



## Industrial development in Gaeltacht areas - the work of Údarás na Gaeltachta

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## **Industrial Development in Gaeltacht Areas - The Work of Údarás Na Gaeltachta.**

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### **Introduction**

Údarás na Gaeltachta is a regional development agency responsible for promoting economic development in the Irish speaking (Gaeltacht) areas of Ireland. It was established under the Udaras na Gaeltacht Act, 1979, and commenced operation on January 1, 1980. Udaras replaced the existing state agency Gaeltarra Éireann which had been established back in 1958. The functions of Gaeltarra, which included the management of existing rural industries, the provision of other new industries and the preservation and extension of the Irish language, were transferred to the new authority. Provision for the granting of further powers to Údarás (in addition to those relating to discretionary grants, the purchase of shares in new enterprises, the purchase and provision of land and factory buildings) was also made in the 1979 Act but to date no such powers have been granted. In two major respects Udaras differs from its predecessor:

(a) the Board was entirely restructured to include seven directly elected members alongside six government appointees, and

(b) the responsibilities of Údarás with regard to the preservation and use of the Irish language were further emphasised.

The problem faced by a development agency in planning industrialisation in a peripheral region are well documented and include isolated geographic location, a poor natural resource base, inadequate infrastructural facilities and an historical condition of social and economic decline (Gilg, 1976). Such is the case in the Gaeltacht areas. Industrialisation policy is made even more problematic in Gaeltacht areas by the desire to preserve and extend the use of the Irish language in these areas since the presence of external capital can obviously lead to conflicts. Linguistic and cultural objectives also mean that any assessment of policies must look beyond narrow financial and economic criteria.

This paper presents some assessment of the industrialisation policy undertaken by *Údarás/Gaeltarra Éireann*. The principal features and impacts of the industrialisation programme pursued in one particular Gaeltacht area are outlined first. Then some detailed analysis of the economic, social and cultural impacts of two specific enterprises within this area is presented. Finally, from the general and the specific evidence contained in the paper some conclusions are drawn about the success or otherwise of industrialisation policy in the Gaeltacht.

