Secondary or Tertiary required

