

# Ireland and the EU

## 1973-2003

### *Economic and Social Change*

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# Ireland and the EU 1973-2003

## *Economic and Social Change*

- The population of Ireland has increased by almost one million in the thirty years since 1973.
- Average life expectancy has increased significantly since 1973. In 2002 the average life expectancy of females was 80.3 years.
- GNP per capita is now more than three times the 1973 level in real terms.
- Ireland's dependence on the UK as our main trading partner has been replaced by increasing trade with other EU countries, the US and the rest of the world.
- The profile of exports has changed over the period with chemicals and computers now representing over 70% of exports.
- Average new house prices have increased from €9,009 in 1973 to €224,567 in 2003.
- The numbers at work have increased by 70% to reach 1.8m with most of the increase as a result of increased female participation in the labour market.
- By 2003, almost two thirds of those in employment worked in the Services sector.
- Increased household incomes and changing consumer patterns are reflected in an increased share of average household income spent on services, recreation and entertainment.

## Introduction

Ireland joined the European Economic Community (EEC) in 1973 and so 2003 marked the 30th anniversary of our membership. In 1973 Ireland was seen as a small country on the periphery of western Europe, the last point between the old world of Europe and the new world of the United States of America. The objective of this article is to give an overview of economic and social change in Ireland since first joining the European Union. Ireland has been transformed from an isolated country with an over dependence on the UK as a main trading partner to become a prosperous member of the European Union. This transformation is marked by increased international trade and investment, employment growth and a higher standard of living. All of this is not, of course, due solely to membership of the EU. However, it is evident that membership of the EU has brought many opportunities and challenges to Ireland and has been one of the major contributory factors leading to economic and social progress in Ireland.

## Population

**Table 1 Population, 1971-2002**

1971	1979	1981	1986	1991	1996	2002
2,978,248	3,368,217	3,443,405	3,540,643	3,525,719	3,626,087	3,917,203

Source: CSO

In the period 1971 to 2002 the population of Ireland has grown by almost one-third to reach nearly 4 million. The majority of this increase took place during two periods - the 1970s when the population grew by 390,000 and the period from 1996 to 2002 when the population increased by almost 300,000. Between 1986 and 1991 the population fell marginally as the effect of emigration throughout the eighties took hold. In the 10 years between 1981 and 1991 the population of Ireland remained virtually static with an annual average increase of just over 8,000. The corresponding average annual increase for the period 1996 to 2002 was 48,500 per annum.

In 1971 almost half of the population was under the age of 25. While the number in this age group had increased by over 50,000 by 2002 it has declined as a proportion of the population to 37.5%. This reflects a number of demographic changes including a reduced birth rate, increasing life expectancy and increasing inward migration.

**Table 2 Population of the provinces**

<i>Thousands</i>					
<b>Census year</b>	<b>Total</b>	<b>Leinster</b>	<b>Munster</b>	<b>Connacht</b>	<b>Ulster (part)</b>
1971	2,978.2	1,498.1	882.0	390.9	207.2
1979	3,368.2	1,743.9	979.8	418.5	226.0
1981	3,443.4	1,790.5	998.3	424.4	230.2
1986	3,540.6	1,852.6	1,020.6	431.4	236.0
1991	3,525.7	1,860.9	1,009.5	423.0	232.2
1996	3,626.1	1,924.7	1,033.9	433.2	234.3
2002	3,917.2	2,105.6	1,100.6	464.3	246.7

Source: CSO

An analysis of the regional distribution of population by province in the period 1971-2002 shows an increase in all regions of Ireland. The population of Leinster has increased by over 40% since 1972 to reach 2.1m. This growth largely reflects an increase of population in Dublin and surrounding counties. In Kildare the population has more than doubled to 164,000 while the population of Meath has increased from just over 70,000 to almost 135,000. While there has also been growth in the Connacht and Ulster regions, the level of increase has been lower than in the other two regions of the country.

