

CHAPTER 19 – BUS, GOV & ECONOMY

PAST BUSINESS, GOVERNMENT AND ECONOMY QUESTIONS

2018 - OUTLINE THE BENEFITS AND CHALLENGES OF INCREASING EMPLOYMENT FOR THE IRISH ECONOMY.

Benefits

1. Increased income for employees will increase consumption spending•
2. Increased taxation revenue for the government
3. Increased confidence and local pride will mean more vibrant communities
4. May attract foreign direct investment
5. Political Stability/greater social cohesion.
6. Less emigration as more employment is available in Ireland/fall in "brain drain".

2018 - OUTLINE THE BENEFITS AND CHALLENGES OF INCREASING EMPLOYMENT FOR THE IRISH ECONOMY.

Challenges

1. A skills shortage may exist as some skills are in high demand
2. Pressure may be put on housing stock resulting in a rise in rents
3. The lack of affordable accommodation reduce the attractiveness of Ireland as a location for multinational companies.
4. Improvements in infrastructure take a long time to occur
5. High consumption spending leads to inflation competitiveness.
6. Immigration may increase as people come to Ireland seeking employment.

2016 - DISCUSS THE DIFFERENT WAYS IN WHICH THE IRISH GOVERNMENT AFFECTS THE LABOUR FORCE IN IRELAND.

1. National minimum wage may protect workers on low pay,
2. They sets rates for PAYE/PRSI/USC may act as an incentive/disincentive to work.
3. The government investment in 3 rd level education - SOLAS, for allows for up-skilling and helps the unemployed to re-enter the labour force.
4. Government Agencies such as Enterprise Ireland and LEO's are tasked with the responsibility of helping business set up, ,
5. IDA Ireland, a state body, attracts multinational companies into Ireland

2014 - OUTLINE TWO BENEFITS OF LOCAL BUSINESS FOR A LOCAL COMMUNITY.

1. Employment/jobs - direct employment in the community
2. Spin-off businesses- such as transport, suppliers.
3. Increased disposable incomes - improved standard of living
4. Growth in local services - taxi services, banks, credit unions
4. Community spirit and quality of life.
5. Taxation:
6. Culture of enterprise: encourages more businesses to develop.

2014 - EXPLAIN THE TERM 'INTEREST RATE'.

It is the **price** that has to be paid by the borrower for the use of the money/or the **reward** for money saved, expressed as a percentage. The **cost** of borrowed money expressed as a % of the amount borrowed/ or the **return** on money saved over a period of time expressed as a % of the amount borrowed.

2014 - DISCUSS THE ROLE OF THE IDA IRELAND & ENTERPRISE IRELAND IN THE DEVELOPMENT OF THE IRISH ECONOMY. INDUSTRIAL DEVELOPMENT AUTHORITY

1. Responsible for the attraction & development of FDI in Ireland. Companies such as Google, Microsoft
2. Provides information & statistics on key business sectors & locations w
3. Assists in setting up a business in Ireland and offers advice on property
4. Introduces potential investors to local industry in Ireland, government, service providers and research institutions.
5. Builds links between international businesses and third level education, .

2014 - DISCUSS THE ROLE OF THE IDA IRELAND & ENTERPRISE IRELAND IN THE DEVELOPMENT OF THE IRISH ECONOMY.

ENTERPRISE IRELAND

1. responsibility for developing Indigenous Irish industry with an export focus.
2. Provided supports for both companies and researchers in Higher Education Institutes to develop new technologies
3. Provides funding and supports for companies - from entrepreneurs with business propositions for a high potential start-up to large companies 4. 4.
4. Provides international offices that can assist in the growth of exports by providing a marketing services/connections

2013 - OUTLINE THE ROLE OF THE IRISH GOVERNMENT IN ENCOURAGING AND IN REGULATING BUSINESS IN IRELAND.

Encouraging business:

1. Through decreases in taxation business activity is encouraged.
2. Through increases in State expenditure business activity is encouraged. increase capital expenditure on infrastructure,
3. Through a state agencies that give business advice, training and guidance, mentoring services and grant aid to facilitate growth and expansion. Examples include: Enterprise Ireland
4. Through government planning. Forward planning reduces uncertainty for business. National waag agreements

2013 - OUTLINE THE ROLE OF THE IRISH GOVERNMENT IN ENCOURAGING AND IN REGULATING BUSINESS IN IRELAND

regulating business:

1. To protect the environment. It established the EPA (Environmental Protection Agency)
2. To protect the consumer. The Sale of Goods and Supply of Services act 1980 & Consumer protection Act 2007
3. To protect the employees in the workplace with legislation on unfair dismissal, equality and industrial relations.
4. to protect the general public against misuse of information in manual or electronic format through the Data Protection Act of 2018

2012 - OUTLINE HOW THE GOVERNMENT'S POLICY OF INCREASED TAXATION & DECREASED PUBLIC EXPENDITURE IS IMPACTING ON BUSINESS.

