

# IRELAND'S ACTION PLAN FOR JOBS: A PRELIMINARY REVIEW

APRIL 2014



# **Ireland's Action Plan for Jobs: a preliminary review**

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## Foreword

In the face of one of the biggest banking crises and deepest economic slumps of any country during the global financial crisis, Irish unemployment more than trebled in the five years to mid-2012, peaking at 15.1%.

The Irish government has taken resolute action to address the challenge, launching the *Action Plan for Jobs (APJ)* initiative in early 2012 with the aim of creating the conditions to support private sector-led, export-oriented economic growth and job creation. The third annual *APJ* was published in March 2014, building on and drawing lessons from its predecessors.

The *APJ*'s most striking innovation in the Irish public policy context is a coordination mechanism that ensures high-level political buy-in and oversight, whole-of-government engagement and the establishment of quarterly targets underpinned by a robust monitoring system. These are important steps towards addressing long-standing gaps that undermine successful policy implementation.

Ireland's labour market bounced back strongly in 2013, positive momentum having continued into 2014. Ireland is well on track to achieve the interim *APJ* target of 100,000 new jobs by 2016, while the longer-term aim of having 2.1 million employed people by 2020 also looks firmly within grasp.

While Irish policymakers can take some satisfaction in the economy's return to growth and recent robust job growth, significant challenges lie ahead if the country is to rapidly bring down the unemployment rate. As the economic recovery gains traction, getting people back to work, stemming the flow of economic emigrants and regaining market share for the country's exports will in turn support domestic demand and a virtuous circle of economic revitalization and more inclusion growth in the years to come.

Drawing on the expertise and experience of OECD member countries, this preliminary review examines key aspects of the Action Plan for Jobs and highlights some key policy priorities to boost job creation. We look forward to supporting Ireland on the challenging road back to full employment as it enters a new, more robust phase of economic and social development.



Angel Gurría  
Secretary-General, OECD

# 1. Introduction

**Ireland was among the countries in Europe hit the hardest by the global financial crisis. By the first half of 2012, it had also suffered from the fallout from a home-grown property bubble and faced extremely high unemployment. To address this social and economic crisis, the Irish government launched a series of annual Action Plans for Jobs (APJs), underpinned by efforts to mobilise whole-of-government support for private sector led job creation. The labour market has since stabilised, unemployment is falling, and job creation accelerated through 2013.**

From peak employment of 2.16 million in Q1 2008, the Irish economy saw the loss of more than 320 000 jobs – or 15.1% – by the time the labour market bottomed out in Q2 2012. This left only 1.83 million people employed. Nearly 60 000 jobs were created in the year to end-Q4 2013. The pace of job creation accelerated over this period, leaving 1.9 million employed by this time. Similarly, from its Q4 2007 peak of 64.1%, the labour participation rate had fallen sharply to 59.8% by Q2 2012, before recovering marginally to 60.4% by Q4 2013. Net emigration in the years to end-April 2012 and end-April 2013 was 34 400 and 33 100 respectively. As a result, the unemployment rate climbed dramatically over this period from 4.5% in Q1 2007 to peak at 15.1% in Q1 2012. It then began a slow but steady decline to 12.1% by Q4 2013<sup>1</sup>. The latest standardised unemployment rate, calculated on the basis of benefit claimants, stood at 11.8% in March 2014<sup>2</sup>. This indicates the scale of the challenge still lying ahead, despite steady progress.

This document provides a preliminary overview of the 2012 and 2013 APJs. It does not purport to be an exhaustive survey; nor does it contain a comprehensive and prescriptive set of recommendations. Rather, it sets out the policy context, examines a number of the APJs' core components, and lays the foundations for further OECD collaboration on future APJs and in support of the government's job creation efforts more broadly.

## Taking Action, Creating Jobs

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The first annual APJ was launched in February 2012, and its first successor was published in February 2013. Together, these comprised over 600 specific actions. It is estimated that over 90% of these actions had been completed by the end of 2013<sup>3</sup>. In this context, the Irish authorities requested that the OECD prepare a preliminary review of the 2012 and 2013 APJs – a “process and policies health check” – with a view to informing future iterations of the APJ. The third APJ was published in February 2014, comprising a further 385 specific actions.

The APJ had targeted the creation of 100 000 new jobs by 2016, with the longer-term aim of restoring the number of employed people to 2 million by 2020, since revised to 2.1 million in light of publication of the Government's Medium Term Economic Strategy 2014-2020. While the

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<sup>1</sup> All labour market figures from Central Statistics Office, Quarterly National Household Survey, seasonally adjusted. Emigration statistics from Central Statistics Office Population and Migration Estimates, 29 August 2013.

<sup>2</sup> Central Statistics Office, Live Register figures for March 2014.

<sup>3</sup> 4<sup>th</sup> Quarterly APJ Progress Report of 2013, forthcoming.

Irish economy is well on track to achieve these interim goals – particularly if the current rate of job creation is maintained (60,000 increase in net employment across multiple sectors in the year to Q4 2013) – this would by 2020 still leave the number of people employed below the Q1 2008 peak. Tackling unemployment and ensuring that high cyclical unemployment does not become structural and persistent are important challenges. A relentless focus on activating those most vulnerable to alienation from the labour market will be even more important than aggregate job creation targets in this regard.

Following the completion of the EU-ECB-IMF Troika programme of financial assistance in December 2013, and Ireland’s successful return to financial markets in early 2014, it is important to maintain the momentum of the country’s reform agenda so as to retain this market confidence and, more importantly, generate the growth and jobs needed to further accelerate the decline in unemployment from its current high levels. There is a need, moreover, to ensure that successive APJs are fully aligned with both the recently published Medium-Term Economic Strategy 2014-2020 and other horizontal policy initiatives.

## **A Preliminary Assessment: Going in the Right Direction, Must Travel Faster**

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The APJ’s focus on private sector-led, export-oriented job creation by getting framework conditions right and continually upgrading the business environment is a sound approach, particularly given fiscal constraints and persistent credit constraints in the banking sector. The focus on building and strengthening linkages between the domestic SME and FDI sector is also welcome, and is in line with the recommendations of the OECD’s 2013 Economic Survey. The innovation of horizontal, “disruptive” reforms in 2013 APJ represents impressive ambition in a limited number of core areas. What the APJ seems to have provided is a coordination mechanism and instrument which helped fill a pre-existing implementation gap, disaggregating policy goals and establishing key time-lined delivery staging points along the way.