## Vital Statistics

The following table shows the birth rate, death rate and life expectancy for the period 1973-2003.

**Table 3 Births, deaths and life expectancy**

	<b>1973</b>	<b>1978</b>	<b>1983</b>	<b>1988</b>	<b>1993</b>	<b>1998</b>	<b>2003</b>
<b>Births</b>	<b>68,713</b>	<b>70,299</b>	<b>67,117</b>	<b>54,600</b>	<b>49,304</b>	<b>53,969</b>	<b>61,517</b>
Birth rate per 1,000	22.5	21.2	19.1	15.4	13.8	14.6	15.5
Death rate per 1,000	11.2	10.3	9.4	8.9	9.0	8.5	7.2
<b>Life expectancy</b>							
Male	68.8	69.5	70.1	71.0	72.3	73.0	75.1 <sup>1</sup>
Female	73.5	75.0	75.6	76.7	77.9	78.5	80.3 <sup>1</sup>

<sup>1</sup> 2002

Source: CSO

There was a significant decline in the number of births in the first twenty years in the period in question – a pattern which was reversed in later years. As more and more women remain economically active in the labour market the tendency is towards smaller family units. With improvements in medical care, new medical treatments and changes in lifestyles the life expectancy of both men and women has increased by over 6 years. Women continue to outlive men and the average life expectancy of females in 2002 reached 80.3 years, a little below the EU25 life expectancy of 81.1 years.

## Education

**Table 4 Numbers in education by level**

School year	First level	Second level	Third level	Total
1973/1974	521,168	238,233	27,135	<b>786,536</b>
1978/1979	545,218	289,196	35,675	<b>870,089</b>
1983/1984	563,509	321,812	48,411	<b>933,732</b>
1988/1989	560,116	339,327	60,747	<b>960,190</b>
1993/1994	505,883	368,198	86,624	<b>960,705</b>
1998/1999	452,533	363,007	108,509	<b>924,049</b>
2002/2003	443,720	340,365	129,283	<b>913,368</b>

Source: Department of Education and Science

The table shows the total attendance at educational establishments funded by the state. The decline in the number of births since the eighties is reflected in the fall of over 20% in the numbers at First Level between 1988/1989 and 2002/2003. Correspondingly the number of students attending Second Level has increased significantly since 1973. The biggest change in numbers has occurred in Third Level where the number of students has increased five-fold.

## Economy

**Table 5 Main economic aggregates**

	GDP at 1995 market prices	GNP at 1995 market prices
1973	21,389	22,487
1978	26,380	26,640
1983	29,031	27,667
1988	34,902	31,330
1993	45,307	40,549
1998	68,641	59,431
2003	97,756	77,029

Source: CSO

The rapid growth in the economy since 1973 is shown by the main economic aggregates, GDP and GNP. Between 1973 and 2003 GDP in real terms increased more than four fold while GNP was more than three times its 1973 level. In Ireland, GDP is now considerably in excess of GNP because of the influence of the profits of foreign direct investment enterprises. As an indicator of domestic economic well-being, GNP is a more useful indicator. The strongest increases have taken place in recent years with GNP almost doubling in the last ten years. Increasing exports, higher personal consumption and a rapid increase in investment in the last ten years have contributed to increasing prosperity.

