

## **The Economic Structure of Towns in Ireland**

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**Abstract:** In this paper we undertook an analysis of the Economic Structure of Towns in Ireland, classified by size. While economic development in Ireland is often viewed as an East-West issue, the situation is more complex. Traditionally towns were regarded as having poor demographics, while our analysis indicates that towns have experienced net inward migration and although they have a higher dependency ratio than cities, it is due to more children. However towns exhibit lower skill levels on average and a greater reliance on low growth sectors. In particular, towns have had the highest impact in terms of changed unemployment as a result of the economic downturn. This is particularly manifested via one third of working age households having no one at work and with a higher poverty rate than the national average. This has had a greater impact on savings during the crisis than the national average, with consequential impacts on domestic demand. Smaller towns on average are more likely to have a higher share of employment rather than jobs as a result of commuting to larger growth centres. We developed an indicator known as economic strength that combines unemployment with migration. Larger towns were weaker in terms of this index. Also there was a significant spatial spread. The weakest towns were more likely to be the local growth centre for more depressed regions, be more peripheral, and have lower skills. We concluded by recommended a targeted policy programme to make towns more attractive to live in and visit; to make it easier to do business; to increase consumer demand and sentiment; and, to improve access to finance of SMEs.

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**JEL Classifications:** R10, R12

### **1. INTRODUCTION**

While there has been a significant amount of research on urban areas or rural areas (Quigley, 1998; Cervero, 2001; Terluin, 2003; Agarwal et al., 2009), there is been a relative paucity of research on small and medium sized towns.<sup>1</sup>As Tacoli (1998) points out, the distinction between urban and rural is complex, with the demarcation between the two often being blurred in reality. This interaction between urban and rural is particularly relevant for small and medium sized towns, combining both urban and rural economies.

A substantial proportion of the population live in small and medium sized town with over one third of the population living in settlements of more than 1500 outside of the main cities. Historically, the towns developed to serve as both inputs to the surrounding farm economy as a source of both goods and services and as a market for agricultural produce, both in terms of consumption and trade. Towns were usually close enough together for farmers and their families to visit them on foot or horseback on market day and then return home on the same day (Courtney, 2000). Additionally, small towns acted as a focal point for their hinterlands, which helped to maintain both economic and social linkages. However as transport and communication links have improved, many of these roles have been replaced by bigger towns that are now more accessible. Increased commuting and

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<sup>1</sup> Van Leeuwen (2010) undertook a study of small and medium sized towns in a number of European countries. In the UK there have been a number of studies on market town regeneration such as Thomason and Collig (2003), Phillips and Swaffin-Smith (2004) and Morris (2012).

in-migration, raised consumer expectations in terms of service range and quality and pressures to reap economies of scale have contributed to the decline of service availability in small and medium-sized towns (Powe & Shaw, 2004). The move towards larger and more economic outlets for both goods and services has also meant that the smaller settlements have lost functions and the larger settlements have acquired additional or larger scale functions. This can be seen in the decline of village shops and small retail outlets in town centres as improved transport links and greater car ownership encourage more shopping trips and out-of-town shopping centres (Courtney, 2000, Powe & Shaw, 2004).

Small and medium-sized towns operate at the centre of the local rural economy and therefore reflect the changes the rural economy has been seen in the developed world in recent years. The decline of agriculture, both as a source of employment and as a share of GDP, has been a significant factor in the shifting rural economy. In Ireland, agriculture and related sectors employed more than half the workforce in the 1950s. In 2012, employment in agriculture stands 4.7% of the workforce and contributes 1.2% of GDP (DAFM, 2013). This pattern is mirrored in other developed countries, such as the United States (Henry & Drabbenstott, 1996) and the United Kingdom (Courtney, 2000). Over time, rural areas with significant natural amenities, recreational opportunities or quality of life advantages have the greatest opportunities for growth and development (Johnson, 2006).

Hubbard and Ward (2008) through interviews outlined a number of driving forces behind recent changes in rural Ireland, including (i) the CAP support for agriculture; (ii) the influx of foreign direct investment (FDI) and (iii) the development of infrastructure based on EU Structural and Cohesion funds. CAP support in the form of subsidies for farmers has helped maintain Irish agriculture but has also driven structural change in the sector. FDI driven by multinational companies (particularly in the high tech and internationally traded services sectors) has provided employment in rural areas. However, most FDI has been directed to urban areas. Infrastructural development in terms of roads, airports and telecommunications has also influenced changes in surrounding urban areas.

From a planning perspective, small and medium sized towns are referenced in national planning documents such as the National Spatial Strategy (NSS), the National Development Plan (NDP) and the County Development Plans (CDPs). However outside of the larger towns and cities, classified as Hubs and Gateways, the NSS is not strong in relation to these towns. The NSS identifies various cities and large towns as gateways and hubs to lead development in their regions, with other towns, villages and rural areas characterised as having complementary roles. The NDP concentrates on how sectoral investments will be made e.g. economic infrastructure, enterprise and science, human capital, social inclusion. Although these investments would affect small and medium sized towns, the towns themselves are not singled out for attention. The CDPs usually provide more detail on how small and medium sized towns in the county should be developed but largely concentrate on complying with national and regional development plans.

The paper will progress as follows. The next section presents the theoretical context to our work. In the section 3, we describe the demographic and education characteristics of towns. Section 4 describes the geography of towns while section 5 describes the economic profile. We develop in section 8 an index of economic strength. Section 7 concludes and makes some policy recommendations.

## **2. THEORY FACTORS AFFECTING THE SUCCESS OF SMALL TOWNS**

For small towns to develop and grow economically, we must first understand why some towns grow while other towns decline. Barkley (2001) presents two well-established explanations of local economic growth and development: Economic Base Theory and Comparative Advantage Theory.

Economic base theory or export base theory focuses on the demand-related factors responsible for local economic growth or decline (Andrews, 1954; North, 1956; Tiebout, 1956). The theory suggests that the economy can be divided into basic (export) activities and non-basic (local) activities.<sup>2</sup> Basic activities involve firms serving markets outside their community and as a result, bringing outside money into the community. Non-basic activities involve the firms serving markets within the community. Basic industries are the prime stimulators of growth in the local economy because the goods they export bring outside money that raises the overall level of income in the community. Non-basic activities merely result in money trading hands within the community. Additionally, households and non-basic sectors will initiate additional rounds of spending with the money received from the exporters, thereby producing a multiplier effect. As a result, each unit of basic export income generates more than one unit of total community income.

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<sup>2</sup> Export here means export outside of the hinterland and not necessarily overseas.

Economic base theory is often criticised because it doesn't explain why exporting firms decide to locate in a particular community. The theory of local comparative advantage (first mentioned by Adam Smith in *The Wealth of Nations* and formulated by David Ricardo in 1817's *On the Principles of Political Economy and Taxation*) emphasises the supply side of the economic development process that complements the demand side explored by economic base theory. A supply-driven model makes local economic activity dependent on the availability of resources (labour, capital, markets, transportation etc.) for the production of goods and services. Economic activity will develop according to local comparative advantage, with each local community specialising activities where it can produce more efficiently than other regions. Therefore, in order for rural communities to grow, they must improve the quality/availability of local inputs. Comparative advantage theory says that communities decline because conditions have changed such that they are no longer competitive in the production of goods and services. For example, agriculturally based communities have declined because fewer farmers are necessary to feed the nation or textile manufacturers close down because they can no longer compete with Asian producers.

From an economic perspective, we must ask why towns and cities exist in the first place. Powerful forces, such as high land prices, traffic congestion, overcrowding, intense competition, and pollution should push people and firms away from urban centres but, as we know, most people live in or near towns and cities. A number of reasons have been put forward as to why people and firms are drawn to urban areas, including concentrated markets, economies of scale, sharing of knowledge, access to product varieties and cultural amenities (Clement, 2004). Theories for why towns and cities exist all try to explain why the forces bringing people and firms together overcome the forces driving them apart.

The first rigorous economic model of a city is provided by von Thünen in the early 19th century (Fujita et al., 2001). Von Thünen described an economy in which farmers bringing produce to market in an urban centre would incur a transport cost proportional to the distance they travelled. A farmer whose land was closer to the urban centre would benefit from lower transport but would suffer higher land rents. The pattern determined what kinds of goods would be produced near the centre and which could still be profitable if grown far from town. This pattern is often represented as concentric rings of cultivation (Fujita et al., 2001). With this model, von Thünen introduced an essential element for the study of cities and economic growth: the idea of proportional transportation costs and their relationship to overall costs of production.