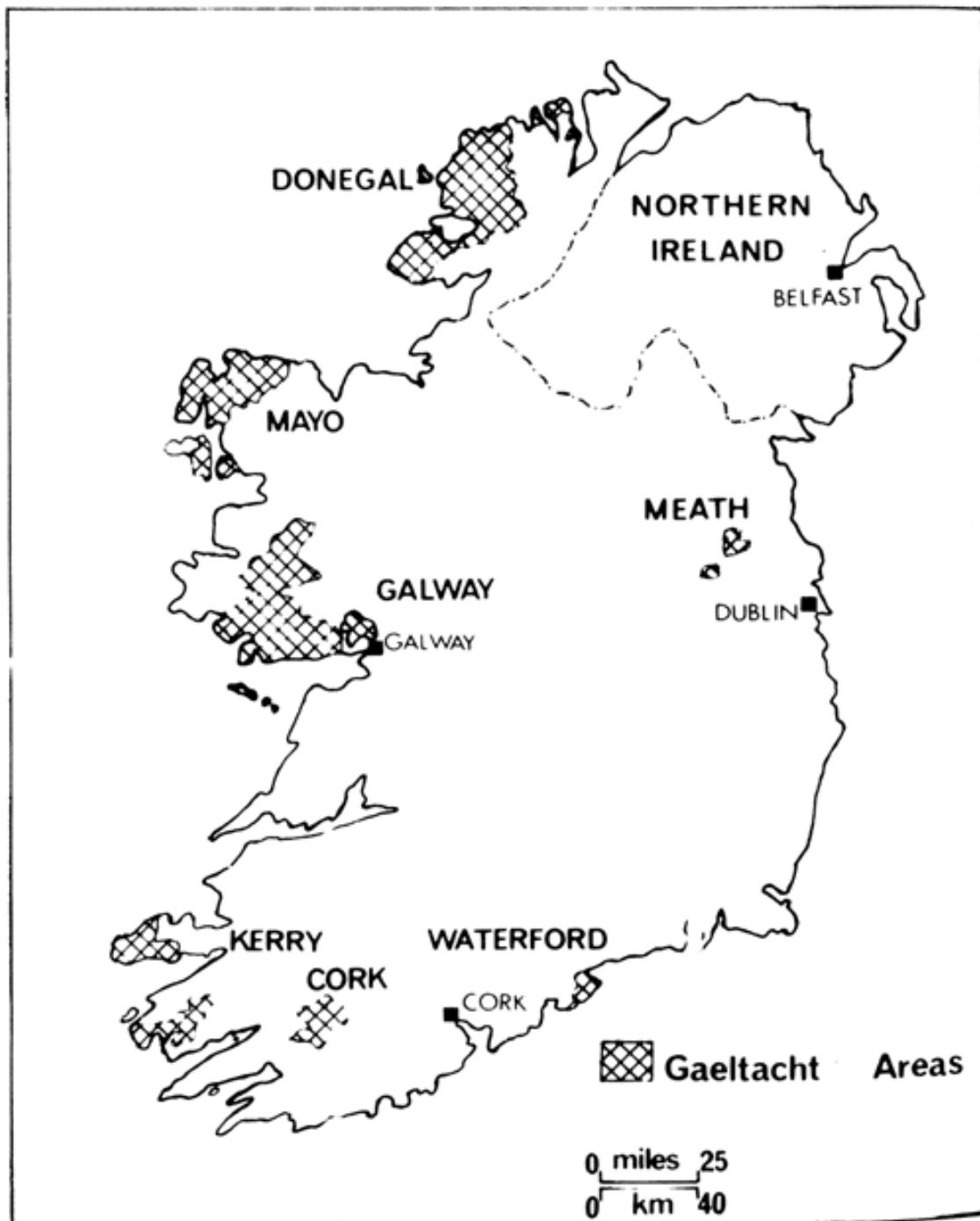


Fig. 1. Republic of Ireland : Gaeltacht Areas

## Industrial Policy for the Gaeltacht

The special characteristic of Gaeltacht areas is that they are areas where Irish is used as a continuing living community language (Figure 1). The legal definition of the Gaeltacht<sup>1</sup> does, however, include areas where English is the dominant language. As can be seen from Figure 1 the Gaeltacht is spatially fragmented, consisting of small areas in Counties Donegal, Mayo, Galway, Kerry, Cork, Waterford and Meath. The widely dispersed territorial base makes it difficult for Údarás, and indeed other bodies involved with the Gaeltacht, to adopt a comprehensive industrial development plan. Administrative difficulties also arise from the fact that the Údarás must negotiate with a multiplicity of local and regional agencies in the course of its activities because of the fragmented territorial character of the Gaeltacht. A large measure of co-ordination is necessary in particular in the case of infrastructural facilities such as roads, electricity supply and communications.

The major effort of Údarás and its predecessor Gaeltarra Éireann has been directed towards the creation of industrial type employment. This has been achieved in a number of ways: (a) taking full or part equity participation in new enterprises; (b) the provision of discretionary grants; and (c) supplying land and factory buildings. Equity involvement has been a key feature of industrial promotion (see Table 1). This feature of industrial policy may be seen as a sine qua non of stable employment creation because of the special development difficulties associated with what are isolated and poor

TABLE 1 . Expenditure on Industrial Development, 1972 - 1981.

Type of Expenditure	£m.	Percentage of Total
Share Capital	9.3	51.1
Grants	8.9	48.9
<b>TOTAL</b>	<b>18.2</b>	<b>100%</b>
Of which subsidiary* and associate** companies'		
Share Capital	9.3	100% of total share capital
Grants	6.2	69.2% ) Percentage of total
Other Industries***	1.0	11.2% ) grants paid.
Small Industries****	1.7	10.1% )

\* Companies where Údarás is sole or majority shareholder

\*\* Companies where Údarás is minority shareholder

\*\*\* Companies where Údarás has no share investment and where grants exceeding £100,000 were given.