Comparison of GDP and GNP

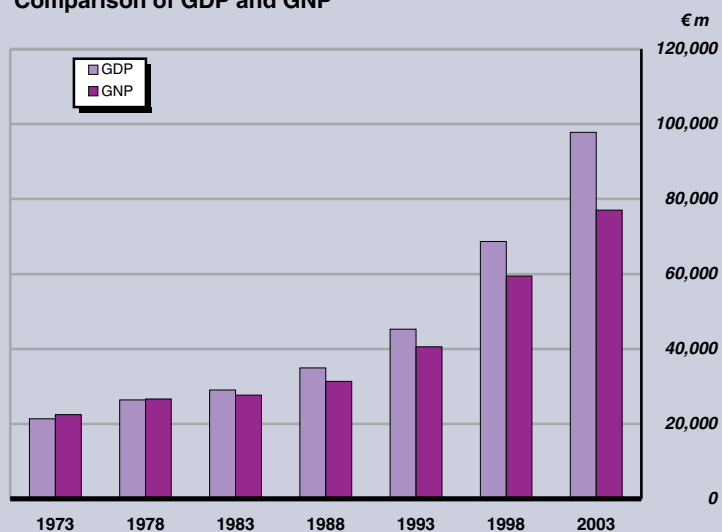


Table 6 Gross Domestic Product per capita

Purchasing power standards EU = 100

	1973	1978	1983	1988	1993	1998	2003
Ratio	64.2	70.0	69.6	71.2	81.5	106.2	120.0

Source: CSO

Table 6 shows the ratio of Ireland's Gross Domestic Product per capita (Purchasing Power Standards EU=100) relative to EU15 average. Ireland's relative output grew initially following membership of the EEC but remained static between the late seventies and the late eighties. Since the mid nineties, rapid economic growth saw Ireland exceeding the EU15 average to the point where in 2003 Ireland stood at 120% of the European average, but as noted earlier GNP in Ireland was 17% lower than GDP in 2003.

## External Trade

Table 7 External trade – total imports and exports

€m

	Imports	Exports	Trade balance
1973	1,444	1,104	-340
1978	4,715	3,763	-952
1983	9,354	8,817	-537
1988	12,970	15,624	2,654
1993	18,900	25,179	6,279
1998	39,715	57,322	17,607
2003	47,525	82,176	34,651

Source: CSO

In 1973 Ireland imported more merchandise than it exported. By 2003 the value of exports from Ireland was 73% higher than the value of imports, giving a positive trade balance of €34.7 billion. The value of exports increased by a factor of 74 while the value of imports increased by a factor of 33. However, the trade balance is offset to some extent in the Balance of Payments by larger imports of services associated especially with foreign direct investment enterprises.

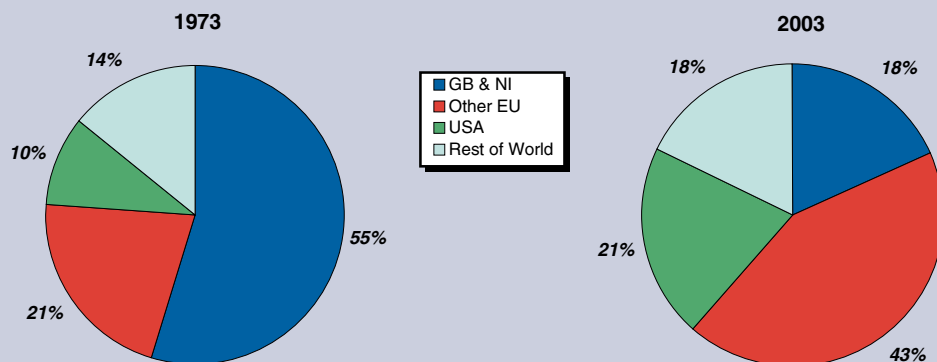
One of the main features of our membership of the European Union has been free and open access to a large European market. This access has also been one of the main reasons for attracting foreign direct investment. Prior to 1973 Ireland was largely dependent on our nearest neighbour, the UK, as our main trading partner. Since then this dependence has declined. In 1973 almost 55% of the total value of exports went to Great Britain or Northern Ireland, followed by Other EU (21%), Rest of World (14%) and the US (10%). By 2003 the percentage of exports to the UK had declined to 18%, while the value of exports to the Other EU countries increased to 43% or €35.5 billion. The United States which now takes over 20% of exports has overtaken the UK in terms of importance as a trading partner.