Alfred Marshall looked less at the costs of farmers bringing products to market and more at the internal dynamics of industry and the urban areas where they tended to locate. Marshall offered three main reasons for why industry and population tend to concentrate in cities: labour market pooling; input markets; and human capital and knowledge. Industries and workers that locate in cities increase the worker's probability of finding a job and decrease the search costs for firms seeking labour. A geographically concentrated industry can support a range of specialised local input suppliers, thereby creating backward linkages. Finally, the proximity of skilled workers means that the knowledge and ideas will transfer among them, generating innovation and new growth. However, while agglomeration can have positive effects like increasing productivity and innovation, it also has its negative side in terms of increased congestion, commute times and pollution. Henderson (1974) introduced a model showing that there is a trade off between welfare and city size. The model is based upon the fact while there are positive externalities related to agglomeration, there are negative externalities in terms of the commuting costs in large cities. As city size increases, an individual citizen's utility also rises as long as the positive effects of agglomeration outweigh commute costs. When commute costs outweigh the positive agglomeration effects, utility starts to fall. This relationship between city size and citizen utility can therefore be expressed as an inverted U.

In this model, all cities will reach an optimal size based on the trade off between welfare and city size. If cities are not at their optimal size, the theory argues that developers will recognise this and build in areas with sub-optimal populations until the optimal city size is reached. The fact that cities are not all of the same size arises from the fact that positive externalities tend to be specific to particular industries while negative externalities tend to depend on the size of the city. This observation has two consequences. Firstly, because there are negative externalities associated with city size, it makes no sense to put industries without mutual spillover in the same city. Therefore, each city should be specialised in one or a few industries that create positive externalities. Secondly, the degree of specialisation will depend on the nature of the business, which will consequently affect the optimal size of the city. Finally, the theory argues that relative prices will adjust so that the welfare of representative residents in the different cities will be the same.

The notion of the "second economy" comes from developmental economics and mainly refers to informal economic activity that takes place outside the formal, "first" economy. Atkinson (2008), as part of a report on

the second economy is small and medium sized towns in South Africa, defines the second economy in terms of survivalist enterprises and micro-enterprises. Survivalist enterprises are very low income, usually have no paid employees and are directed mainly at maintaining survival for the owner. They are usually unregistered, non-tax paying and hence informal in status. Micro-enterprises have fewer than five employees, operate below the VAT registration limit and are often unregistered for other business purposes as well. Atkinson (2008) argues that “the fortunes of the second economy probably depend on the fortunes of the first economy, but that the first economy should be harnessed in ways that make it accessible to the second economy” (p. 6).

In terms of regional development, Parr (1999) defines the growth pole strategy as follows:

If a given level of public investment on infrastructure and inducements to the private sector could be focused within the region at a limited number of locationally favoured centres, the impact on the economy in terms of inward investment (leading to increased employment opportunities and higher per capita incomes) would be greater than under a strategy which sought to assist the least-favoured parts of the region or one which allocated expenditures on a purely proportionate basis in terms of population or employment. (p.1200)

Growth poles thus act as the primary focus points in the transformation of the spatial structure of the regional economy. Investment is focused on a number of regional growth pole towns in order to make them attractive to incoming economic activity and capable of economic development. A more competitive spatial structure should emerge, encouraging development in the growth pole towns and their hinterlands.

In the context of small and medium sized towns in Ireland, the previous theoretical discussion can provide insight into the concept of towns as places to work in (growth towns) versus other places to live in (dormitory towns). Growth towns, in the absence of cities in the region, act as regional growth poles, providing the benefits cities derive from agglomeration. These towns thus become centres of economic activity and a source of jobs and higher per capita income. However, other towns have become dormitory towns, with little local economic activity and the population migrating to nearby cities to work and returning at night. The dormitory town phenomenon can be applied to the von Thünen economic model with workers replacing agricultural goods. Rents are lower in dormitory towns (as they are for further out agricultural land in the von Thünen model) than in the city centre where workers are employed. Although commute costs are higher than they would be closer to the city centre (as transport costs would be for farmers with their agricultural goods), this is compensated for by the decreased rents the worker enjoys.

### **3. DEMOGRAPHIC STRUCTURE**

For the purposes of this paper, towns are divided into three categories according to population size, outside of the five cities and open countryside. These categories are 1500-2999 inhabitants, 3000-4999 inhabitants and 5000-9999 inhabitants, towns of 10000+ inhabitants, similar to choices made in the 2011 Census of Population. In addition, we classify settlements with between 200 and 1499 inhabitants as villages. Dividing small towns into different categories allows a more accurate representation of current circumstances facing towns, reflecting the heterogeneity of circumstances in towns of different sizes.

This paper uses data from the two most recent censuses of Ireland (2011 and 2006). According to our calculations using the most recent census, there were 134 towns outside the cities and County Dublin in 2011 with population between 1500 and 9999. Of these, 52 towns had between 1500 and 2999 inhabitants, 20 towns had between 3000 and 4999 inhabitants and 32 towns had between 5000 and 9999 inhabitants and 30 towns with more than 10000 inhabitants.

As shown in Table 1, these towns collectively account for 34 per cent of the Irish population, with 15 per cent of the population in towns of larger than 10000. 30 per cent lived in villages and the open countryside, while 35 per cent lived in the cities.

These towns grew bigger between 2006 and 2011, with migration rate of between 4 and 7 per cent, although towns of more than 10000 had a net outflow. The dependency ratio (the ratio of non-working age to working age inhabitants) in towns is above the national average due primarily to the number of children. The dependency ratio for the countryside is highest, due in part to a larger elderly population. However towns have a lower share of inhabitants with a third-level education just below the national average, but lower than cities.

**Table 1. Population Structure in 2011**

	Share of Towns	Share Aged < 15	Share Aged > 65	Dependency Ratio	Net Migration Rate	Population Share
Open Countryside		0.17	0.18	0.50	-0.02	0.01
Villages (200-1499)		0.19	0.15	0.48	0.00	0.29
Towns (1500-2999)	0.39	0.20	0.14	0.47	0.04	0.08
Towns (3000-4999)	0.16	0.20	0.13	0.46	0.07	0.05
Towns (5000-9999)	0.23	0.20	0.13	0.45	0.04	0.09
Towns (10000+)	0.22	0.19	0.12	0.42	-0.02	0.15
Waterford City		0.17	0.15	0.43	-0.05	0.01
Galway City		0.14	0.11	0.32	-0.03	0.02
Limerick City		0.15	0.15	0.41	-0.10	0.01
Cork City		0.12	0.17	0.39	-0.04	0.03
Dublin City		0.13	0.15	0.36	0.00	0.12
County Dublin		0.19	0.11	0.41	0.00	0.16
Nation	1.00	0.18	0.14	0.43	0.00	1.00

Source: CSO Census of Population 2006, 2011

**Table 2. Education Characteristics in 2011**

	Compulsory	Upper Secondary	Tertiary	Change Tertiary Share 2006-11
Open Countryside	0.41	0.33	0.26	0.05
Villages (200-1499)	0.37	0.35	0.27	0.03
Towns (1500-2999)	0.34	0.36	0.30	0.01
Towns (3000-4999)	0.31	0.36	0.33	-0.02
Towns (5000-9999)	0.30	0.38	0.32	-0.02
Towns (10000+)	0.29	0.36	0.35	-0.02
Waterford City	0.36	0.34	0.30	-0.03
Galway City	0.20	0.32	0.48	0.02
Limerick City	0.40	0.33	0.27	0.02
Cork City	0.35	0.31	0.34	0.03
Dublin City	0.31	0.27	0.42	0.04
County Dublin	0.24	0.35	0.41	-0.03
Nation	0.32	0.34	0.34	0.00

Source: CSO Census of Population 2006, 2011

In general, the housing stock in the town categories is slightly older than that in the cities (Table 3), but younger than in the open countryside. Nearly 80 per cent of the housing stock in the country has been built since 1991, with 39 per cent being built since 2006 when the housing bubble was at its height. There is also a greater amount of unoccupied housing in the towns and countryside than there is in the cities, reflecting the unsustainable building boom that took place around the country during recent years.

