



In economics, what are the factors of production?

In economic terms, every business requires four basic ingredients to be brought together before anything can be produced. These are known as the factors of production and are land, labour, capital and enterprise.

- **Land** refers to all the natural resources provided by the Earth, including clean air, water, plants, animals, metals and minerals, climate and so forth. These natural resources are used to supply the raw materials and energy needed. They are often in limited supply, while other essential resources provided by nature such as clean air, water, forests etc. can only be renewed and replenished at a very slow rate. These limitations on the supply of natural resources means that they need to be used wisely and sparingly.



- **Labour** refers to the human work and effort needed to make a business operate. Every firm needs to employ staff with the appropriate range of skills. The availability of labour (human effort) is limited by the number of people available to work as employees in a business.



- **Capital** refers to the money needed to pay for everything needed to set up in business, such as equipment, staff, premises, marketing etc. Each firm needs access to finance to pay for market research, purchase of equipment and raw materials, advertising and promotions. Without finance the business would come to a halt. However, as a factor of production, capital (money) is also limited in supply.



- **Enterprise** refers to the human creativity and initiative to pull together three other factors of production and start a business to provide goods and services. All the firms competing in the economy were set up as a result of somebody's entrepreneurial initiative. Enterprise is a human quality, yet not everybody has equal amounts of entrepreneurial ability. Some people will always be more enterprising than others.



Merrill chooses Ireland but Sky Media and Phillips choose Eastern Europe



Merrill Lynch, a **transnational corporation** specialising in financial **services**, has decided to transfer 300 jobs from the UK to Ireland. The jobs, which were created with the assistance of **IDA Ireland**, will be located in Dublin where the firm already employs 400 people. The company expects to employ mostly local staff.

However, the Republic of Ireland lost out to Slovakia when Sky Media Manufacturing, a Swiss transnational, was looking for a European base to **manufacture** recordable CDs and DVDs. The firm was wooed by IDA Ireland but in the end the Swiss firm decided that the much lower **labour costs** in Slovakia were more attractive than anything this country could offer.

Sky Media's decision follows the announcement by electronics giant Phillips that it was relocating some of its Irish operations to Poland. The transnational company said that the lower costs in Poland "were impossible to ignore", where wages are half of those in Ireland.

Questions...

1. Give three examples of (a) manufacturing and (b) service industries.
2. Identify three benefits of Direct Foreign Investment (also known as Foreign Direct Investment) for Ireland.



Recall & Review – fill in the gaps

The economy can be divided up into three main sectors – primary, secondary and tertiary - each containing different _____, or group of businesses producing similar goods and services.

In Ireland, traditional industries like agriculture are in long-term decline and have to adapt by developing new products and services to survive. The _____ industry refers to all types of building work and, because it is labour intensive, it remains a significant employer in the economy.

Natural resource-based industries include activities such as fishing, forestry and tourism and are highly dependent on having a good quality environment.

The _____ sector is a very important sector as it provides most of the goods for export and the generation of foreign income into the country. Industries such as IT, pharmaceuticals and food processing are particularly important. One effect of the decline of traditional agriculture has been encouragement of the growth in firms who can use agricultural produce such as dairy, meat, cereal and vegetable as raw materials to produce higher value food products such as ready meals.

Direct Foreign Investment (DFI) refers to transnational – or multinational - firms investing in Ireland by setting up production and other facilities. Many are attracted to this country by the low level of corporation _____ and easy access to the larger EU market. Competition for DFI from other countries keen to get large foreign firms to set up in their countries to provide employment is increasing.