**Table 8 External trade by area**

	1973	1978	1983	1988	1993	1998	2003
<i>€m</i>							
<b>Imports</b>							
GB	678	2,125	3,842	4,965	6,257	12,394	13,643
NI	54	205	397	499	530	1,073	1,037
Other EU	301	981	2,054	3,111	3,840	8,111	11,823
USA	99	397	1,375	2,061	3,213	6,363	7,390
Rest of World	311	1,007	1,685	2,333	5,060	11,775	13,632
<b>Total</b>	<b>1,444</b>	<b>4,715</b>	<b>9,354</b>	<b>12,970</b>	<b>18,900</b>	<b>39,715</b>	<b>47,525</b>
<b>Exports</b>							
GB	499	1,462	2,620	4,562	6,259	11,417	13,462
NI	104	315	633	961	890	1,504	1,610
Other EU	235	1,137	2,829	6,038	9,918	26,121	35,470
USA	109	232	717	1,206	2,273	7,743	16,924
Rest of World	156	616	2,017	2,857	5,839	10,537	14,710
<b>Total</b>	<b>1,104</b>	<b>3,762</b>	<b>8,817</b>	<b>15,624</b>	<b>25,179</b>	<b>57,322</b>	<b>82,176</b>

Source: CSO

#### Exports by location





There are three important exporting sectors in the Irish economy: Food, Drink & Tobacco; Chemicals; Machinery & Transport (including computers). In 1973 these three commodity groups represented 60% of total exports with Food, Drink & Tobacco as the largest group accounting for over 43% of total exports. By 2003 these three groups accounted for 80% of total exports with Chemicals increasing from €75m to €35,732m, while Machinery & Transport increased to €23,401m. The Chemical sector is now the largest exporter in Ireland representing over 43% of total exports followed by Machinery & Transport (including computers) at 28.5% of total exports.

**Table 9 Main categories of exports**

	€m						
	1973	1978	1983	1988	1993	1998	2003
Food, drink and tobacco	477	1,515	2,446	4,002	5,569	5,668	6,822
Chemicals	75	451	1,224	2,048	4,855	18,156	35,732
Machinery and transport	109	521	2,303	4,876	7,303	21,444	23,401

Source: CSO

## Housing

Since 1973 there have been significant structural changes in the housing market. The baby boom of the late sixties, seventies and early eighties has resulted in a strong house buying market today. Coupled with this there has been a reduction in the size of the average household and an increase in single occupancy households. Following economic and monetary union interest rates dropped to historically low levels. Demographic factors, higher disposable incomes and the reduction in the cost of borrowing has resulted in increased demand. This coincided with a sharp rise in house prices since the mid nineties. In addition, changes in the mortgage market have resulted in more choice and easier access to mortgages.

**Table 10 House completions, prices and interest rates**

	New private houses	Total new houses <sup>1</sup>	New house prices Dublin	New house prices whole country	Second-hand house Dublin	Second-hand house whole country	Average mortgage interest rate
			€	€	€	€	%
1973	18,588	24,660	9,206	9,009	9,828	n/a	10.0
1978	19,371	25,444	25,745	24,082	22,920	21,895	12.9
1983	19,948	26,138	48,169	44,448	48,249	43,204	12.7
1988	14,204	15,654	57,994	52,450	54,077	50,501	8.7
1993	19,301	21,391	75,539	69,883	76,814	66,736	9.6
1998	39,093	42,349	160,699	125,302	176,420	134,529	7.1
2003	62,686	68,819	291,646	224,567	355,451	264,898	3.7

<sup>1</sup> Total new houses includes public, private and voluntary housing

Source: Department of Environment, Heritage and Local Government, Central Bank of Ireland

The rapid increase in the construction of new private houses is illustrated by comparing the years 1993 and 2003. An additional 43,385 new homes were built in 2003 in comparison to 1993. In 1973 the cost of a new house in Dublin was broadly similar to the average cost for the country as a whole. By 2003 the average Dublin new house price was 30% higher than the national average. Despite the increase in house prices, demand as reflected by the number of house completions has increased significantly. In 2003 a total of 68,819 houses, both public and private, were completed.