\*\*\*\* Companies where Údarás has no share investment and where grant levels were less than £100,000.

industrial locations. It has also been suggested that equity participation was considered as a mechanism whereby *Údarás/Gaeltarra* could intervene in companies so as to promote the use of the Irish language. The early period of industrial policy under *Gaeltarra Eireann*, 1958-1965, was in fact confined to managing wholly owned *Gaeltarra* companies. In 1965 additional powers were given to the agency to develop further its equity involvement in new companies but also to develop more fully its role as an orthodox industrial development agency. It was allowed to give large discretionary grants to new private enterprises and to assist local small industries. A profile of efforts at industrial development in the Donegal *Gaeltacht*, for the period 1972-1981<sup>2</sup> is presented in Tables 1, 2 and 3.

Share capital in subsidiary or associate companies accounts for more than one half of total expenditures during the period in question (Table 1). The same companies also received the bulk of the grants paid during the period. This represents a major commitment on the part of *Údarás/Gaeltarra* to the concept of large projects in an attempt to provide significant employment opportunities in the Donegal *Gaeltacht*. This strategy has been an expensive one, however, with some costly failures. In 1972 there were four subsidiary/associate companies operating in the Donegal *Gaeltacht* area. During the 1972-1981 period a further 17 new companies were established. Total investment in the 21 companies was £15.5 ml. By 1981 only 10 companies were trading, the equity in three had been sold by *Údarás/Gaeltarra* and eight had failed. The eight failures occurred during the period 1979-1981 when the new authority undertook a major review of its investment portfolio. The total amount of investment written off on the eight failures amounted to £9 m., 58% of the total investment for the period of £15.5m. The policy of having large equity participation in new *Gaeltacht* projects, whether deemed necessary or not, certainly has been expensive for *Údarás*.

**TABLE 2 . Industrial Employment in Assisted Firms, 1972 - 1981.**

Type of Firm	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Subsidiary/Associate	496	664	623	682	803	955	1,002	1,013	775	860
Other Industries	185	231	339	375	458	632	677	97	209	279
Small Industries								584	524	575
<b>TOTAL EMPLOYMENT</b>	<b>681</b>	<b>895</b>	<b>962</b>	<b>1,057</b>	<b>1,261</b>	<b>1,587</b>	<b>1,679</b>	<b>1,694</b>	<b>1,508</b>	<b>1,714</b>

Source:- Annual Reports Udaras na Gaeltachta/Gaeltarra Eireann.

**TABLE 3 . Small Industry Assistance by Type of Activity, 1975 - 1982.**

Type of Activity	Percentage of Total Grants paid, 1975 - 1982
Natural resources*	21.0
Concrete products/building materials	9.5
Light engineering	3.0
Textiles/knitting/crafts	28.2
Woodwork furniture making	15.5
Other manufacturing	10.0
Agric. services/land development	2.8
Tertiary services	4.7
Boat building	5.3
<b>TOTAL</b>	<b>100%</b>

\* Includes agriculture, fishing, fish processing, food processing, seaweed and turf harvesting.

The employment impact of these projects is summarised in Table 2. Job losses following from the high number of closures during 1979-1981 have not been as high as might be expected. More important however in Table 2 is the number of jobs created by other industries and by the small industries programme. The small industries contribution to job creation is not too far behind that achieved by the larger subsidiary and associate companies and this has been achieved with considerably less expenditure by way of grants (see Table 1). The type of activities/ production encouraged by the small industries programme can be seen in Table 3. The emphasis has been on local resources and skills such as fishing, fish processing, knitting, weaving and traditional crafts. Natural resource developments and the textile knitting and crafts activities account for 50% of the total assistance given.