**Table 3. Housing Characteristics in 2011**

	Pre 1990	1990-2005	2006+	Occupied	Owner Occupied	Private Rent	Social Rent and Other
Open Countryside	0.59	0.28	0.13	0.72	0.90	0.04	0.05
Villages (200-1499)	0.20	0.40	0.40	0.78	0.85	0.08	0.07
Towns (1500-2999)	0.22	0.39	0.39	0.77	0.75	0.15	0.10
Towns (3000-4999)	0.23	0.38	0.38	0.82	0.70	0.19	0.11
Towns (5000-9999)	0.24	0.38	0.38	0.84	0.68	0.21	0.12
Towns (10000+)	0.24	0.38	0.38	0.86	0.65	0.24	0.11
Waterford City	0.20	0.40	0.40	0.82	0.60	0.20	0.20
Galway City	0.23	0.38	0.38	0.84	0.50	0.38	0.12
Limerick City	0.16	0.42	0.42	0.85	0.59	0.25	0.15
Cork City	0.15	0.43	0.43	0.86	0.54	0.28	0.18
Dublin City	0.14	0.43	0.43	0.87	0.53	0.33	0.14
County Dublin	0.24	0.38	0.38	0.91	0.71	0.20	0.09
Country	0.21	0.39	0.39	0.83	0.71	0.19	0.10

Source: CSO Census of Population 2011

#### 4. GEOGRAPHY OF SMALL TOWNS

Table 4 shows the distribution of population in each region by town type, as well as the distribution of population across regions by town type. Towns with between 1500 and 2999 inhabitants are most common in the Border Region containing Louth, Leitrim, Sligo, Cavan, Donegal, and Monaghan, followed by the Mid-East Region of Kildare, Meath and Wicklow and the South-West Region of Cork and Kerry. Towns with between 3000 and 4999 inhabitants are most common in the South-West Region, followed by the Border Region and Mid-East Region in third. Finally, towns between 5000 and 9999 inhabitants were most common in the Mid-East Region (reflecting the number as dormitory towns for Dublin), followed by the South-West Region and the South-East Region of Carlow, Kilkenny, Wexford, South Tipperary and Waterford.

**Table 4. Regional Distribution by town type 2011**

	A	B	C	D	E	F	G	H
<i>Decomposition within Region</i>								
Open Countryside	0.02	0.00	0.004	0.03	0.02	0.01	0.01	0.02
Villages (200-1499)	0.44	0.00	0.21	0.48	0.43	0.48	0.32	0.49
Towns (1500-2999)	0.18	0.00	0.12	0.10	0.12	0.08	0.09	0.12
Towns (3000-4999)	0.09	0.00	0.07	0.04	0.02	0.05	0.09	0.06
Towns (5000-9999)	0.09	0.00	0.24	0.11	0.12	0.10	0.12	0.10
Towns (10000+)	0.18	0.00	0.36	0.24	0.15	0.18	0.19	0.04
City	0.00	1.00	0.00	0.00	0.14	0.09	0.18	0.17
Total	1	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<i>Decomposition across regions</i>								
Open Countryside	0.20	0.00	0.05	0.15	0.15	0.10	0.15	0.19
Villages (200-1499)	0.17	0.00	0.08	0.10	0.12	0.18	0.17	0.17
Towns (1500-2999)	0.24	0.00	0.17	0.08	0.12	0.10	0.15	0.14
Towns (3000-4999)	0.21	0.00	0.16	0.06	0.03	0.13	0.28	0.13
Towns (5000-9999)	0.11	0.00	0.31	0.07	0.11	0.12	0.18	0.10
Towns (10000+)	0.14	0.00	0.30	0.10	0.09	0.14	0.20	0.03
City	0.00	0.81	0.00	0.00	0.03	0.03	0.08	0.05

Source: CSO Census of Population 2011

Note: (A) Louth, Leitrim, Sligo, Cavan, Donegal, Monaghan; (B) Dublin; (C) Kildare, Meath, Wicklow; (D) Laois, Longford, Offaly, Westmeath; (E) Clare, Limerick, Tipp. N.R.; (F) Carlow, Kilkenny, Wexford, Tipp S.R., Waterford; (G) Cork, Kerry; (H) Galway, Mayo, Roscommon

Table 5 shows the average distance of various town types from the closest economic hub, as well as the distance of the highest unemployment areas in each town type from the closest economic hub. In the countryside and the towns, the highest unemployment areas are further away from an economic hub than average while the reverse is the case in the cities (with the exception of Galway), with the highest unemployment areas being closer to the centre than average areas.

**Table 5. Average Distance to Closest Hub 2011**

	Highest Unemployment Areas	All Areas	Ratio
Open Countryside	35.1	32.3	1.09
Villages (200-1499)	33.6	28.7	1.17
Towns (1500-2999)	33.5	26.5	1.26
Towns (3000-4999)	27.4	26.0	1.05
Towns (5000-9999)	32.9	27.2	1.21
Towns (10000+)	32.8	19.7	1.67
Waterford City	2.1	2.3	0.91
Galway City	4.2	3.0	1.41
Limerick City	1.3	1.5	0.88
Cork City	2.2	2.3	0.97
Dublin City	4.0	4.1	0.98
County Dublin	9.9	11.4	0.87
Country	23.2	19.7	1.18

Source: CSO Census of Population 2006, 2011

## 5. THE LOCAL ECONOMY

Table 6 shows the impact of the economic downturn by comparing the employment and unemployment rate between 2006 and 2011. Although the downturn has clearly affected the country as a whole, its impact has been particularly pronounced in towns. The unemployment rate has increased by 150 per cent nationally, but has risen by 200 per cent in towns with between 3000 and 4999 inhabitants. The unemployment rate increase is also above the national average in the two other categories of town as seen below. The employment rate in towns has suffered a larger decrease than the national average following the downturn.

We are interested in the extent to which areas are the economic driver of their hinterland or whether they serve as dormitory towns to economically stronger hubs. We can use the measure of net jobs, the number of jobs in the locality minus the number of people in work living in the locality, as a measure of this.

Generally, there is an urban/rural divide in terms of net jobs. As shown in Table 7, from the open countryside to towns up 4999 inhabitants, there are a higher number of people in work than jobs in those locations. This suggests that people resident in these localities travel elsewhere to work. The opposite is seen in towns and cities with upwards of 5000 inhabitants, which act as a source of jobs for their hinterlands.

**Table 6. Labour Market Structure**

	2011		Change 2006-2011	
	Employment Rate	Unemployment Rate	Unemployment Rate	Employment Rate
Open Countryside	0.49	0.09	1.80	-0.09
Villages (200-1499)	0.49	0.10	2.08	-0.11
Towns (1500-2999)	0.49	0.11	1.77	-0.12
Towns (3000-4999)	0.50	0.11	2.00	-0.13
Towns (5000-9999)	0.50	0.12	1.57	-0.14
Towns (10000+)	0.50	0.11	1.38	-0.13
Waterford City	0.45	0.13	1.10	-0.13
Galway City	0.51	0.11	1.05	-0.07
Limerick City	0.39	0.13	1.09	-0.18
Cork City	0.42	0.11	1.09	-0.11
Dublin City	0.51	0.10	0.88	-0.09
County Dublin	0.54	0.09	1.36	-0.10
Country	0.50	0.10	1.50	-0.11

Source: CSO Census of Population 2006, 2011

**Table 7. Distribution of Net Jobs (# Jobs- # In Work)**

	2006	2011
Open Countryside	-0.22	-0.20
Villages (200-1499)	-0.21	-0.21
Towns (1500-2999)	-0.05	-0.08
Towns (3000-4999)	-0.01	-0.03
Towns (5000-9999)	0.06	0.05
Towns (10000+)	0.12	0.13
Waterford City	0.33	0.17
Galway City	0.27	0.26
Limerick City	0.26	0.29
Cork City	0.29	0.34
Dublin City	0.28	0.28
County Dublin	-0.07	-0.05

Source: CSO Census of Population 2006, 2011

**Table 8. Industrial Distribution of Employment**

	2006				2011			
	Agri	Const.	Ind.	White Collar	Agri	Const.	Ind.	White Collar
Open Countryside	0.17	0.14	0.17	0.52	0.23	0.06	0.11	0.60
Villages (200-1499)	0.11	0.15	0.18	0.57	0.13	0.07	0.13	0.67
Towns (1500-2999)	0.05	0.14	0.18	0.64	0.05	0.06	0.14	0.75
Towns (3000-4999)	0.03	0.12	0.17	0.67	0.04	0.05	0.14	0.76
Towns (5000-9999)	0.02	0.12	0.17	0.68	0.03	0.05	0.15	0.78
Towns (10000+)	0.01	0.11	0.15	0.73	0.01	0.04	0.13	0.81
Waterford City	0.01	0.08	0.21	0.70	0.00	0.03	0.17	0.79
Galway City	0.01	0.08	0.15	0.76	0.01	0.03	0.14	0.83
Limerick City	0.00	0.08	0.22	0.70	0.00	0.03	0.13	0.84
Cork City	0.00	0.10	0.15	0.75	0.00	0.04	0.14	0.83
Dublin City	0.00	0.08	0.10	0.82	0.00	0.03	0.06	0.91
County Dublin	0.01	0.07	0.11	0.81	0.01	0.04	0.08	0.87
Total	0.04	0.11	0.15	0.69	0.05	0.05	0.12	0.78

Source: CSO Census of Population 2006, 2011

In terms of industrial distribution, towns are more reliant on agriculture, construction and manufacturing jobs than urban locations. As the size of the settlement increases, white collar jobs become increasingly important. The impact of the downturn can be seen most clearly in the sharp decline in construction employment and jobs between 2006 and 2011 (see Tables 8 and 9). Employment in construction was particularly important in towns and therefore, these localities have been particularly hard hit by the downturn.