INCREASED TAXATION (Positive)

1. Increased Taxation Value Added Tax (VAT): The 23% VAT rate applies to a wide range of goods and services.
2. Household charge: The new €100
3. Motor tax: Motor tax has risen by an average of about 7.5 per cent from the beginning of 2012.
4. Excise Duties: Tobacco products tax.
5. Banking: Rate of Dirt has increased from 27 per cent to 37 per cent in 2018

2012 - OUTLINE HOW THE GOVERNMENT'S POLICY OF INCREASED TAXATION & DECREASED PUBLIC EXPENDITURE IS IMPACTING ON BUSINESS.

TAX INCREASES (negative)

1. Lead to more expensive goods and services for the consumer which in turn causes demand to fall, thereby affecting business.
2. Taxes such as the household charge lead to a fall in the disposable income of consumers.
3. Increases in excises duties on tobacco products have led to an increase in tobacco smuggling.

2012 - OUTLINE HOW THE GOVERNMENT'S POLICY OF INCREASED TAXATION & DECREASED PUBLIC EXPENDITURE IS IMPACTING ON BUSINESS.

DECREASE IN PUBLIC SPENDING (Positive)

1. Social Welfare Savings
2. Healthcare Savings
3. Education Savings
4. Capital Expenditure. The capital budget for 2012 has been cut Among the major projects which have been cancelled are:
 - ♣ Metro North and Metro West
 - ♣ The underground Dart
 Remember this was during the recession

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2012 - OUTLINE HOW THE GOVERNMENT'S POLICY OF INCREASED TAXATION & DECREASED PUBLIC EXPENDITURE IS IMPACTING ON BUSINESS.

THE PUBLIC EXPENDITURE (negative)

1. Cuts in current expenditure have meant lower wages for workers, lower social welfare payments for the unemployed, higher unemployment
2. Under-investment in infrastructure can undermine economic growth and competitiveness.
3. The Government embargo on recruitment in the Public Service has reduced opportunities for employment.

2011 - OUTLINE TWO WAYS THE GOVERNMENT COULD ENCOURAGE BUSINESS ACTIVITY IN IRELAND.

1. A low corporation tax rate of 12.5% encourages FDI
2. Improved infrastructure such as roads, airports, ports, telecommunications and broadband allow business to operate efficiently
3. More Education and Training provided by State agencies such as SOLAS can ensure a steady supply of skilled workers
4. Better regulatory environment encourages the growth and expansion of business.
5. Grant aid for business start-up and expansion e.g. LEO

2010 - DISCUSS THE DIFFERENT WAYS IN WHICH THE IRISH GOVERNMENT AFFECTS THE LABOUR FORCE IN IRELAND.

1. As an Employer: The government is the single largest employer, employing 250,000 public servant workers (Civil Service, State Bodies).
2. Taxation policies/Fiscal Policies: low rates of income tax will result in consumers having more disposable income
3. VAT & Corporation tax: corporation tax remaining at 12.5%, more foreign companies may locate/remain in Ireland and offer employment.
4. Infrastructure: Government investment in infrastructure (building of new motorways, schools, increases in the number of workers employed)

2009 - EXPLAIN THE TERM 'COMMUNITY DEVELOPMENT'.

A voluntary or professional effort to support and develop the social and economic activity of a local community for the benefit of the community e.g. Leader Programmes, local partnership programmes, Local club/society

DESCRIBE TWO BENEFITS OF COMMUNITY DEVELOPMENT.

- (i) Creates employment and thereby increases spending in the local economy
- (ii) Spin off jobs e.g. transport, education
- (iii) Promotes an enterprise culture/encourages new ideas/new businesses
- (iv) Empowers local community and generates a sense of pride
- (v) Creates confidence/community spirit in the community/growth and prosperity in local area.

2007 - NAME THREE EXAMPLES OF COMMUNITY DEVELOPMENT ORGANISATIONS AND DESCRIBE THE SERVICES PROVIDED BY ONE OF THEM.

LEADER

Local Enterprise Boards

Area Partnership Companies. Services provided by one (describe):

Local Enterprise Boards services include: information and advice on how to go about setting up or expanding a micro/small business venture, grants (capital, employment, feasibility), training and mentor programmes.

2005 - DESCRIBE THE SERVICES PROVIDED BY ONE COMMUNITY DEVELOPMENT ORGANISATION YOU KNOW.