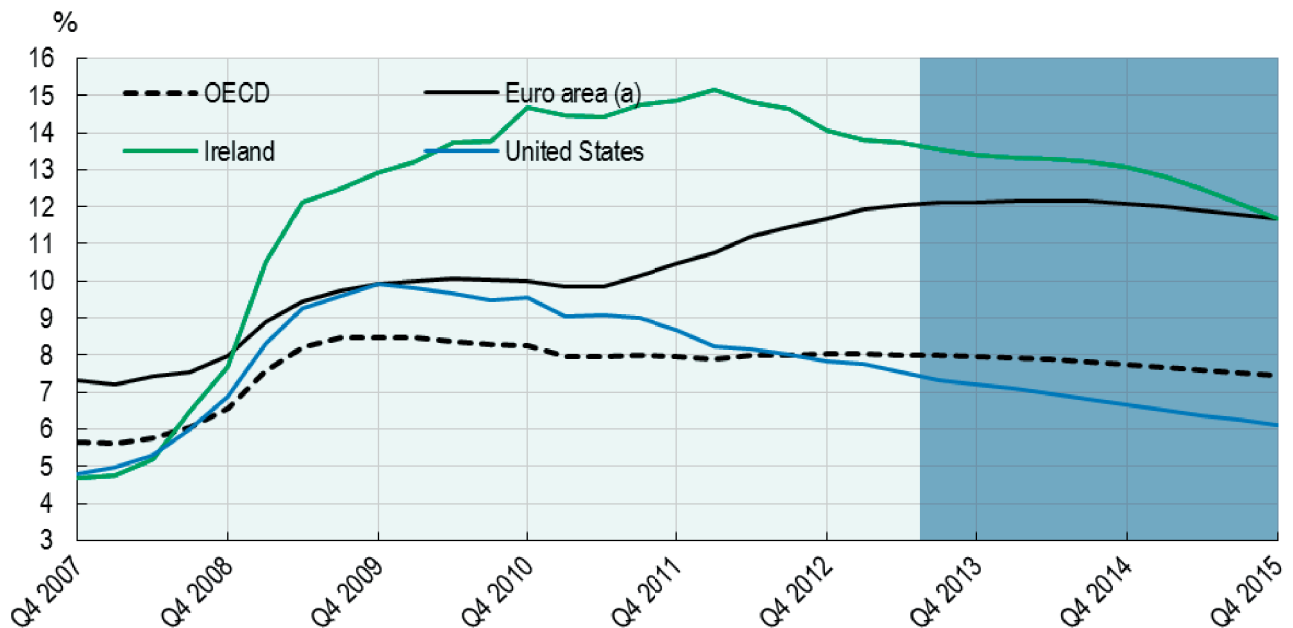
The APJs mark two significant positive developments in Irish public governance: (i) Concerted whole-of-government policy implementation with political buy-in, oversight and direction at the highest level, coupled with (ii) a rigorous quarterly monitoring and reporting system, modelled on that of the recent Troika programme. These could be further strengthened by respectively (i) ensuring oversight for strategy-setting, policy execution, and performance monitoring by the Economic Recovery and Jobs Committee to optimise linkages between the APJ and other single- and multi-sector policy initiatives; and (ii) introducing a comprehensive performance assessment framework to measure progress towards achieving its strategic objectives.

## 2. Activating the Unemployed

Job creation in Ireland accelerated in 2013, helping to reduce the unemployment rate from elevated levels. The participation rate has also begun to rise, having declined markedly between 2007 and 2013, while net emigration remains a significant factor. The Irish authorities are in the process of re-orienting their labour activation apparatus from a traditionally passive stance, notably through the *Pathways to Work* initiative, elements of which form part of the *Action Plans for Jobs*. More needs to be done, however, to target activation efforts among long-term unemployed, low-skilled and young people. These groups are particularly at risk of becoming marginalised and permanently detached from the labour market.

The global economic and financial crisis hit the Irish labour market hard and the decline in employment was much steeper than the average across the OECD (Figure 1). Particularly steep falls occurred in youth employment rates (over 20 percentage points) and among the low skilled (15 percentage points). Consequently, unemployment climbed faster than in many other countries, reaching a peak of 15.1% in January 2012 (Figure 1). The Action Plan for Jobs was therefore a welcome and important initiative when launched in February 2012. It aimed to tackle one of the most urgent social and economic challenges facing the country.

**Figure 1. Unemployment has been falling in Ireland but from a high level <sup>a</sup>**  
as a percentage of the labour force