**Table 9. Industrial Distribution of Jobs**

	2006				2011			
	Agri	Const.	Ind.	White Collar	Agri	Const.	Ind.	White Collar
Open Countryside	0.35	0.20	0.11	0.34	0.34	0.10	0.16	0.40
Villages (200-1499)	0.20	0.22	0.15	0.43	0.23	0.10	0.15	0.53
Towns (1500-2999)	0.06	0.16	0.18	0.60	0.07	0.07	0.16	0.70
Towns (3000-4999)	0.04	0.15	0.19	0.62	0.04	0.06	0.15	0.74
Towns (5000-9999)	0.02	0.12	0.18	0.67	0.02	0.05	0.17	0.76
Towns (10000+)	0.01	0.09	0.18	0.72	0.01	0.04	0.14	0.81
Waterford City	0.00	0.07	0.26	0.67	0.00	0.03	0.14	0.83
Galway City	0.01	0.07	0.21	0.71	0.00	0.03	0.17	0.79
Limerick City	0.00	0.07	0.09	0.83	0.00	0.03	0.05	0.92
Cork City	0.00	0.07	0.11	0.81	0.00	0.02	0.11	0.86
Dublin City	0.00	0.05	0.07	0.88	0.00	0.02	0.05	0.93
County Dublin	0.01	0.11	0.14	0.75	0.01	0.05	0.11	0.83
Total	0.05	0.12	0.15	0.68	0.05	0.05	0.12	0.77

Source: CSO Census of Population 2006, 2011

One of the consequences of the economic downturn was a rapid increase in the savings rate as households became more risk averse, due to changed circumstances such as unemployment and pay cuts and as a result of lower future expectations. Nationally, the savings rate fell from 11.4 per cent in 2005 to 5.9 per cent in 2011. Of particular concern here is the differential change in savings in different areas. This is because of the importance of the domestic sector in the local economy which is particularly hit in periods of lower demand.

Carey et al., (2014) undertook a study of the CSO Household Budget Survey (HBS) analysing consumption, income and the consequential savings rate by the relatively crude spatial classification contained in the HBS. We report this analysis in table 10. There has been a larger rise in savings in small towns, than rural areas or cities, during the 2004-5 and 2009-20 time periods. Categorising households into cities, towns and rural areas, we find that nationally the dataset reveals a similar trend to the nation, albeit at a lower level, reflecting the fact that the top 1 per cent of incomes are under-represented in the HBS and household data ignores corporate saving etc.

At a disaggregated level, the savings rate is highest in cities in both periods, however towns exhibit the biggest change from a negative savings rate in 2004-5, consistent with the expenditures associated house buying and inward migration in this period, to a savings rate of over 7 per cent in 2009-10. This reflects the fact that



unemployment increased to the greatest extent in towns. Rural households, more reliant on Agriculture, which has fared reasonably well go from having the highest savings rate to the lowest, reflecting the smallest change in the savings rate.

**Table 10 Savings Rate by Area**

	2004-05		2009-10
City	3.6	City	10.5
Towns	-1.4	Towns	7.1
Rural	4.8	Rural	5.9
Country	2.5	Country	8.1
Country (National Accounts)	5.9	Country (National Accounts)	11.4
Dublin metropolitan area	5.0	County Borough	12.1
		Suburbs of County Boroughs	9.0
Towns with more than 20,000	0.7	Environs of County Boroughs	4.0
Towns with 3,000 - 20,000	-1.3	Towns 10,000+	5.6
		Towns 5,001 - 10,000	6.8
Towns less than 3,000	-1.8	Towns 1,000 - 5,000	13.1
		Mixed Urban/Rural Areas	7.6
Rural households	4.8	Rural Areas	3.4

Source: CSO Household Budget Surveys, Carey et al., (2014)

The consequential impact on welfare of these economic changes can be captured by the deprivation rate, poverty rate and jobless rates (Table 11). Table 11 presents a breakdown of three main indicators used in the national social target for poverty reduction, using five locational categories. Consistent poverty which is a combination of the monetary headcount rate and deprivation indicators has the highest rate in towns and mixed urban/rural areas at between 7.5 and 10.1 per cent, with rural areas, slightly below the national average at 6.5 per cent. The share of children in these households is higher and exhibits a similar spatial pattern.

Of particular concern is the share of jobless working age households. Ireland has a relatively high proportion of households with anyone in work relative to European partners, including those with high aggregate unemployment rates. In towns we find that about a third of working age households have no one in work relative to 24 per cent in rural areas and less than 20 per cent in cities. Significantly, rural locations account for 43 per cent of all those in jobless households in the state.

**Table 11 Poverty indicators used in the national social target, by location in 2011**

	Consistent poverty	Children in consistent poverty	Jobless households
Cities & suburbs	4.9%	8.1%	19.8%
Towns and envi with pop=>5000	9.6%	13.2%	29%
Towns and envi with pop 1000<=<5000	10.1%	14.9%	31.5%
Mixed urban / rural areas	7.5%	8.1%	24.6%
Rural	6.5%	8.3%	24.3%
State	6.9%	9.3%	24%

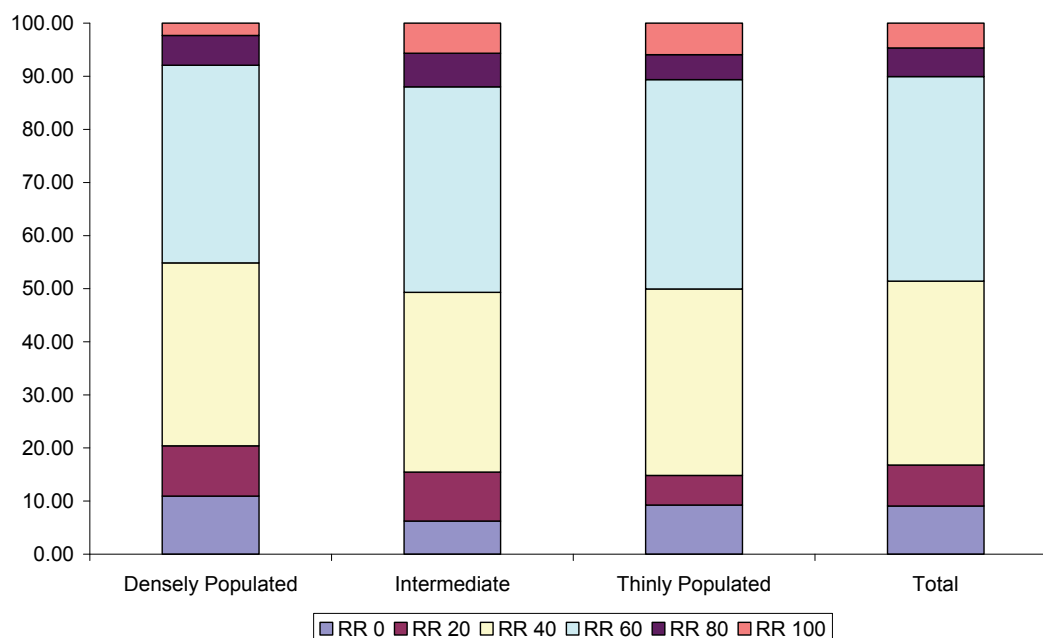
Source: CSO SILC 2011, Walsh (2013)

This high share of jobless households is of particular concern as it can result in lower motivation and experience of interaction in the labour market which can have inter-generational consequences and thus be more difficult to solve and result in wider socio-economic consequences than a more equal spread of unemployment. Thus tackling poverty in rural areas will be critical in order to meet the national social target for poverty reduction and the sub-targets for children and jobless households.