Some of the general impacts of the creation of new employment opportunities are apparent in patterns of population change for the area. The period saw a fairly dramatic reversal of a long historical pattern of population decline (see Table 4). Population increase, however, was not unique to the Donegal Gaeltacht as the comparisons in Table 4 illustrate. A more precise measure of the impact of new industries created in the area is not possible due to the lack of recent statistics on overall employment structures. Unemployment in the area is also difficult to establish. Some comparisons for the year 1979 are shown in Table 5. Unemployment has remained very high in the area, almost twice the national average for 1979, despite the industrialisation programme.



TABLE 4 . Population change in the Donegal Gaeltacht, all Gaeltacht areas and Ireland as a whole, 1966 - 1981.

Year	Donegal Gaeltacht	% Change	All Gaeltacht Areas	% Change	Ireland	% Change
1966	23,932	-	74,617	-	2,884,002	-
1971	23,158	- 3.2	71,521	- 4.1	2,978,248	+ 3.3
1981	25,704	+ 11.1	79,502	+ 11.2	3,443,405	+ 15.6

Source:- Census of Population of Ireland, 1971, 1981.

TABLE 5 . Employment rates in Donegal Gaeltacht and Ireland as a whole, 1979.

	Donegal Gaeltacht	Ireland
Numbers in receipt of U.B. and U.A.	1,072	85,128
Estimated workforce*	7,813	1,152,000
Unemployment rate	13.7%	7.4%

\* Derived from population data and estimates of labour force participation rates.

## Two Case Studies

A detailed analysis of two of the major industrial projects undertaken by Udaras in the Donegal Gaeltacht is reported in this section of the paper. One of the projects is engaged in the manufacture of engineered glass-reinforced plastic products for use mainly in the chemical industry. Total employment in the project in 1980/81 was 105. The second project manufactures and markets potato crisps. It had 112 permanent and 15 temporary employees in 1981. Total Udaras investment by 1981 amounted to £1.3m and £1.7m respectively in the two projects. In attempting to answer the question whether large expenditures on these projects and on others like them are worthwhile, two types of appraisal were carried out. First a financial evaluation which examines the implications for the exchequer of the various costs and returns associated with each enterprise and second, an economic evaluation which takes into account their impact on resource use within the economy generally. The financial evaluation is simply an exercise in exchequer cost effectiveness. An economic evaluation is somewhat broader in that it seeks to include all of the costs and benefits borne by, and accruing to, society as a result of a project. Resources in the economy are used differently as a result of a project. The differential use of the resources, therefore, represents a measure of the value of the project itself. This difference is often referred to as the net social benefits (NSB) of a project.

A method of assessing the NSB of a project which creates employment in rural areas is outlined by Hodge and Whitby (1981). A similar approach is used in Ireland by the Industrial Development Authority to evaluate new industrial projects (McKeon, 1980). This approach to NSB evaluation is concerned with the difference between the value of the factors of production as used in a project and their value at shadow prices. The greatest single contribution to NSB usually arises from the labour employed in the project (Ruane, 1980; McKeon, 1980). This is because of the substantial difference between the opportunity cost of labour entering manufacturing jobs and its market rate. It contrasts with other factors of production

where the gap between opportunity cost and market prices is much narrower. Thus NSB from labour inputs at the two plants is derived as the difference between the cost of employment to the new plants (which is assumed to represent labour's contribution to output) and the output foregone in other sectors of the economy as a result of the recruitment of this employment by the two plants. The output foregone is the social opportunity cost of labour (SOCL). The SOCL is based on the estimated alternative employment situation of the plants' workers. These alternative employment situations were established from a survey amongst the employees of the two plants in 1982. The SOCL as calculated for 1981 was applied to previous years, except that fluctuations in employment levels were taken into account. Employment costs and SOCL in 1981 were also assumed to apply in each year after 1981.