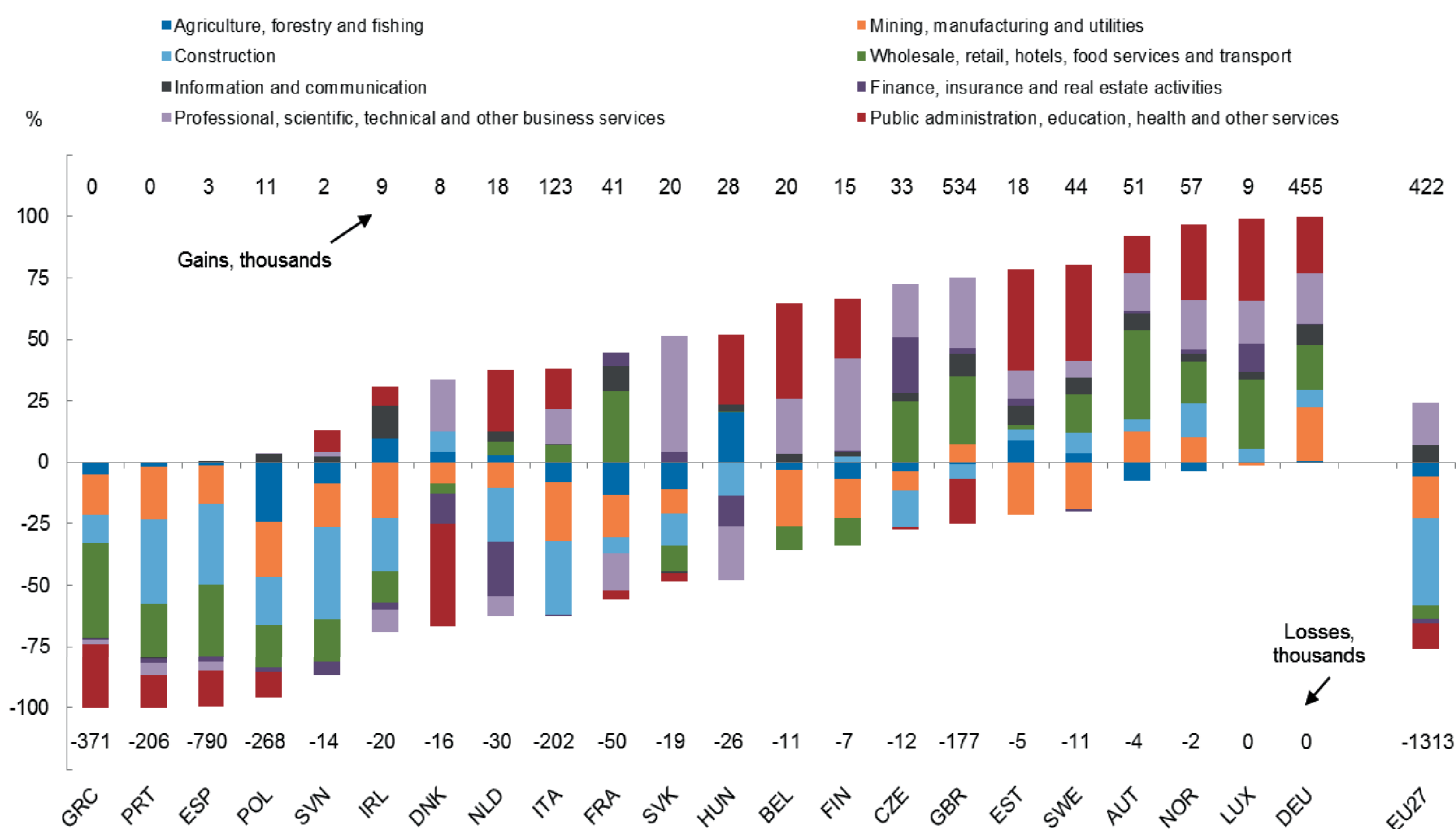
a) Projections from Q3 2013 onwards.

Source: OECD Short-Term Labour Market Statistics Database and OECD (2013), *OECD Economic Outlook*, Vol. 2013/2, OECD Publishing, Paris.

Between 2008 and 2011, the OECD area as a whole suffered a net loss of about 9 million jobs. Ireland, with Greece and Spain, suffered losses of over 8% (about 300 000 jobs), with the construction sector particularly badly hit. Between 2011 and 2012, Irish job losses continued in manufacturing and construction but were partly offset by job gains in agriculture, information and communication, and public administration (Figure 2). Irish employment performance also reflects some changes in the mix of occupations. Contrary to other European countries which experienced declining opportunities for managers during the crisis, in Ireland all categories of highly skilled workers gained employment (Figure 3).

**Figure 2. Where people lost or gained their jobs in Europe, 2011-2012**

Relative contribution to change in total employment by major sectors of economic activity

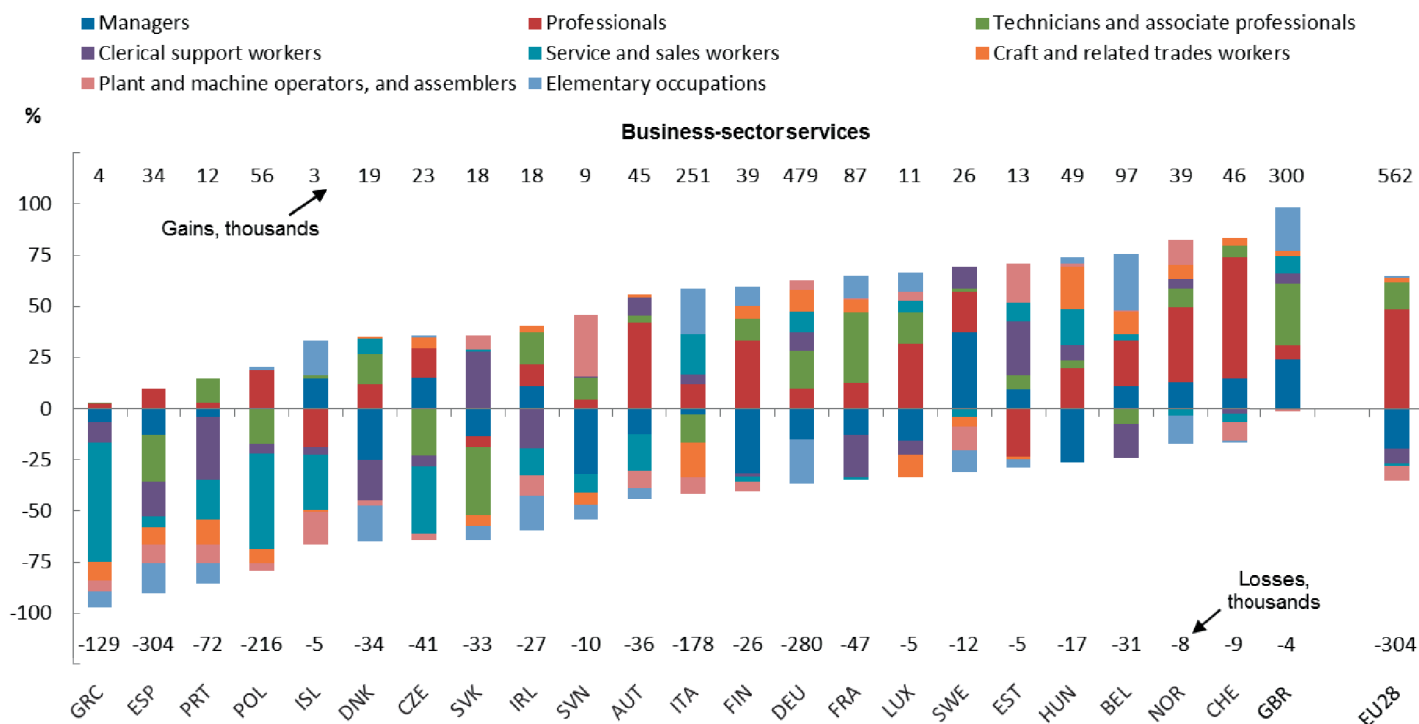


Source: OECD (2013), *OECD Science, Technology and Industry Scoreboard 2013: Innovation for Growth*, OECD Publishing, Paris.