1. Leader

2. Local Enterprise Boards

3. SOALS

4. Community Partnerships,

They provide services such as:

Grants,

Mentoring service,

Marketing,

General Information and advice on how to set up and develop a business

Training of personnel

Business Planning,

Product Development,

2004 - ANALYSE THE ROLE OF THE IRISH GOVERNMENT IN CREATING A SUITABLE CLIMATE FOR BUSINESS

1. Business organisations are controlled by legislation
2. To set out regulations to be observed by everyone in society
3. Government uses taxation to transfer wealth in the community
4. Government policies restrict the excesses of business behaviour help to stabilise the economy.
5. Fiscal policies - personal taxes are increased they buy less & save less
6. Reduction of specific taxes can help businesses that are struggling
7. Current expenditure by government departments on goods and services for schools, hospitals, offices, security, etc. e.g. payments for catering.

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BUSINESS, GOVERNMENT & THE ECONOMY

ECONOMIC VARIABLES

The following are the economic variable that you need to know

1. Unemployment
2. Inflation
3. Interest Rate
4. Taxation
5. Exchange Rates
6. Government Grants and Support
7. Level of economic activity

EFFECTS OF UNEMPLOYMENT ON A BUSINESS

Sales	Unemployment is high - sales are low (People have less money for g/s). This reduce the demand Unemployment is low - more people will have income and the level of demand in the country will be high
Costs	Unemployment is high - Wages increase fall, Easier to employ staff. lead to higher Government taxes to pay for social welfare Unemployment is Low - Demand for labour can push up wages .It can also lead to greater immigration into a country
Business Confidence	Unemployment is high -This can lead to a decrease In investment but an increase in government Spending (Social behaviour) thus a rise in taxes Unemployment is low - Reduces pressure on Government finances and increased confidence

EFFECTS OF INFLATION ON A BUSINESS

Sales	High Inflation - Customers are more price sensitive & look for the best price - result in a fall of sale. Low Inflation - Consumer are less price sensitive, so they don't look around and buy as the need
Costs	High Inflation -goods are increasing employees look for cost of living wage increase. This increase business costs Low Inflation - Prices and demand for wage increase are low. Business costs Low results in a profit
Business Confidence	High Inflation - Increase uncertainty and erodes business confidence Low inflation - Business confidence is increase planning is easier for business, workers and the consumer

Effects Of Interest Rates On A Business

Sales	High Interest Rates - Fewer customer take out Loans/buy on HP. The cost of interest is high so repayments are high-fall in sales Low interest Rates - Encourages bus. & consumer to buy & borrow, increase demand for goods & services. The cost of loan/repayments are low.
Costs	High Interest Rates - Borrowing is more Expensive. Pushes business cost up and profit down Low Interest Rates - Cheaper for firms to borrow finance for expansion and for consumer to buy goods and services
Business Confidence	High Interest Rates - Business confidence is eroded. High Interest rate encourages Investor to put their money in a deposit account. Business start up s or expansion may be postponed Low interest rates - Make it more attractive to invest in new business

EFFECTS OF EXCHANGE RATES ON A BUSINESS

Sales	Increase in the Euro - Exports become expensive, the seller will want to be paid in euros which will become more expensive for foreign customer to buy (Sale will Decrease) Decrease in the Euro - Irish goods become more affordable and exports will rise
Costs	Increase in euro - Price of imported goods will become cheaper. Reduce business costs

BENEFITS AND NEGATIVE OF LOACL BUSINESS

BENEFITS OF EFFECTS OF LOCAL BUSINESS	NEGATIVE EFFECTS OF LAOCL BUSINESS
1. Promote Social Cohesion - Communities that have high economic activity are less likely to experience social decay.	1. Local Economic Shocks - occur when large business close down, result in increased unemployment
2. Enhance quality of life - Enterprise and economic activity can result in improved services and higher quality for local community.	2. Social & environmental Irresponsible business - Business cut their costs and increase profits ignoring environmental
3. Sponsorships - Of local sporting can be provide by successful local business	

KEYWORDS

Economy - This refers to all the producers, distributors and consumers of goods and services in the country It is based on wealth

Economic Growth - This refers to any increase in the financial value of all the goods and services produced from a countries resources. It is an indicator of Economic activity

Economic Boom - This occurs when the level of economic activity increases very quickly During a boom spending and demand for goods and services (holidays) is high as well as demand for employees to work in a business producing these goods and services

Economic Recession - This occurs when economic growth ceases or goes into reverse The economy start to shrink It occurs here is a fall in sales Rise in unemployment Competition is increases (Companies have to find new opportunities to grow)