Costs in the economic evaluation of the two projects consist of Údarás grants and equity investment. Costs and benefits, measured in constant 1975 prices, were converted to 1977 present values using a 10 per cent rate of discount. A breakeven trading performance is assumed over the time horizon adopted. Some additional benefits were included in the case of project 2. These were measured as the net revenue accruing to farmers who sow potatoes under contract from the plant. This net revenue is calculated as the difference between the contract price and the market price. The price differentials were +£32.50 and -£22.00 for the 1979/80 and 1980/81 season respectively. On the basis of the two years data a price differential of +£6.00 is used to calculate future net benefits. This price differential is applied to a constant volume of 9,000 tonnes.

Total Údarás investment in the two projects 1972-1981 amounted to £1.3m and £1.7m. An increase in exchequer revenues is one return from these investments. The increase in exchequer revenues arises directly by way of extra income tax and social welfare contributions. Reduced unemployment payments are another direct saving to the exchequer. Exchequer gains arise indirectly through VAT payments on sales, and from income tax, social welfare contributions and reduced unemployment payments arising from secondary jobs created. In view of this potential increase in revenue, it is therefore appropriate to measure the cost of state investment in terms of net cost, measured over some time period. Financial evaluation 1 represents a narrow assessment of potential exchequer returns. It is based only on the return from the labour directly employed in each project. It does not include VAT payments on sales by the two projects or the wider impact of the projects on employment. Financial evaluation 2 includes these two effects. The complete methodology is described in Cawley et al. (1982).

The results of the financial analysis indicate that with evaluation 1, the exchequer would incur a net loss of £366,000 (in 1975 prices) and £442,000 (in 1975 prices) respectively in the two projects over a 15 year period (Table 6). However in the wider evaluation, the net cost to the exchequer is zero over a period of 18 years in the case of

project 1, and 15 years in the case of project 2. The economic evaluations reveal that over a 15 year time period the NSB per £1 of cost is £1.04 for project 1 and £1.50 for project 2, exclusive of net benefits to potato growers, and £1.75 when net benefits to farmers are included. The economic pay back period is 14 years for project 1 and 9 years for project 2, excluding net benefits to potato growers and 8 years when these benefits are included.

TABLE 6. Summary results of financial and economic evaluations.

		FINANCIAL EVALUATION	
Project		Net Cost	Exchequer payback period
1	Evaluation 1	£366,000 (15 year time horizon at 10% discount rate) in 1975 prices	At no future date
		£300,000 (15 year time horizon at 5% discount rate)	At no future date
	Evaluation 2	0 (10% discount rate)	18 years
		0 (5% discount rate)	8 years
2	Evaluation 1	£442,000 (15 year time horizon at 10% discount rate) in 1975 prices	At no future date
		£219,000 (15 year time horizon at 5% discount rate)	23 years
	Evaluation 2	0 (10% discount rate)	15 years
		0 (5% discount rate)	8 years
ECONOMIC EVALUATION			
Project 1 (10% discount rate)			
Discount period	Net Social Benefits per £1 of cost (£)		Economic Payback period (year)
15	1.04		-
14	1.00		14
Project 1 (5% discount rate)			
15	1.41		-
10	1.00		10
Project 2 (10% discount rate)			
15	1.50 <sup>1</sup>		-
9	1.00 <sup>1</sup>		9
15	1.72 <sup>2</sup>		-
8	1.00 <sup>2</sup>		8
Project 2 (5% discount rate)			
15	1.97 <sup>1</sup>		-
8	1.00 <sup>1</sup>		8
15	2.27 <sup>2</sup>		-
7	1.00 <sup>2</sup>		7

1. Excluding net benefits to potato growers
2. Including net benefits to potato growers

In any financial or economic evaluation, uncertainty arises in specifying an appropriate rate of discount. No unanimity appears to exist as to the appropriate discount rate for Ireland. In such circumstances it is customary to incorporate a range of rates in analyses usually varying between 5 and 10 per cent. Indeed it could be argued that the appropriate discount rates for Gaeltacht areas should be considerably less than those applied nationally. It should be noted that these are real rates as opposed to nominal discount rates as all costs and benefits are estimated in constant prices.