While there are clear labour demand issues in the economy associated with the lack of domestic demand, there are also labour supply issues, resulting from lower potential wages relative to unemployment benefits in the economic downturn. In areas and times of lower economic activity, typically the potential wage rate is lower than in areas and times of higher economic activity. This has both implications for poverty and for work incentives.

This effect can also have spatial impacts. Because social welfare rates are the same in all areas, as a result replacement rates, the ratio between out of work income and in-work income, can be higher in some rural areas (See Figure 1). This combined with lower employment demand and thus higher job search costs and/or the need to travel or migrate for work can reduce the incentive to work. This is particularly an issue in relation to rural areas within commuting distance of urban centres. The marginal impact on travel costs is lower outside of these areas due to lower opportunities – a demand side related issue.

**Figure 1. Distribution of Replacement Rates**



Source O'Donoghue and Vega (forthcoming)

Note: A Replacement Rate is the Ratio of Out of Work Income to In-Work Income

## 6. ECONOMIC STRENGTH

In this section, we develop a measure known as economic strength to identify towns that have been most severely affected by the economic downturn. Using the data described above, we define economic “strength” as an index that is function of the unemployment rate and the level of migration. The lower the unemployment rate, the stronger the town was and the higher the level of inward migration, the stronger the town was.

Table 12 describes the share of towns by type and by quintile of economic strength. Economic strength is divided into five quantiles, going from the strongest to the weakest. There is significant variation within each town type but generally, the larger towns, with over 10000 inhabitants look “weaker” than the smaller towns, especially those with between 3000 and 4999 inhabitants.

**Table 12. Type of Towns by Strength**

	Quantile					Total	Share of Population
	Strongest	2	3	4	Weakest		
Towns (1500-2999)	0.19	0.27	0.20	0.17	0.17	1.00	0.32
Towns (3000-4999)	0.24	0.20	0.30	0.16	0.10	1.00	0.17
Towns (5000-9999)	0.23	0.18	0.16	0.21	0.23	1.00	0.22
Towns (10000+)	0.17	0.15	0.16	0.27	0.25	1.00	0.29
Population	216127	217066	209081	219054	207523	1068851.00	

Source: CSO Census of Population 2006, 2011

Large variations can also be seen between the strength of towns within a region (see Table 13). For example, the West Region of Galway, Mayo and Roscommon has 31 per cent of its towns in the strongest quantile, but it also has 28 per cent of its towns in the weakest quantile. Overall, the West, South-West and East Regions have the highest share of “strong” towns while the Midlands, Mid-West the East and the South-East Regions have the highest share of “weak” towns. In terms of rural areas (see Table 12), the strongest Regions were the West, South-West and the Mid-West, while the weakest regions were the Border, the South-East and the Mid-East.

**Table 13. Towns in Regions by Strength**

	Quantile					Total	Share of Population
	1	2	3	4	5		
Louth, Leitrim, Sligo, Cavan, Donegal, Monaghan	0.07	0.28	0.28	0.16	0.22	1.00	0.17
Kildare, Meath, Wicklow	0.26	0.16	0.14	0.26	0.19	1.00	0.08
Laois, Longford, Offaly, Westmeath	0.07	0.16	0.24	0.11	0.42	1.00	0.10
Clare, Limerick, Tipp. N.R.	0.23	0.16	0.10	0.27	0.24	1.00	0.12
Carlow, Kilkenny, Wexford, Tipp S.R., Waterford	0.04	0.16	0.24	0.28	0.29	1.00	0.18
Cork, Kerry	0.27	0.23	0.29	0.17	0.04	1.00	0.16
Galway, Mayo, Roscommon	0.31	0.29	0.02	0.11	0.28	1.00	0.17
	0.20	0.20	0.20	0.20	0.19	1.00	1.00

Source: CSO Census of Population 2006, 2011

Note 1 is strongest and 5 is weakest

Tables 14 show the characteristics of towns by strength. As can be seen below, there is a huge variation between the strongest and weakest towns, especially when the weakest 10 per cent are considered. In towns, there is a 50 percentage point difference between the unemployment rate in the strongest quantile and the weakest 10 per cent. A huge difference in unemployment levels is also apparent between the strongest and weakest rural areas. Similarly, there is a large difference in the levels of tertiary education in the strongest and weakest towns. The weakest 10 per cent of towns also have a larger proportion of unoccupied housing than average. The strongest towns are also much closer to the nearest economic hub than the weakest. Additionally, stronger towns have positive net migration rates while weaker towns suffer negative ones. Interestingly, weaker towns have a much greater share of net jobs, on average, than the strongest towns. This may be because the weakest towns act economic poles for the area and are therefore a source of jobs their hinterlands. Stronger towns are typically much closer to other economic hubs.

**Table 14. Characteristics of Towns by Strength**

						Average		
	Unemployment Rate	Dependency Ratio	Tertiary Education Share	Occupied Housing	Distance to Closest Hub	Net Migration	Share of Net Jobs	Home Owner Share
1	75	96	124	102	76	0.23	-420	0.68
2	90	101	102	99	85	0.05	-130	0.67
3	99	97	103	101	106	0.03	171	0.66
4	107	102	90	100	113	-0.02	142	0.66
5	121	103	88	98	113	-0.04	577	0.66

Source: CSO Census of Population 2006, 2011

Note. The values are relative to National Average = 100

Note 1 is strongest and 5 is weakest

## 7. SUMMARY AND RECOMMENDATIONS

The situation faced by towns across the country is a complex one. It cannot be boiled down to traditional policy issues such as the East-West divide. For example, East coast towns have been disproportionately affected by the downturn while towns in the West are among the strongest in the country. Similarly, we can't classify some counties as strong and some as weak as both strong and weak towns exist within the same county, often proximate to each other. Towns have particular issues affecting them that may require short-term or long-term solutions or both. Some towns may need short-term job creation measures to reduce local unemployment while others may require long-term structural change in terms of enhanced skills and infrastructure to attract new industries.

Our research has shown that small and medium sized towns, on average, have been impacted to a greater extent by the economic downturn than cities. They have suffered higher increases in unemployment rates, as well as greater decreases in employment levels. Additionally, jobs in small and medium sized towns and the open countryside are disproportionately reliant on industrial sectors with falling employment such as agriculture,

construction and industry. Poverty rates are also higher in small and medium sized towns and the open countryside, with one third of working age households with no one in work, 50% higher than in cities.

These areas are more dependent on declining economic sectors such as agriculture, construction and industry for employment than cities. As a result, unemployment rates in small and medium sized towns are, for the most part, higher than the national average.

Consequently, consumer demand is depressed. The savings rate, which was at 2% in 2007, is now 12-14% nationally across households and industry. Savings rates have risen substantially amongst the smallest towns, with the savings rate increasing by 300% compared with cities. The biggest impact of the changed savings rate is a reduction in investment expenditure, which is vital for economic growth. Averages in indicators also mask a wide variability in characteristics. When comparing the best ten towns and the worst ten towns, as measured by unemployment and migration, the bottom ten towns have twice the unemployment rate, a difference in the net migration rate of 80% and 56% of the share of tertiary education.

Despite the depressed situation in small and medium sized towns, they are not a point of focus in national policy strategies. As part of the government's Action Plan for Jobs, a new sectoral strategy to promote employment and support local enterprise by local government was published (DECLG, 2012). The strategy outlines measures to be planned and implemented by local authorities around the country to promote local economic development such as in the areas of business charges, local enterprise and business support arrangements, procurement support, local development and community based initiatives.

However, it must be acknowledged that decision-making and funding constraints make it difficult for local government in Ireland to significantly develop the local economy. It has been put forward that in countries where resources and decision-making responsibility are relatively centralised, such as in Ireland and England, the decentralisation of power to local government would improve services and acknowledge the unique economic and social challenges of rural areas (Pearce et al., 2005).

Lambe, (2008) in the study *Small Towns, Big Ideas*, a year-long study of small towns across the United States identifies seven themes as take-away lessons for other communities

- In small towns, community development is economic development
- Small towns with the most dramatic outcomes tend to be proactive and future-oriented: they embrace change and assume risk
- Successful community economic development strategies are guided by a broadly held local vision
- Defining assets and opportunities broadly can yield innovative strategies that capitalise on a community's competitive advantage
- Innovative local governance, partnerships, and organisations significantly enhance the capacity for community economic development
- Effective communities identify, measure and celebrate short-term successes to sustain support for long-term community economic development
- Viable community economic development involves the use of a comprehensive package of strategies and tools rather than a piecemeal approach

Barkley (2001) recommends six separate alternatives for employment generation in small towns and strategies communities can use to make these alternatives come to pass in their towns.