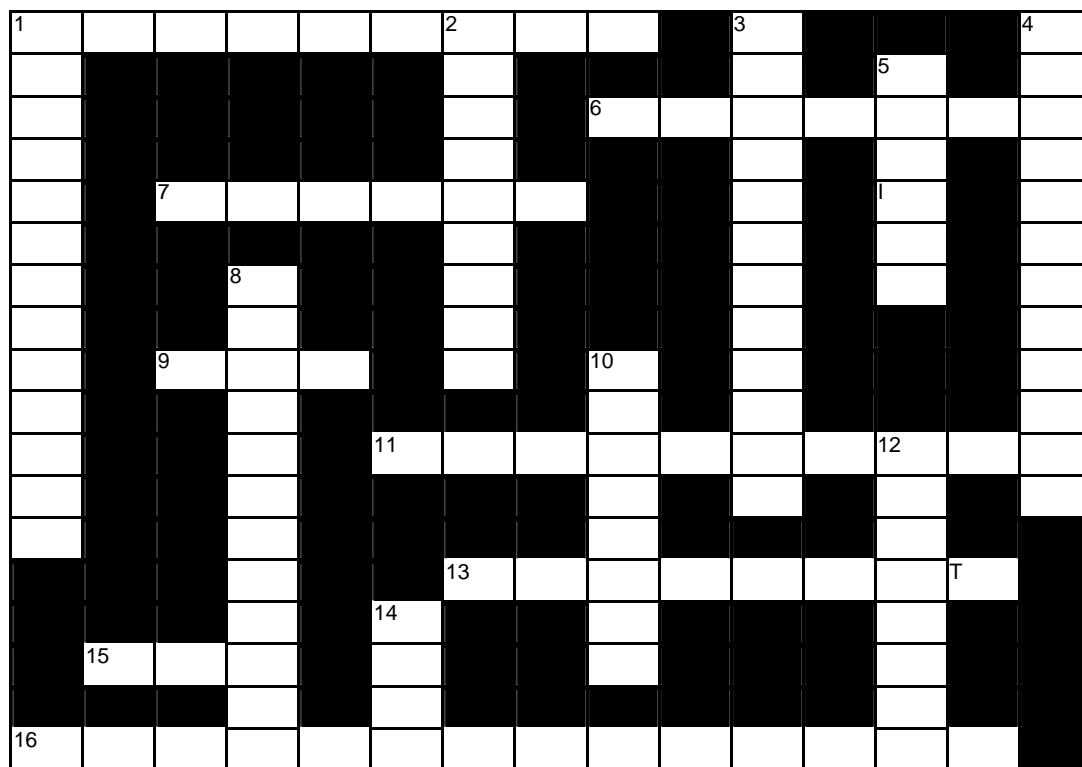
The _____ sector refers to industries that do not manufacture physical products but provide services to other businesses and individuals. It has grown to become the largest employment sector in the economy.

Economic issues such as the levels of economic activity, interest rates, interest rates and the environment have a major effect on the economy and on the ability of businesses to operate. The Government has an important role in shaping and directing the economy to ensure that there are no wild fluctuations in the economy and that the needs of both business and the wider society are met without damaging the environmental base upon which both depend.

Score: _____ out of 5



Crossword 20 - Economy and Business



CLUES

Across

1. When economic growth slows down considerably or stops (9)
6. These industries do not manufacture physical products (7)
7. These set a limit on the amount of certain goods that can be imported (6)
9. Initials of the value of all products produced in an economy in a year (3)
11. A severe and prolonged period of negative growth in an economy (10)
13. E-commerce uses this to do business (8)
15. Multinational firms setting up production and other facilities in Ireland (3)
16. An increase in the amount of goods and services produced from a country's resources (8, 6)

Down

1. Natural _____ - _____ industries are directly dependent on Nature (8, 5)
2. A rise in the average price of goods and services in an economy over time (9)
3. The Kerry Group and Glanbia operate this kind of business (12)
4. The number of jobless people available and looking for work (12)
5. This industry extracts minerals from the earth (6)
8. All types of building work such as houses and roads (12)
10. Coillte operates in this industry sector (8)
12. These rates represent the cost of borrowing money (8)
14. A period of high economic growth and the sound of a bomb (4)