The financial and economic evaluations were redone assuming a lower discount rate of 5 per cent (see Table 6). Significant improvements in estimated net cost and exchequer payback periods are apparent in the financial evaluation. Under financial evaluation 1 the net cost to the exchequer of project 1, over 15 years, is reduced from £366,000 to £300,000. The net cost of project 2 over the same period is halved, from £442,000 to £219,000. The exchequer payback period under evaluation 2 is reduced from 18 years to 8 years in the case of project 1 and from 15 years to 8 years in the case of project 2. The economic evaluation at the 5 per cent discount rate also results in appreciable improvements in estimated NSB per £1 of cost and in the economic payback periods. NSB for £1 of cost, in the case of project 1, improves from £1.04 to £1.41 and the economic payback period is reduced from 14 to 10 years. NSB per £1 of cost, in the case of project 2 (excluding net benefits to potato growers) improves from £1.50 to £1.97 and the economic payback period is reduced from 9 to 8 years. When net benefits to potato growers are included in the analysis NSB per £1 of cost amounts to £2.27 over 15 years and the economic payback period is 7 years.

The two projects generate a number of additional indirect economic effects in the areas where they are located. These effects arise from the impacts they have on local incomes and employment. The spending of wages locally and the purchase of inputs from local firms, increase other incomes which, in turn, are also spent. These spending "Rounds" create further local employment. No measure of these potential impacts is made in the current analysis.

On the basis of the assumptions made in the foregoing analysis the two projects are shown to be worthwhile investments both from an exchequer and economic viewpoint. A comparison with other examples of public spending on job creation in rural areas in Ireland is not feasible because similar evaluations of other projects have not been published. Some general results of evaluations of Industrial Development Authority (IDA) assisted projects are reported in McKeon (1980). He cites for example that the average payback to the exchequer of grants is less than 2½ years. Comparisons between their evaluations and the evaluation presented herein are not appropriate for a number of reasons:- (a) all IDA evaluations are ex ante and assume once-off grant payments and the full realisation of the stated number of job approvals. (The ex post reality is not likely to match these assumptions in many cases); (b) equity involvement is seldom necessary in the case of IDA projects whereas in the case

of Udarás projects it may be, as stated earlier, a necessary condition because of the special development difficulties associated with Gaeltacht areas; and (d) the function of Udarás na Gaeltachta in relation to our cultural and linguistic heritage dictates that criteria other than purely financial and economic should be recognised in any assessments that are made.

### **Language Impacts**

Encouraging the preservation and extension of the use of the Irish language as the principal medium of communication in the Gaeltacht is a primary function of Udarás na Gaeltachta. It was deemed appropriate therefore to assess the linguistic impact of the two projects in question. A large majority of workers in the two projects are native Irish speakers (61.5% and 77.2%). Consequently, the projects are meeting a primary function of Udarás na Gaeltachta, namely providing employment opportunities within the Gaeltacht for Irish speakers. In the case of both projects it has been necessary to recruit English-speaking key workers. In project 2 where the ratio of native Irish speakers to native English speakers is high, 3.4:1, there is evidence that usage of Irish, by native Irish speakers, has suffered no adverse effects, as a result of introducing some English speakers. Rather, many of the native English speakers have become Irish speakers not alone at work, but also in the wider community. The successful assimilation of some native English speakers into the life of the Gaeltacht together with the employment opportunities afforded native Irish speakers have both contributed handsomely to the promotion of a viable Gaelic speaking community in the area. The ratio of native Irish speakers to English speakers in project 1, 1.6:1, is so low that not only are native English speakers generally conversing in English both at work and in the wider community but also many of the native Irish speakers are switching to English as their vernacular, particularly outside the home. The survey of workers at the plant did show that many of the native Irish speakers were also speaking English at home. This finding does suggest that the transformation from Irish to English might be occurring in the particular community independently of the influence of the plant. The predominance of English in project 1 is also partly attributable to the highly technological nature of the enterprise. Both shop floor workers and management personnel in the plant referred to the linguistic difficulties involved in describing through Irish the highly technical processes involved in the plastics industry. In contrast project 2 is engaged in activities which are based on natural resources and which for that reason are much more amenable to description through Irish. The highly technological nature of project 1 also necessitated the recruitment of a large number of key (largely English-speaking) workers.