- Recruit new basic employers from outside the community, primarily branches of multi-plant manufacturing concerns
- Support entrepreneurial activity and the development of new small businesses
- Increase income and employment in local agribusiness industries by further processing of local production or the development of new agricultural products
- Expand local service and trade activity to reduce leakages of spending outside the community
- Develop tourism, recreation and retirement industries so that significant outside spending is attracted to the community
- Develop programmes which will aid in the retention of and expansion of existing businesses

The Market Towns Initiative (MTI) was a UK community-led development programme that operated throughout rural England between 2000 and 2005/6. It was designed to help local people identify and capitalise on the economic, environmental, and social strengths and weaknesses of small country towns (Morris, 2012). A

number of studies have been carried out examining how successful the MTI was and what lessons can be learned for the future (Countryside Agency, 2004; Phillips & Swaffin-Smith, 2004; Ward, 2006; Morris, 2012). The need to form relationships and maintain good communications with other stakeholders is emphasised. Putting people with the right skills in key organisational positions is important, as is getting organising structures right in terms of quality and representation. Consultation with the community is necessary along with the need to deal with and manage the views of disparate groups. Expectations are important, and over-promising should be avoided, particularly in terms of availability of money. Finally, it's necessary to ensure that sufficient skills are developed within towns so that work can continue after initiatives end or funding runs out. For towns looking to develop a strategy in order to boost economic development, Coppedge (1982) and Woods and Sloggett (2002) both provide detailed checklists to show what is required. Coppedge (1982) provides a seven step strategy:

- Develop an overall plan:
- Look at the infrastructure;
- Compile a list of "suspects" (businesses that could operate profitably in the area);
- Convert suspects to prospects (prospective business);
- Sell the prospect (convince prospect to start a business in the area);
- Follow through on commitments;
- Keep existing businesses.
- Woods and Sloggett (2002) put forward eight steps toward designing a strategic economic development plan:
- Establish a steering committee;
- Obtain technical assistance;
- Develop basic data;
- Review economic development alternatives;
- Analyse key issues;
- Identify financial resources;
- Set priorities;
- Implement the plan.

These plans can prove beneficial for a number of reasons. Firstly, they outline the steps to follow, requiring the community to identify the intermediate steps needed to reach their final goals. Secondly, they promote the efficient use of scarce resources and improve co-ordination between different stakeholders. Thirdly, they help to build consensus and increase public awareness of how development occurs. Finally, a strategic plan can encourage forward-thinking and strengthen the community's competitive position by showing its level of organisation to outsiders.

#### *Policy Recommendations*

In order to improve the economic situation in rural Ireland, therefore we propose that an integrated stimulus programme targeted at small and medium towns is developed within the RDP. The objectives of the programme are very complementary with the social inclusion and rural regeneration programme and could be delivered by LEADER.

The structure of the programme would be multifaceted with a focus on

- Make towns more attractive to live in and visit
- Make it easier to do business
- Increase consumer demand and sentiment
- Improve access to finance of SME's

The mechanism for the Delivery of these recommendations would be via a Targeted Stimulus Programme with the following characteristics

- Resources would be concentrated in a small number of areas with the greatest need
- The process should be competitive, with resources going to those towns that can most demonstrate the potential impact from funding ensuring that the impact would be highest, rather than merely allocating the most needy towns.
- The focus should be on areas with the greatest economic disadvantage as measured by unemployment and migration.

- Consistent with objectives in relation to Community Led Local Development, a town must create a local development group to lead development in town and to prepare a development plan.
- It should leverage complementary actions in other areas
- Successful towns would be selected on the basis of both need in terms of unemployment rate, migration rate and the viability and cost effectiveness of development plan.

Specifically the Small Towns Stimulus Programme would

- Improve the physical architecture and appearance of small towns by create targeted incentives to facilitate town and village renewal and refurbishment.
- Facilitate local demand via and retro fitting of older houses
- Incentivising activities such as festivals, markets that will increase footfall in the town
- Incentivise the use of unoccupied commercial properties.
- Develop capacity to serve as a rural tourism hub

Make it easier to do business

- Take the cost out of doing business by reducing fixed costs moving as many fixed costs (such as rent, rates, insurance) to turnover based for small start-up and vulnerable companies .
- With underutilised property incentivise profit sharing rental scheme for private landlords in stimulus towns.
- Work with insurance companies to move to turnover based insurance for small start-up and vulnerable companies in stimulus towns.
- Move rates to turnover base for small start-up and vulnerable companies in stimulus towns. This intervention would be time limited for small turnover businesses.
- Regulatory agencies to undertake a development role by both facilitating SME's in navigating regulations and by ensuring speedy decisions.

Make it easier to do business by taking the cost out of doing business by moving as many fixed costs to a turnover basis for small start-up and vulnerable companies. For example:

- With underutilised property incentivise profit sharing rental scheme for private landlords in stimulus towns.
- Work with insurance companies to move to turnover based insurance for small start-up and vulnerable companies in stimulus towns.
- Move Rates to turnover base for small start-up and vulnerable companies in stimulus towns for a time limited period.
- Regulatory agencies to facilitate SME's in navigating regulations and by ensuring speedy decisions.
- Improving access to finance of SME's by reforming the structure of funding small businesses, by moving some of the existing grant based funding mechanisms loans or equity financing via a Local Enterprise Development Fund which is now allowable under EU regulations. This would help to deal with displacement issues, enabling more existing businesses to be supported and also help to target existing gaps in working capital rather than just physical and human capital investments

It should leverage the following complementary actions:

- Work with enterprise training agencies to improve the skills and capacity of existing and new businesses
- Implement derelict sites regulations.
- Encourage active participation in Tidy Towns.
- Increased focus on tourism potential (domestic and overseas)
- Improve access to finance by enterprises by ironing out problems with loan guarantee and micro finance schemes.
- In terms of social exclusion, target active labour market measures to focus on jobless households in small and medium sized towns, facilitate more flexible movement from work to non-work and back again in Social Welfare system and Allow for labour activation placements in these towns to last for 18 months in the stimulus towns

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## **FIRST VOTE OF THANKS PROPOSED BY EDGAR MORGENROTH, ECONOMIC AND SOCIAL RESEARCH INSTITUTE**

Mr Chairman, ladies and gentlemen, I am grateful for the opportunity to propose the vote of thanks to Dr. O'Donoghue, Dr Meredith and their co-authors. As many of you will know, I hold the view that there is not enough analysis of spatial development patterns in Ireland, and as such I very much welcome this paper.

An important point made in the paper is that it is simplistic to consider Irish development patterns to be merely characterised by an East-West pattern. The paper focuses on the towns and cities in Ireland, classified by size and motivates the analysis with reference to the extensive theoretical literature on urban growth. This reference to the theoretical literature is rare in spatial analysis in Ireland and is particularly welcome as theory guides the interpretation of observed patterns.

The paper describes the towns and cities in terms of a wide range of factors including basic demography, dependency rates, education, housing, location relative to closest hub, labour market, employment, industry, poverty, and the savings rate. This analysis provides many interesting insights and for example in relation to the savings rate is quite novel. The authors also create a measure of economic strength based on unemployment and migration, which shows larger towns to be weaker than smaller ones, and the West, South-West and East have the highest share of strong towns, which corresponds with measures of regional output per capita. The strongest towns are closer to hubs, suggesting that there may be spillover effects from the larger urban areas.

Finally, the paper briefly summarises the results and offers a range of policy conclusions with reference to a number of international studies and initiatives. The lack of policy focus on small and medium sized towns in Ireland is pointed out, and a stimulus programme for small and medium sized towns is called for. A number of proposals to make it easier to do business are also proposed and some complementary actions are identified.

While the paper yields important some insights, it could also have been improved in a number of ways. Firstly, the focus of the analysis is on recent developments between 2006 and 2011, a time in which Ireland went through a severe recession. Thus, the analysis may simply have identified the impact of the crisis rather than any long-term trends. In this respect it would have also been useful to review earlier work for example the paper by Cawley (1991). Other more recent papers that have considered some of the issues considered in the paper were also ignored. For example, the spatial distribution of jobs, that is where jobs are located rather than where employed people live in Ireland, has previously been investigated by myself in this journal (see Morgenroth, 2008/09). In that work I presented a detailed analysis of the economic geography of Ireland using data for 2006, and showed that there were significant differences across sectors regarding their location preferences and that some sectors had a very high preference for urban locations.<sup>1</sup> In particular, services and publishing had a very strong urban location preference. Employment declined significantly between 2006 and the most recent Census year, 2011, and analysis shows that the concentration of jobs (economic activity) has increased by 5%.<sup>2</sup> More recently McCafferty *et al* (2013) have also considered the industrial specialisation of urban centres.