Depression - This Is a serve and prolonged period of economic decline Demand for goods and services fall significantly Unemployment rises sharply ack of consumer and business confidence

Inflation - This is the rise in the average price of goods in the economy

Deflation - This is a decrease in the average price of goods in the economy. It occurs when there is a shortage of money in the economy

Interest Rates - This is the of the loan that the bank will charge to the borrower for having the loan. It is expresses as an APR (annual Percentage Rate) and it is one-way banks makes a profit

Exchange Rates - These are prices of one currency expressed in term of another currency Exchange rate are fluctuating up and down in value on the international currency markets

Community Development - This refers to local people coming together to identify problems in their area and then developing and implementing a plan to solve the problems themselves supporting small economic and enterprise development

County Enterprise Boards - These are state agencies responsible for assisting entrepreneurs who want to start up a small business in their own city or county (<10 employees)

Pobal - This is a state agency who is responsible for distributing national and EU finance This finance is used for supporting projects that assist community development Their focus is on funding initiatives that will improve local quality of life It provides funding to run local area partnership development companies

Area Partnership Companies - They encourage and support local enterprise and quality of life in local enterprise Ballymun Partnership Community childcare facilities

LEADER Programmes - This is an EU funded programme designed to encourage and assist rural communities to develop enterprise suitable to thier own local area

HOW DOES A BUSINESS IMPACT ON THE LOACAL AND NATIONAL ECONOMY

1. **Job Creation** - create new jobs mean less unemployment
2. **Boost Tax Revenue** - they spend less on social welfare. This allows more money to be spend on infrastructure and public services get more tax in the form of PAYE and PRSI
3. **Develop local self-reliance** - Communities with strong local business are less exposed to risk such as sudden closures of a large employer (Intel)
4. **Wealth Creation** - create wealth for entrepreneurs (Profits) and employees (Wages).
5. **Competition** - can lead to lower prices for customers

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OWNERSHIP STRUCTURES

FACTORS THAT INFLUENCE A BUSINESS LOCATING IN AN AREA

- Operational/production considerations** - Close to suppliers, raw materials and services such as banks. There also has to be good local utilities for example water internet and waste management. Some business need to think of a Suitable local climate
- HR Consideration** -Are there suitable employees in the area to work in the business. Are there Good transport links and housing to supply the business with employees?
- Financial consideration** - Cost of land and premises is it better to rent or buy. Are there of local grants available to help set up the business. What re the tax implications ?
- Environmental and social consideration** Is the area clean and healthy natural environment especially for organic business, Little crime and vandalism easier to attract business so they are not worried about being robbed. Supportive local community who will buy the product or service
- Marketing Consideration** Close to customers. Close to good transport and infrastructure links

HOW LOCAL BUSINESS CAN DEVELOP ITSELF

- Enterprising People** - Local people need to get together. The group should be a representative of views of as many local interests as possible and the local government
- An organisation** - An Organisation with a clear management structure ensures - 1. Good planning (SMART), 2. Organisation (Correct type of structure) and 3. Control. A management committee could decide to set up a formal business structure (Co-op)
- A Plan** - A community development plan should set out the problems and needs of the community and identify suitable solution. There should be a SWOT analysis and the plan should be SMART
- Finance** - This can be raised by 1. Fundraising, 2. Donations, 3. Credit union loans, 4. Grants, 5. Local authorities, 6. Local Enterprise Boards and 7. Pobal

ORGANISATION THAT ASSIST WITH COMMUNITY DEVELOPMENT

LOCAL ENTERPRISE BOARDS	POBAL	AREA PARTNERSHIPS COMPANIES	LEADER PROGRAMES
These are state agencies responsible for assisting entrepreneurs who want to start up a small business in their own city or county	This is a state agency who is responsible for distributing national and EU finance. This finance is used for supporting projects that assist community development.	They encourage and support local enterprise and quality of life in local enterprise. For example	This is an EU funded programme designed to encourage and assist rural communities to develop enterprise suitable to their own local area
<ol style="list-style-type: none"> Conducting local resource audit - identifying local assets and resources that can be developed Giving Grants - these are used for Marketresearch, Business plans, Purchasing equipment, employment Providing training courses - in finance, HRM Marketing Provide a mentoring service - Business mentor are experienced businesspeople who are available to provide guidance to entrepreneurs while trying to get their business established 	<ol style="list-style-type: none"> Their focus is on funding initiatives that will improve local quality of life. It provides funding to run local area partnership development companies 	For example Ballymun Partnership, Community childcare facilities	<u>Their aim is to</u> <ol style="list-style-type: none"> Improve competitiveness of agriculture Improve the environment Encourage diversification