**Figure 3. Changes in the skill mix in Europe, business services, 2011-2012**

**Relative contribution to changes in total employment by major occupation groups**



Source: OECD (2013), *OECD Science, Technology and Industry Scoreboard 2013: Innovation for Growth*, OECD Publishing, Paris.

### Youth and long-term unemployment in particular need of attention

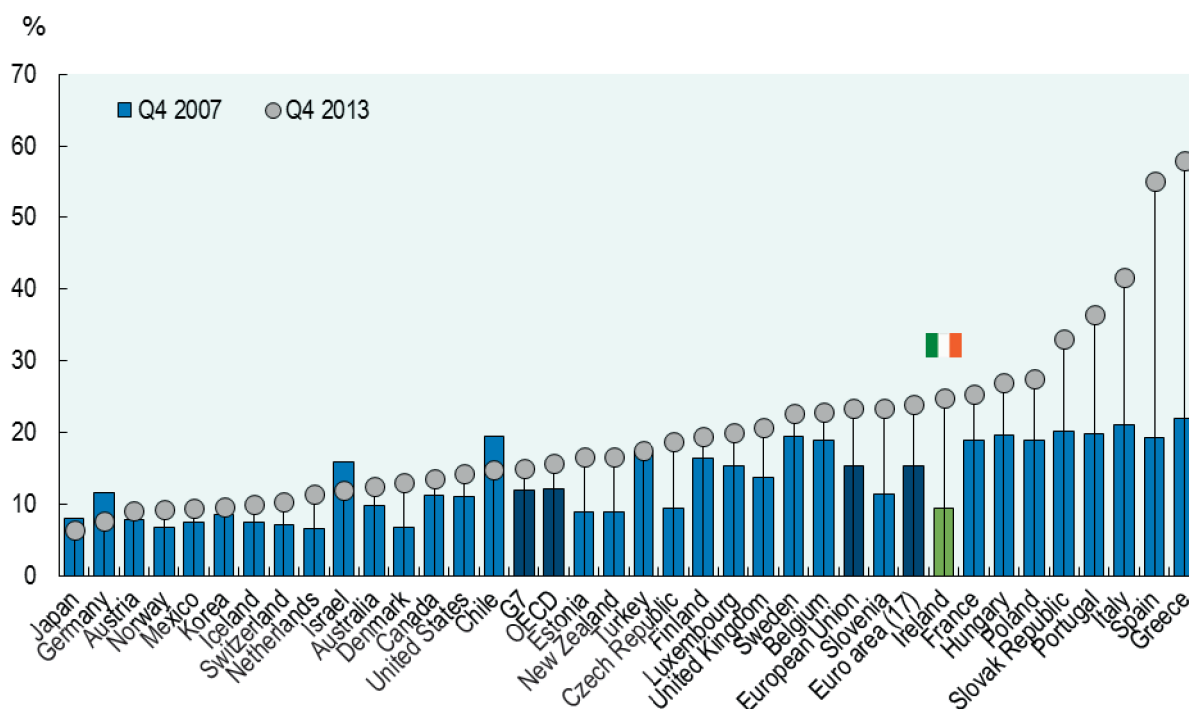
Youth unemployment has also fallen in line with aggregate unemployment but remains at a high level – close to 26%. This is nevertheless lower than in the southern European countries of Italy, Greece, Portugal and Spain (Figure 4). High and persistent levels of unemployment among young people are reflected in the rise in the proportion of young people Not in Education, Employment or Training (the NEET rate). Among OECD countries, Ireland registered the fifth highest increase (3.7 percentage points) in the NEET rate since the beginning of the global financial crisis after Estonia, Greece, Italy and Spain.<sup>4</sup> Where youth have experienced long spells of being out of work and out of school, they risks becoming permanently disconnected from the labour force and marginalised, potentially compromising employment and long-term career prospects. This underlines the importance and urgency of actions to encourage young people to acquire qualifications and experience sought after by employers, and to reduce the number of early-school leavers, as central elements of the Action Plan for Jobs.

<sup>4</sup> In the case of Ireland, the bulk of the young NEET population either report being a student as their main status or are unemployed and likely to be on the live register and thus in contact with public providers of employment services.

Long-term unemployment (12 months or more) has risen sharply in Ireland from around 29% of all unemployment in Q4 2007 to just under 60% in Q3 2013, although there has recently been a welcome decline (Figure 5). As part of the Pathways to Work initiative – itself a component of the Action Plan for Jobs as of 2013 – the Department for Social Protection has set a target of moving 75 000 of the long-term unemployed at the beginning of 2012 into employment by end-2015, including 20 000 in 2013 alone. Interim quarterly targets were being met comfortably by mid-2013<sup>5</sup>. Unless more is done to help the long-term unemployed find jobs, however, there is a risk that some of the cyclical increase in unemployment may become structural. Creating jobs may not be sufficient to fully absorb the rise in long-term unemployment that took place following the crisis. The APJ must therefore be buttressed by strong labour activation policies.

**Figure 4. Youth unemployment remains high in Ireland**

As a percentage of the youth labour force (aged 15-24), Q4 2007<sup>a</sup> - Q3 2013<sup>b</sup>



a Q2 2007 for Switzerland.