## Labour Market

**Table 11 Labour market – employment, unemployment and participation**

	1973 <sup>1</sup>	1978 <sup>1</sup>	1983 <sup>1</sup>	1988 <sup>2</sup>	1993 <sup>2</sup>	1998 <sup>2</sup>	2003 <sup>2</sup>
At work	1,067,000	1,110,000	1,124,000	1,110,700	1,183,100	1,494,000	1,793,400
Unemployed	65,000	99,000	183,000	217,000	220,100	126,400	82,100
Labour force	1,132,000	1,209,000	1,307,000	1,327,700	1,403,200	1,620,400	1,875,500
Unemployment rate	5.7%	8.2%	14.0%	16.3%	15.7%	7.8%	4.4%

<sup>1</sup> PES

<sup>2</sup> ILO

*Up to 1985 Labour Force estimates were measured on a Principal Economic Status (PES) basis. Following this the International Labour Office (ILO) measures have been used and are therefore the comparison is not fully comparable but show the overall thrust of labour market changes.*

Source: CSO

The numbers at work remained relatively static from the 1970s to the early 1990s. As the labour force grew in size, the lack of employment growth resulted in increased unemployment and increased emigration. In 1973 unemployment stood at 65,000 or 5.7% of the labour force. Within ten years unemployment grew to 183,000 or 14% of the labour force. Unemployment continued to grow into the 1990s but by the second half of the 1990s sustained economic growth led to a rapid increase in employment and unemployment fell sharply. In the 10 years between 1993 and 2003 employment increased by 610,000 (over 50%) while the labour force grew by over 470,000. As a consequence, unemployment fell by 138,000.

Much of this increase in employment occurred in the Services sector. The following table shows the breakdown of the numbers at work by sector.

**Table 12 Main categories of employment**

	1973	1978	1983	1988	1993	1998	2003
Agriculture	255,000	226,000	189,000	170,600	149,700	136,000	116,600
Industry	335,000	350,000	331,000	310,200	324,300	428,400	497,500
Services	477,000	534,000	604,000	629,800	709,200	929,600	1,179,300
<b>Total</b>	<b>1,067,000</b>	<b>1,110,000</b>	<b>1,124,000</b>	<b>1,110,700</b>	<b>1,183,100</b>	<b>1,494,000</b>	<b>1,793,400</b>

Totals may not sum due to rounding

Source: CSO

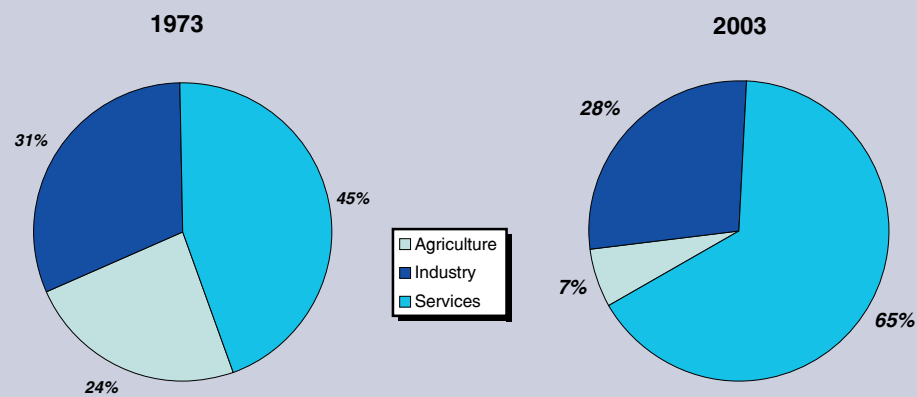
In 1973 Agriculture represented 24% of those at work. By 2003 the numbers employed in Agriculture fell by over a half and accounted for under 7% of the numbers at work. The numbers working in the Services sector has grown from under half a million in 1973 to almost 1.2 million in 2003, a total increase of over 700,000 persons. In 2003 approximately two thirds of the working population were employed in the Services sector.