Secondly, by focusing on towns without reference to either their hinterland or their connections to the larger hubs in terms of function these important interactions, which shape the performance of specific locations, were ignored. For example, while towns of a certain size might experience outmigration, the lost population might simply have moved just outside the town boundaries, implying no significant loss to the area. More generally, by concentrating on towns the paper misses the opportunity to point to the fact that instead of the often assumed urban-rural dichotomy, which the paper rightly points out is misleading, there is a polychotomy encompassing urban-rural and central-remote locations.

Finally, the paper would have benefitted considerably from some international comparisons, which is an omission not limited to this paper. It may well be that there are countries that have seen similar developments in the past and there may be lessons to be learned in terms of policy responses. Notwithstanding, the shortcomings I enjoyed the paper very much and congratulate the authors for their analysis.

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<sup>1</sup> This was achieved by regressing the log of the employment density for each sector on the rank and an urban dummy.

<sup>2</sup> Concentration is measured using a spatial Herfindahl index (see Morgenroth, 2008/09)

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**SECOND VOTE OF THANKS PROPOSED BY MARK SCOTT,  
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**Introduction**

Over the last two decades, there has been much debate in the rural economic geography literature concerning (uneven) processes of rural restructuring and its impact on redefining the role of rural areas and in underpinning different development trajectories across rural space. In this context, analysis of the shifting role and function of agriculture has provided a key departure point for examining rural transformations. For example, an extensive body of literature emerged in the 1990s (Munton, 1995; Lowe *et al.*, 1993; Marsden, 1998; Murdoch *et al.*, 2003) charting the demise of productivist agricultural models, opening opportunities for a substantial growth in demand for new uses for rural space (e.g. amenity, recreation, conservation, residential) and creating new conditions for actors to pursue their demands both in the market place and in the political system. Since the 1990s, key themes within the rural economic restructuring literature have included the shifting nature of agriculture (Wilson, 2008) and the related and contested emergence of new uses for rural space and competing societal demands for the consumption of ‘rurality’ (e.g. Woods, 2005). A significant body of literature has also examined the emergence of a new set of rural social geographies associated with diverse processes of rural in-migration. These include extensive studies of counterurbanisation (e.g. Halacree, 2001; Mitchell, 2004), rural gentrification (e.g. Philips, 2010), international migration (e.g. Halfacree, 2011), and retiring to the countryside (e.g. Stockdale, 2011). Increasing attention has also been given to the influence of external actors in shaping rural localities including capital, consumers and regulating bodies from processes of economic globalisation (e.g. Brunori and Rossi, 2007) and the increased significance of neoliberal ideas, policies and practices to the unfolding of social and spatial life in rural areas (e.g. Dibden *et al.*, 2009; Shucksmith and Ronningen, 2011).

Within this context of social and economic rural restructuring, O’Donoghue *et al.* examine the changing and diverse fortunes of towns in Ireland and the interdependencies between towns and rural development, and identify spatially differentiated processes underpinning ‘strong’ and ‘weak’ towns and their relative economic performance. Their paper makes a significant and timely contribution to debates surrounding the future of the rural economy and the wider national recovery, providing a baseline and evidence-base to develop an effective policy response, raising fundamental questions in relation to how we adapt and transform our towns to create more sustainable and attractive places, while enhancing the resilience of towns in the face of an ongoing economic crisis.

In response to O’Donoghue *et al.*’s analysis, I would like to structure my discussion under three themes, before addressing the policy recommendations and conclusions set out in their paper. The first theme is *Towns as Neglected Places*; secondly, *Towns as Residential Spaces*; and thirdly, *Towns as Economic Drivers*.

**Towns as ‘Neglected Places’**

Firstly, I commend O’Donoghue *et al.* for shining a light on a neglected geography or space – *towns in Ireland*. Our policy makers and researchers are often focused on our key urban centres or on our more rural places, and the places in between – *towns* and the key economic and social role they perform – have often been neglected in policy and research terms. Their paper highlights a number of key issues facing our towns in Ireland, for example:

- A substantial proportion of households and people live in Irish towns, with over a third of the population living in settlements of more than 1500 people outside of the main cities (within 134 towns in all) – this figure alone should command our attention as researchers and as policy makers.
- Towns have often been neglected in national policy – for example, the National Spatial Strategy is scant in relation to policy prescription outside of gateways and hubs. Indeed, there is a general policy apathy towards towns, and overcoming this inertia is an important first step in revitalising our towns.
- Their paper positions town economies within both the rural development context – showing the interdependencies of urban and rural places – and also within a wider urban hierarchy, and the differential role of towns within localities in close proximity or remote to major urban centres.

- That the problems facing our towns are not homogenous, but there is substantial variation in challenges dependent on (relational) spatial context – and that is before we even examine differences in place-specific assets, resources and local norms and values which often underpin local development and community responses to regeneration. In particular, the authors draw our attention to the different roles played by towns – from essentially dormitory places (residential places with high levels of commuting) to towns which perform key roles in relation to economic development, services centres and so on, especially in the absence of a major urban centre in close proximity.

### **Towns as residential spaces: quality of life and housing**

As identified by O'Donoghue *et al*, towns grew significantly during the Celtic Tiger construction boom, both to satisfy local demographic changes and in-migration, but also as towns were subjected to speculative house-building – again with wide spatial variations across the State. Rapid housing construction was not only a feature of Irish urban centres during the house-building boom, but rural areas also witnessed rapid change. For example, over one quarter of the housing units built between 1991 and 2002 were detached dwellings in the open countryside (Walsh *et al*, 2007). Similarly, over the last decade, rural towns and villages within commuting distance of larger urban centres have also witnessed a rapid expansion of house-building activity (Meredith, 2007). This raises a number of issues in relation to the future of towns and local quality of life:

- Many towns have been physically and socially transformed by Celtic Tiger era development, with many towns, particularly within commuting distance to large urban centres, facing substantial development pressures and rapidly growing populations. Moreover, the style of housing development has often been bland, poorly designed and undermines the quality of town living.
- Vacant housing has been a significant problem for many towns and rural places – as O'Donoghue *et al* outline, there is a greater amount of unoccupied housing in towns and the countryside than in cities, reinforced by underlying demographic trends suggesting that future demand may lag recent oversupply, impacting on local housing market recovery in areas affected by over-development.
- Furthermore, research by Murphy and Scott (2014), suggest that there is a strong correlation between counties with higher rates of vacant housing and lower levels of satisfaction with local residential environments and also lower levels of life satisfaction more generally, illustrating the link between poor planning and lower quality of life outcomes. This is particularly the case in towns where speculative housing development proceeded without any rational infrastructural development in terms of community facilities and services. While residents moving into these new developments may have reasonably expected services to follow, under austerity conditions this is unlikely in the near future.

I agree with the paper's conclusions in relation to making towns more attractive places to live. For too long, I would argue that Irish planning policy and practice has been too focused on influencing *new* development – however, policy should also turn attention to *retrofitting* settlements to become more sustainable and resilient in economic, social and ecological terms.

One issue that the paper does not comment on is the relationship between residential development in towns and housing development in the surrounding open countryside. For example, and to be perhaps controversial – *does our permissive rural housing planning regime undermine the ability of towns to reach their full potential?* As an illustrative example, in the 1960s/1970s in Northern Ireland, planning policy (e.g. the Matthew Plan and District Towns Strategy) aimed to increase the population of district towns, which also required the dual approach of a very restrictive housing policy in the open countryside to develop the necessary critical mass of population in towns. However, this policy was largely undermined by a lack of political and popular support. Furthermore, rightly or wrongly, there is often a perception in Ireland, that in the past social/local authority housing was located in towns, often with social housing estates poorly integrated into the town and more affluent housing located in the surrounding open countryside – this perception often undermines comprehensive development of our towns, with balanced social mix.

Recent research (Gkartzios and Scott, 2010; Murphy and Scott, 2014) suggests that rural housing preferences and movements are complex and nuanced – it includes people moving within an area, from one rural place to another, as well as urban-to-rural counterurban movements – significantly, this group includes many movers returning to their rural roots at key stages of the life cycle rather than 'pure' counterurbanisation movements. Importantly, this research indicates that people are attracted to living in rural localities due to the importance of rural places as a social environment – perceived to be a good place to bring up children, the importance people placed on family networks and so on. Also, in interviews that we undertook with around 800 rural residents in 2010, we found that the actual 'house' was an important factor in explaining movements – particularly the consumption of more space (internal and external), and the ability to influence the house design within a self

build project. This presents a challenge to planners and policy-makers – how do we increase the attractiveness of towns through proactive and innovative place-making strategies, rather than simply refusing planning permission in other locations?