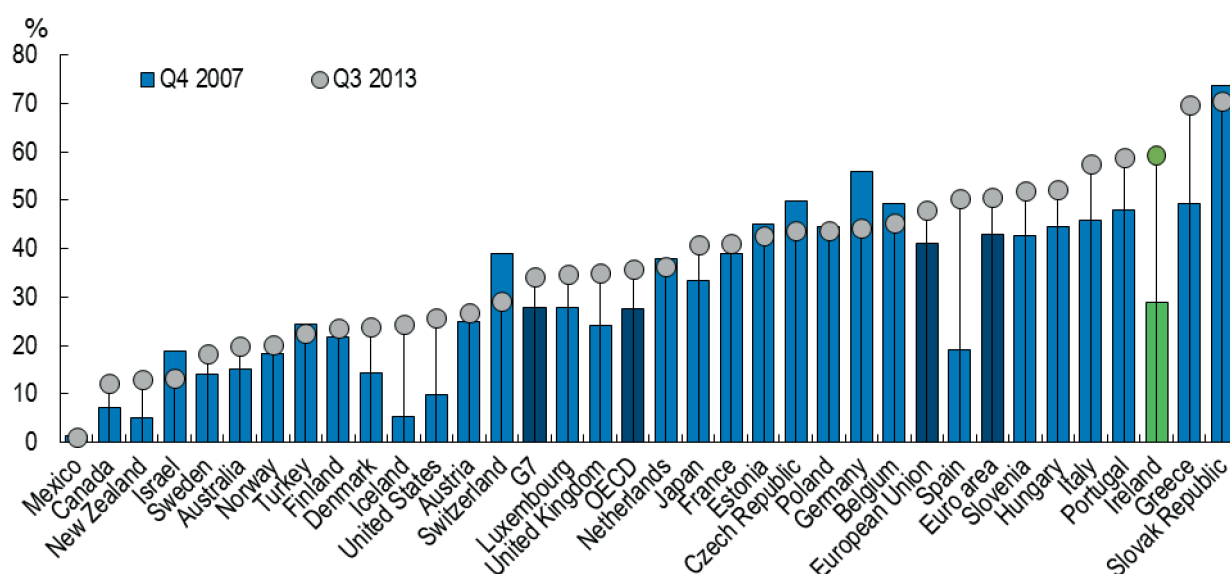
b Q3 2013 for Chile, Estonia, Greece, Hungary, Israel, Korea, Mexico, New Zealand, Norway, Switzerland, Turkey and the United Kingdom.

Source: OECD Short-Term Labour Market Statistics Database.

<sup>5</sup> Source: Pathways to Work Performance Report Q2 2013.  
<http://www.welfare.ie/en/downloads/PTWQ2PerformanceReport.pdf>

**Figure 5. Tackling long-term unemployment is a key challenge for Ireland**

Long-term unemployment (more than one year) as a percentage of all unemployment <sup>a, b</sup>



a Data are not seasonally adjusted but are smoothed using three-quarter moving averages. “OECD” refers to the weighted average of 32 OECD countries excluding Chile and Korea. Data refer to 2012 for Israel and Q2 2013 instead of Q3 2013 for the European Union, the Euro area, G7, France and the Netherlands.

b 2012 for Israel.

Source: OECD Short-Term Labour Market Statistics Database.

## Recent labour market reforms introduced to tackle unemployment

The substantial rise in unemployment following the onset of the crisis overwhelmed Ireland’s fragmented system for the delivery of placement and other employment services, including training programmes, and put significant pressure on social expenditures. Moreover, social welfare benefits had been administered separately from employment services. As a consequence – and following the recommendation of the OECD (Grubb et al., 2009) – a major reform was introduced in 2011 to develop an integrated one-stop system to administer working-age benefits and employment services. This was followed by the wider Pathways to Work Strategy that combined reforms to the benefit system, employment programmes and services for jobseekers and employers.

At the same time, the level and duration of unemployment insurance benefits has also been reduced. This integrated system is being implemented through the creation of “Intreo” one-stop centres, which are being introduced progressively throughout Ireland. Full implementation of the Pathways to Work strategy is a core component of the APJ. This includes the roll-out of the Intreo centres and progress with the JobPath initiative to contract private providers to provide re-employment services to the long-term unemployed. As of September 2013, 17 Intreo offices

had been opened with a view to achieving the year-end target of 43 (of which 33 are new offices)<sup>6</sup>.

## **Next Steps for the Action Plan for Jobs in 2014 and 2015**

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Ireland's Action Plan for Jobs represents a comprehensive, whole-of-government approach to strengthening the competitiveness of the Irish Economy and to stimulating job creation. In the area of employment policies, this consolidates and builds on the government's already considerable reforms to strengthen the delivery of placement services and other measures to assist and encourage the unemployed to find work. Nevertheless, there are a number of areas where more could be done:

**Doing more to help youth and other disadvantaged groups find jobs.** The Irish government is pushing ahead with the implementation of a Youth Guarantee scheme in line with the European Council recommendation in April 2013 agreed during Ireland's Presidency of the Council (DSP, 2014). This is being done progressively and builds on the Pathways to Work programme where a number of measures have been developed to tackle long-term unemployment, including hiring subsidies and the Momentum re-training scheme. While these are welcome measures, the OECD report on "Options for an Irish Youth Guarantee" points to a number of areas where these measures could be adapted to make them more effective (OECD, 2014). For example, JobBridge is a large and expensive programme, having been expanded from 6 000 to 8 500 places in the 2013 Budget, and is not targeted specifically at the most disadvantaged groups. This may be acceptable at a time of chronic unemployment, but as unemployment starts to decline such efforts should be more closely targeted on vulnerable groups most at risk of remaining jobless. JobBridge acts as both a recruitment aid and a work experience programme. The latter function is clearly more valuable for those without recent labour market experience and should be expanded through a less costly version of this measure which could be targeted at the most disadvantaged. It is also important to avoid or minimise "lock-in" effects (*i.e.* a situation where job search is abandoned or minimised) during participation in a labour market programme. This means that Ireland's public employment services should continue to support on-going job search among those participating in various programmes, especially as participation draws to an end. Ireland is strengthening its capacity in the area of job search support and activation, but this should be extended to those in programmes to maximise programme effectiveness. Participation in programmes such as JobBridge on a part-time basis could also be considered in order to facilitate job search.

**Strengthening the provision of training, especially for the disadvantaged.** The Former FÁS training centres now come under the aegis of a revamped institution, SOLAS. This brings with it a risk that disadvantaged clients may continue to experience low participation in training as Intreo is not sufficiently resourced to purchase training directly for this group. Following the establishment of SOLAS on a statutory basis in 2013, and the continued roll-out of Intreo offices during 2013 and 2014, it will be important to develop and ensure close links between the two agencies. Indeed, APJ 2013 acknowledges that the main challenge in implementing the National Skills Strategy is improving the skill levels of those with the lowest levels of qualifications. In this

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<sup>6</sup> Source: Pathways to Work Performance Report Q2 2013.  
<http://www.welfare.ie/en/downloads/PTWQ2PerformanceReport.pdf>

regard, the Momentum Fund, foreseen in APJ 2013 to train 6 500 long-term unemployed people, marks a welcome prioritisation. Such investments in training, up-skilling and life-long learning not only improve the capacity of the unemployed to find and hold jobs, but also to adapt to changing labour market conditions in the future, thus limiting career disruptions. They also serve to improve job quality, an objective that perhaps deserves greater focus in future APJs.