## Conclusions

Údarás na Gaeltachta is a semi-state agency charged with the development of the Gaeltacht. Its brief differs from other development agencies in Ireland such as the Industrial Development Authority (IDA) and Shannon Free Airport Development Company (SFADCo) in that it is obliged to foster the Irish language as well as promoting economic development. This dual mandate has inherent difficulties as economic development increases the impact of outside influences on the Gaeltacht and these may contribute to the erosion of the status of the Irish language and culture within the Gaeltacht.

Údarás has pursued its objective mainly through a policy of creating industrial employment in Gaeltacht areas. This paper has sought to assess the impact of this policy in one particular Gaeltacht area. Assessment obviously depends on the criteria chosen. Initially the paper focussed on the costs incurred by the Údarás in promoting industrial projects. It concluded that because of the necessity to participate directly in almost all large scale projects the costs of creating industrial employment have been very high. The assistance given to help promote local small industry has, on the other hand, proved to be very worthwhile with a significant amount of employment created. Furthermore the activities promoted dealt largely with local resources and skills.

The detailed analysis of two large projects has shown that they are socially profitable. It is difficult to generalise from these particular cases but the exercise does suggest that such broader evaluations can justify the amount of expenditure undertaken by development agencies like the Údarás. On the linguistic side the assessment is less clear-cut. In the case of one of the projects examined it appears that the preservation and extension of the use of the Irish language are being realised whereas in the case of the second project an adverse linguistic effect was found.

The task faced by Údarás na Gaeltachta is in many ways unique. It does not have as comprehensive a set of powers as the Highlands and Islands Development Board (HIDB) in Scotland (Bryden, 1981). The HIDB has, for example, a major role in physical infrastructure development while the powers of Údarás are purely advisory. More so than the HIDB the Údarás has had to function alongside a proliferation of Government departments, other semi-state organisations and local authorities. Within this framework Údarás has made a significant contribution to job creation and community viability in the Gaeltacht areas.

## **Notes**

1. **Ministers and Secretaries (Amendment) Act, 1956, Gaeltacht Industries (Amendment) Act, 1965.**
2. **The Annual Reports of Gaeltarra Éireann before 1973 did not contain comparable kinds of information and thus were not examined.**

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**Women, Work and the Recession in Wales**

VICTORIA WINCKLER

The role of women in the Welsh economy has changed substantially in the post-war years. From paid employment for women being relatively uncommon in the 1950's, it has increased rapidly to become the norm in the 1980's. Now over half of all Welsh women are in paid work. Much of this increase in female economic activity has been due to various state policies, including regional policy.

The onset of the current recession in 1979 brought the upward trend in female employment to an end, and accelerated the decline in male employment. This has considerable implications for the structure of the Welsh workforce in the future.

This paper is divided into four parts. The first part outlines the current position of women in work in Wales and points to the overwhelming concentration of female employment in service industries. The second part looks at the way in which the industrial distribution of female employment has been influenced by the state. In the third section, it will be seen that it is the concentration of female employment in service industries, especially state services, that has so far protected women as a whole from the worst effects of the recession. However, as the fourth part of the paper then goes on to suggest, this favourable position is unlikely to continue.

**Women and Work in Wales**

The increase in female employment in Wales has been the most rapid in Britain. Between 1952 and 1980 over 150,000 women entered paid work, an increase of 61%, compared with a decline in male employment of some 80,000, or 12%. Women have thus come to comprise a large share of the workforce, being in 1980 over 40% of employees, compared with only 27% in 1952. Even so, women in Wales are still less likely to be economically active than women in any other region of Britain, with the Welsh female activity rate being only 88% of that of Great Britain in 1979 (Home Office 1954, Welsh Office 1982).