### **Towns as economic drivers**

O'Donoghue *et al* develop real insights into both the role and performance of towns within local economies. We all know the impact that the financial crisis has had nationally, and we are hopeful that we may be seeing some tentative green shoots in the national economy. However, a casual drive across rural Ireland illustrates a very different story. While Dublin continues to attract inward investment and creative industries (and creative employees), the story of the *high street* in Irish towns is very different, notably with high vacancy rates, business closures and gap sites.

The paper draws our attention to differential performance across towns and between more rural and more urban places. Drawing on a range of indicators, the paper highlights issues concerning labour market characteristics, distribution of net jobs and unemployment. In this context, the paper makes an interesting distinction between areas serve as economic drivers at sub-regional level, or whether they serve as largely residential spaces connected to larger economic hubs. Settlement scale and spatial context appear to be important here: larger towns have more service related jobs and act as a source of jobs more generally, and towns outside the direct influence of larger urban centres performed a role as a local hub.

An important contribution of the paper relates to the development of an economic strength index based on unemployment rates and levels of inward migration, and the data relating to characteristics of defined 'strong towns' is very useful to the development of nuanced policy responses. In the context of towns and local economies, it would be interesting for a complementary study to provide an in-depth examination of the retail sector in Irish towns – to examine the state of the high street. How has the Irish high street been impacted by the economic crisis? What are the levels of vacancy rates? What is the impact of the large supermarkets increasing market share, economically and physically in Irish towns? What is the impact of on-line retail? How have local policy-makers responded? How do we adapt the high street to new challenges and new roles?

### **Conclusions and recommendations**

O'Donoghue *et al*'s paper generates many questions. It provides an insightful evidence-base and baseline for developing policies, which should kick-start a wider conversation about the role and future of Irish towns. The main challenge is how do we position Irish towns within a global economy and a largely neoliberal economy? How do we blend local and extra-local factors into a coherent strategy for revitalising Irish towns?

I agree with the main thrust of the paper's recommendations, which provide a menu of options and policy instruments. In particular, the proposal for a *Small Towns Stimulus Programme* is compelling – a targeted and competitive initiative to generate innovative, collaborative and tailored local responses to the diverse challenges faced by Irish towns. And like the LEADER programme for rural development in the 1990s, an initiative that would hopefully overcome a wider policy apathy, while generating public interest, engagement and 'buy-in'. I would call on such an initiative to act as a beacon for a range of other public policies impacting on towns, particularly local authority planning policy, which should be positioned as a key statutory framework for driving small town regeneration, but is often perceived as a barrier to economic development instead. While this paper succeeds in shining a light on the challenges faced by Irish towns, further research and evidence is needed to further inform policy responses. These are addressed in the remainder of this response.

The first point relates to *developing a greater understanding of the factors that underpin success*. O'Donoghue *et al*'s paper points the way in relation to understanding the structure and characteristics of strong and weak towns, but additional and complementary research is required to understanding the more intangible or qualitative factors that may make a difference in local development success. For example: what is the role of local leadership? How can we develop a local culture of risk-taking and entrepreneurship? How do we develop innovation and innovation-networks within and between Irish towns? How can we harness place-identity as a factor in economic success? Can we identify place-based characteristics associated with strong economic and social resilience?

Secondly, *how do we enhance the 'fixed assets' that may be important for supporting local economic development and local quality of life?* For example, how do we enhance the quality of the built environment in Irish towns? What is the role of planning policy and local areas plans? How do we enhance the surrounding natural environment and landscape that may be vital in attracting inward investment or improving local quality of life? Thirdly, *what is the future of retailing and the high street in Irish towns?* We urgently need a new

understanding of the role of the high street in an era of intense retail competition, both from multinationals and from online retail. Fourthly, *if towns are to become a source of job creation, what are the 21<sup>st</sup> Century workspace requirements for entrepreneurs and SMEs in our towns and urban centres?* High quality broadband is obvious, but we also need to re-think the types of spaces that entrepreneurs need in a modern economy, from micro-business flexible spaces and shared facilities, pop-ups and ‘creative spaces’, to clustering and developing economic networks.

Fifthly, *how can we further develop towns as attractive places to live with a good quality of life for local residents?* While there have been policy improvements in recent years – such as the Department of Environment, Heritage and Local Government’s planning guidelines for *Sustainable Residential Development in Urban Areas* published in 2009 – the scope of current policy is too limited for the challenges faced. For example, many towns have been transformed by the property boom, and many towns require a retrofit to enhance sustainability and resilience – how can we address some of the poor quality development we witnessed during the Celtic Tiger era? How do we address the relationship between towns reaching their full potential and new housing development in the surrounding countryside? For example, increasing the attractiveness of village and town living may prove crucial in capturing counterurban in-migrants who are seeking a more rural location. People are attracted to rural localities for perceived quality of life factors and housing choice – can these not be facilitated in our towns? Self-build is very popular in Ireland – it’s cheaper and ‘consumers’ have an input into the design of their house. If possible, policy-makers should explore the potential of providing serviced sites in village/town locations available for self build within a framework of a concept design masterplan, which might specify building materials, plot ratios, heights, etc., but would otherwise be flexible (this approach is commonplace in the Netherlands, for example). Finally, *what has been the impact on austerity policies on Irish towns?* Has there been a noticeable lack of investment? Is there a difference in areas with higher levels of public sector employment? The paper by O’Donoghue *et al* sets out the key challenges facing Irish towns, and hopefully this will stimulate a much wider debate concerning the economic and social needs of our towns, while unlocking the potential of Irish towns to perform a dynamic role in the national recovery.

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## DISCUSSION

**Chris van Egeraat:** The presentation showed that small rural towns are characterised by higher levels of out-commuting than larger urban centres in Ireland. According to Cathal this raises the question whether policy should be aimed at supporting greater levels of economic activity and jobs in such small rural towns, or, alternatively, at increasing the residents' capacity to avail of job opportunities in larger urban centres. I would be interested in the position that the authors take on this question. In addition, if the authors lean towards the second solution, do they have any ideas as to the size and other characteristics of the larger urban centres that have to function as centres for employment concentration? I am making this comment in the light of the fact that we are witnessing a tendency towards increasing levels of employment concentration in Ireland. Such a tendency will make it increasingly unlikely that each and every town in Ireland will receive investment in economic base activities as was the case in the 1960s and 1970s.

**Michael Terry:** The presentation was quite thought provoking. There must be a solution to the issues raised which may resolve other related problems. My generation who became available to join the workforce in the 1960's are now retired and probably living in urban accommodation which is no longer suitable for their current lifestyle. These people whose number is increasing at an alarming rate if the pensions industry is to be believed are ideal candidates for relocation to rural Ireland. For those who were initially raised in the country it may be a very attractive option. The process of moving should be simplified and incentivised as most of these people may have only ever experienced one property transaction 40 years ago. A precedent for this type of move was set shortly after we joined the EEC when a lot of elderly Continental Europeans bought up derelict rural properties and created local employment while renovating them. Subsequent to this we had UK local authorities buying properties in the west of Ireland to relocate Irish emigrants and releasing badly needed accommodation in the UK. Some further research to explore this option may prove fruitful.

**Roy Johnston:** May I offer some suggestions for future research. It is important to do some comparative analyses between specific rural towns, in order to identify, if possible, some positive development processes capable of generalised application. For example, it has been said that adding value to locally produced quality food is a developing sector. It would be useful to have specific models of how this works, and to identify opportunities for enriching the product-mix by adding other locations. A local name on a specific product type implies quality status. Also the environment of a small town can be attractive to creative people whose work involves quality internet access; anecdotal evidence exists. Could this perhaps be researched? Could a quasi-urban workspace be developed among dispersed active specialists using the internet, while living in a stress-free small-town rural environment, in walking distance of retail services?

**Mark Faherty:** Might small/medium sized Irish towns, currently structured, be incapable of delivering the economic outcomes typically desired and expected by residents, such as quality employment and growth opportunities; and if this is the case, what then are the implications of a policy designed to 'sustain' such towns?

**Eithne Fitzgerald:** It was just a query re Table 14 - positive numbers for employment associated with low economic strength and negative numbers with high economic strength? What is the explanation or interpretation?