**Ensure scarce resources are devoted to the most effective Active Labour Market Programmes (ALMPs).** Ensuring that public spending on ALMPs is well targeted requires good information on the cost-effectiveness of these programmes. This in turn requires rigorous evaluation of programme outcomes. Similarly, the employment outcomes achieved by providers of contracted-out services should be rigorously evaluated and monitored. For example, the role of the long-established Community Employment Programme (CEP) should be reconsidered. While the CEP provides a range of valuable services to local communities, several evaluations have suggested that it is not a very cost-effective programme, especially in terms of getting the participants back into regular employment. On its own, the CEP accounts for 33% of total ALMP spending and 30% of all participants in such activation programmes – according to the 2014 Irish budget estimates. As employment recovers and unemployment continues to decline, one option would be for spending on CEP to be reduced progressively and for resources to be redirected to other, more effective ALMPs, or to subsidising the development of a modern apprenticeship programme. In this context, publication of and consultation on the government’s review of activation schemes is a welcome development, as is the APJ 2013 commitment to “tighten the targeting of activation places to improve employment impact”. It is important that the government follows through on this commitment through the 2014 and 2015 APJs, and through the *‘Pathways to Work’* strategy. Therefore, recent action to target the CEP more closely on long-term recipients of job-seekers’ payment is a welcome step.

**Developing a modern apprenticeship system.** Apprenticeships can help those young people who do not undertake further academic studies to gain useful skills and make a smoother transition from school to work. With the active participation of social partners, action could be taken to design and implement a modern apprenticeship system to replace the existing, narrow, crafts-based apprenticeship system. This would be a considerable challenge and may require significant resources to implement. It would be important that the government follows through in 2014 on the review of the Apprenticeship Training Model which formed part of APJ 2013.

## 3. Empowering Employers

**A thriving private sector is crucial to healing the wounds of the recent crisis and to the job-rich economic recovery that Ireland needs. Empowering businesses to grow and to hire workers is at the heart of the philosophy underpinning the Action Plan on Jobs. Ensuring firms can access the skilled workforce and the financing they need is crucial, while there may be scope to better incorporate the local and regional dimension into job creation efforts.**

Significant institutional reforms are under way across the employment, training and economic development system. Combined, these reforms will have a fundamental impact on policy planning and delivery relating to job creation. Building on the efforts to date in the 2012 and 2013 Action Plans for Jobs (APJs), there is scope going forward for more concerted and coherent action in the following areas:

- Mobilising employers to play their part in the employment and skills system to ensure the future needs of the economy are met.
- Stimulating productivity by better using skills within domestic sectors.
- Stepping up efforts to improve access to finance for SMEs.

### **Mobilising employers to play their part in the employment and skills system**

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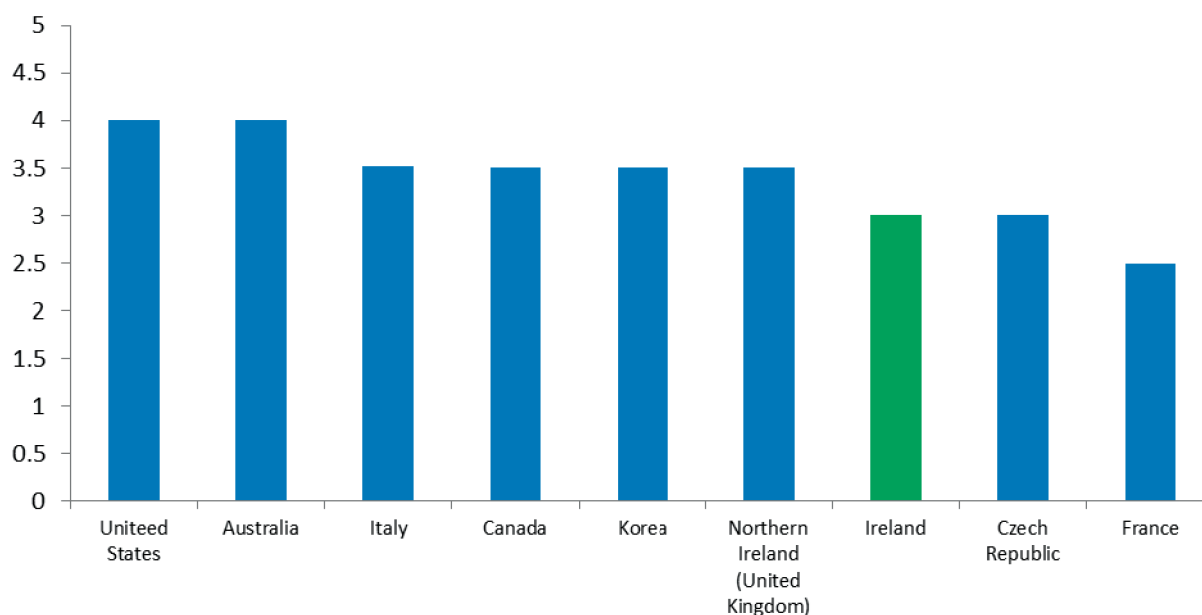
Employers have a defining role to play in any skills system, including at local level. Ireland participated in an OECD Review of Local Job Creation Policies, which examined the contribution of local labour market policy to boosting quality employment and productivity, focusing on how policies are actually implemented (OECD 2013a). The findings from this review suggest that, when compared to other OECD countries, Ireland's employment and skills system could be better aligned with employer demand (see Figure 1 on next page).

In practice, a large number of employers used neither the National Contact Centre (NCC) nor their local employment office when recruiting, even for entry-level jobs, preferring to hire directly or via private jobs agencies. In 2013, almost 60% of surveyed employers indicated that they did not use the NCC as a recruitment source in the first place (IBEC, 2013). Follow-up surveys have indicated that among employers who have used the NCC, 84% stated that they had their vacancy filled within two months of engagement with 64% of these employers saying that they had done so with a Department of Social Protection-referred candidate. .

The government is conscious of the need for additional resources in this area, leading to the introduction of a new employer engagement strategy within *Intreo*, and a new network of offices which will operate as single points of contact for all employment search and income supports for the unemployed. This will also be a priority area for outsourced service providers under JobPath. In time, this should go some way towards creating a more responsive employment service.