**Table 13 Comparison of employment 1973 and 2003**

	1973	2003
Agriculture	24%	7%
Industry	31%	28%
Services	45%	65%

Source: CSO

#### Main categories of employment



Another notable feature is the increasing labour force participation of women, partly due to equality legislation but mainly due to improving economic conditions and flexible working patterns. In 1973 there were 287,800 females in employment, representing 27% of the total employed. In the thirty years since 1973, female employment grew by 464,000 while male employment grew by less than 262,000. Females now account for about 42% of the numbers at work.

## Consumer expenditure, inflation and average industrial earnings

The following table shows the expenditure profiles used in the Consumer Price Index. These figures are based on the Household Budget Survey.

**Table 14 Consumer Price Index expenditure weights**

	1975	1982	1989	1996	2001
Food	30.3	25.0	25.8	22.9	20.8
Alcoholic Drink	11.4	12.3	11.7	12.6	11.9
Tobacco	4.4	3.4	3.3	4.8	4.4
Clothing and Footwear	10.7	8.1	6.7	6.1	4.9
Fuel and Light	5.9	6.1	5.9	4.9	3.3
Housing	6.1	5.7	7.2	8.0	9.7
Durable Hld Goods	4.8	5.1	4.7	3.6	3.6
Other Goods	5.2	5.7	5.9	6.4	5.8
Transport	13.2	16.7	13.7	13.9	15.4
Services	8.0	11.9	15.1	16.7	20.2
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: CSO

In the period 1975 to 2001 the proportion of income devoted to food has declined from just under one third of total disposable household income to about one fifth . As income levels increase more money is spent on items such as transport (new cars) and services (holidays and meals out). In 2001 the average Irish household was spending similar amounts on Food and on Services. It is interesting to note that the share of income spent on alcohol and tobacco has remained relatively stable over the period. In 1975 15.8% of average household expenditure went on alcohol & tobacco while in 2001 the proportion was similar, reflecting not only volume consumed but also price changes and increases in indirect taxation.

The following table shows the annual average rate of inflation in Ireland together with the average industrial earnings for the same period.

**Table 15 Average earnings and inflation**

	CPI year 1973=100	Average weekly industrial earnings (€)
1973	100.0	38.30
1978	204.0	91.07
1983	425.5	182.42
1988	532.8	261.39
1993	618.3	323.10
1998	685.5	374.83
2003	835.3	514.84

Source: CSO

TABLE 14

TABLE 15

In 1973 the average annual industrial earnings were just under €2,000 per annum. In 2003 average annual industrial earnings had increased to almost €27,000 per annum. The price of consumer goods and services increased by more than a factor of eight between 1973 and 2003 with the highest rates of inflation between 1973 and 1983. In 1981 the annual average rate of inflation was 20.4%. By 2003 the annual average rate had declined to 3.5%. Over the period as a whole, growth in average industrial earnings has kept well ahead of inflation.

## **Summary**

There have been many economic and social changes in the thirty years since Ireland joined the European Union. The population has increased by almost one million people. Life expectancy has increased significantly. The tendency towards smaller family size has resulted in a lower birth rate. The numbers at third level education have increased five fold to almost 130,000. In economic terms we have seen increasing trade and investment. The numbers at work have increased by almost three quarters of a million. Female employment has increased by over 460,000 and now makes up 42% of those at work compared to 27% in 1973. Gross domestic product per capita has risen from just under two thirds to 120% of the European average. House prices have risen significantly but the number of house completions have increased in recent times. Higher incomes have resulted in a greater proportion of disposable income being spent on services such as meals out, entertainment, foreign holidays and other services. This is how Ireland has changed in thirty years. However, these changes have not come about at a uniform pace.