In establishing this function, Ireland could draw on lessons from Australia where employment service providers have “reverse marketers”. Reverse marketers actively market jobseekers to potential employers where vacancies have not been advertised, and refer and place jobseekers into those jobs. These individuals provide a mechanism to stimulate demand for labour by pre-empting employers’ labour needs before they create a vacancy, and play an important role in the wider employment services framework by providing jobseekers with access to vacancies that may not otherwise exist. Reverse marketers target specific employers with whom the jobseeker is likely to be able to find sustainable employment. This requires a comprehensive understanding of the local labour market. This concept could be considered as part of the roll-out of employer engagement activities, in coordination with Local Enterprise Offices, with appointed individuals within local employment offices potentially undertaking this function.

**Figure 1. Employer engagement in the orientation of employment and training, 2013**



Note: This indicator is a composite index developed by the OECD based on a qualitative assessment of the extent to which the employment and training system is oriented to employer demand. It is based on the degree of VET customisation, whether particular support is provided to SMEs, and the accessibility of workplace training. A score of 1 corresponds to sub-optimal actions and 5 to a comprehensive set of policies and practices. The same methodology has been applied to all countries shown in the chart above.

Source: OECD (2014, forthcoming), *Job Creation and Local Economic Development*, OECD Publishing, Paris.

The 2012 and 2013 Action Plans both highlight the importance of aligning skills with employer needs. The establishment of SOLAS and Education and Training Boards was an attempt to ensure that education and skills programmes are relevant to the demands of employers and individuals. Employers are to be represented directly on the Education and Training Boards, a welcome development which will assist in helping the Boards to give training providers detailed and authoritative information on local employers’ needs. It is important that employers can contribute fully, and that new Local Community Development Committees have sufficient private sector representation. Furthermore, the apprenticeship system is being reformed to open it up to a broader array of sectors and to more young people – a key ingredient in giving young people the chance to gain work-based training.

Employers are asking for a more active role in designing and delivering training programmes to ensure that programmes provide the skills they need in their workforce. Employers in the domestic sector are key contributors to regional competitiveness and dynamism but more needs to be done to respond to their hiring needs. Public training curricula offered by VECs and FÁS training has often been seen as slow to adapt to changing business needs, and trainers often do not have up-to-date skills themselves. Larger employers rely primarily on in-house training or private trainers to bring new employees (including graduates and people who completed state training) to the required skill levels. However, there are successful examples - such as Skillnets and FIT - in Ireland that could be expanded and which build on local networks and facilitate skills development opportunities among employers, especially SMEs.

A more responsive vocational education and training system would fully involve employers in the design and delivery of training. This is the practice in the United States, where community colleges can rapidly develop courses because they use industry representatives as trainers. Because these trainers are from industry, it also helps to ensure a good relationship with employers. In some cases, community colleges have created a separate branch of their institution from the part of the college which offers more traditional academic courses in order to more quickly respond to local needs. This dual institutional structure is particularly evident in California (OECD, 2013b).

The government could also keep in mind that in many cases, employers' needs can be short-term. It is therefore critical that other partners such as trade unions and the non-profit sector are also involved in training efforts, and that there is sufficient emphasis on equipping individuals with the generic skills which will enable them to be more adaptable and resilient.

## **Stimulating productivity by better using skills**

Supporting the growth of indigenous sectors is a key pillar within the 2012 and 2013 Action Plan for Jobs. At the same time, attracting inward investment and ensuring multinationals have access to the skilled workforce they require have long been successful elements of Ireland's economy. Support for the skills needs of domestic employers in sectors such as retail, health care, education, and energy is often less robust. Even companies in these sectors which are on high growth trajectories often face challenges in accessing relevant and responsive training. This is particularly the case for small- to medium-sized employers who provide over half of all private sector jobs in Ireland.

Going forward, the preparation of the Action Plans for Jobs could consider the role of the public sector in working directly with domestic employers to support the better utilisation of skills. In other OECD countries, skills utilisation policies have led to increased productivity and profitability for employers. In the past, a number of agencies in Ireland – such as the National Centre for Partnership and Performance and the Irish Productivity Centre – had specific mandates to look at these issues.

The public sector can also be more pro-active in approaching small employers and advising them on how to train staff and manage human resources arrangements. This can include promoting knowledge sharing networks and encouraging public bodies to participate in training for both managers and workers, as better trained managers are likely to create more productive working environments for their staff.



In parallel, companies need to be encouraged to make training and other skills development opportunities available to their employees. Advising on how to develop a quality-driven supply chain can also be useful to help local firms think longer term and therefore invest in increased productivity and incremental innovation. Public procurement could be a useful policy lever in this regard as government contracts can require a certain level of working conditions, and a certain level of commitment to training.

There are a number of opportunities within Ireland's new training and labour activation structures to improve policy co-ordination and integration. Firstly, the establishment of Intreo and SOLAS should improve how employment services and vocational education providers collaborate and communicate with each other. The merging of FÁS Training and Vocational Education Committees into 16 Education and Training Boards (the completion of which was envisaged in APJ 2013) can also be expected to improve collaboration within the vocational education and training system. It will also align it more closely with public employment services through closer working between the Education and Training Boards and local Intreo offices.

At the national level, the legislation establishing SOLAS, as foreseen in APJ 2013, requires it to develop a strong relationship with Intreo. Secondly, there is considerable potential through the local government reforms already underway to strengthen voices that speak with authority for the needs of regional and local economies. The newly drawn up 'super regions' could provide a greater impetus for stronger regional thinking on skills and serve as more effective co-ordination units for preparing local skills strategies for high, medium, and low skilled workers. It is critical that they are appropriately resourced, have the necessary capacities, and are given the authority required in order to prevent them from becoming a limited governance structure.

### **Box 1. Better skills utilisation in action – Canada and Italy**

#### **Skills utilisation approaches in Niagara, Ontario, Canada**

Local educational institutions in the Niagara region of Canada are actively engaged in stimulating productivity and increasing the utilisation of skills by employers. For example, the local community college, Niagara College, has a tradition of working with local firms on R&D and innovation projects and has recently received funding from the Federal Economic Development Agency for Southern Ontario (FedDev Ontario) to increase its capacity to support the innovation goals of regional SMEs.

The research arm of the college (Niagara Research) collaborates with firms in areas that include product and process applied research; engineering design; technology development; product testing; proof of concept; piloting; and problem solving. The most recent federally funded year-long programme includes partnering with 165 SMEs to develop basic business tools within the following sectors: information and communication technology; advanced manufacturing; greenhouse/viticulture/horticulture; renewable energy; and environmental technologies. The local Brock University has also developed a newly-built Cairns Family Health and Bioscience Research Centre which includes, alongside scientific and technical research, a business incubator to encourage spin-offs and ensure that products can be taken to market.

## Improving skills supply and utilisation in Riviera Del Brenta, Italy

In the Riviera del Brenta industrial district in northern Italy, a cluster of firms in the footwear sector have collaborated to pool investment in training provision while also collectively upgrading product market strategies in order to engage in high quality international markets. The region traditionally hosted cottage-based shoe making industries which mainly employed low-skilled blue collar workers. However the area has now become a global centre for the production of high quality ladies footwear (supplying to Giorgio Armani, Louis Vuitton, Chanel, Prada and Christian Dior), through the development of an international brand by the local employers association, ACRIB.

The privately-run local polytechnic, *Politecnico Calzaturiero*, has played an important role in the economic development of the district, employing firm managers to train local workers and job seekers after hours, while also offering management training and investing in research, innovation and technology transfer. The polytechnic therefore invests in skills supply while also optimising skills utilisation through new product development and improved human resource management. The fact that firms are members of ACRIB means that they are less worried about pooling training, technology and new innovations. Investment in local human capital will not only improve prospects for individual firms but also for the global brand as a whole.

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## Stepping up efforts to improve access to finance for SMEs

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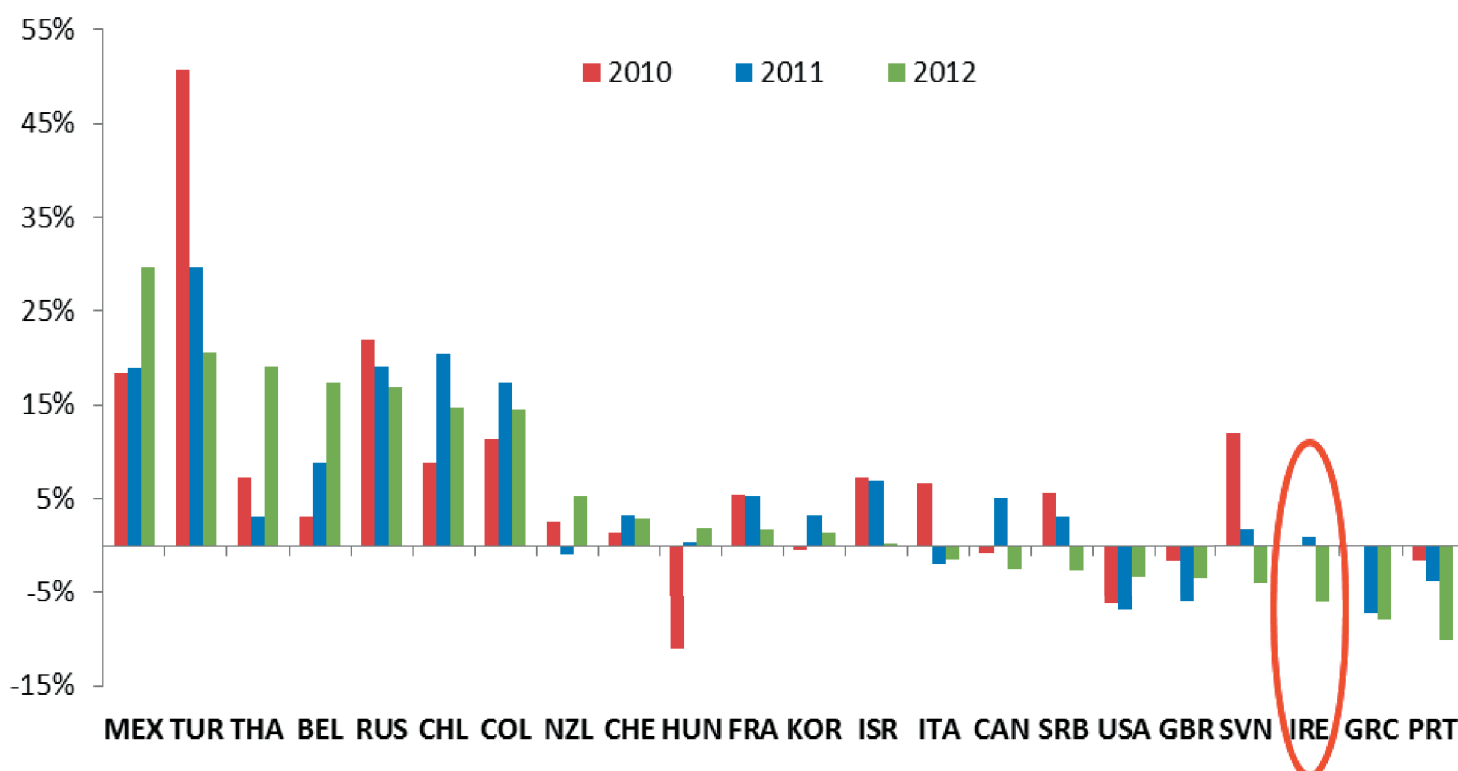
Small and medium sized enterprises (SMEs) are important drivers of job creation, particularly younger firms and start-ups. SMEs in Ireland comprise 99.6% of all employer firms in 2011 and employ approximately 69% of the labour force. Access to finance for SMEs continues to be a challenge in the aftermath of Ireland's economic and banking crisis, as shown in the data from the OECD Scoreboard on SME and Entrepreneurship Finance, which monitors SME and entrepreneurship conditions through 13 standardised indicators, most of them derived from supply-side data provided by financial institutions and other government agencies. The Scoreboard data (Figure 2) reflects the uncertain or weak recovery during 2011 and a reversal in 2012 for several countries, with Ireland among them. SME loans showed minimal growth between 2010 and 2011 and decreased by 6.4% in 2012. Indicators from the demand-side (national and regional surveys) provide a complementary view of the evolution in finance trends and needs. Surveys undertaken by the Department of Finance and the ECB highlight that the lack of demand for products and services played an important role in the reduced demand for credit by Irish SMEs (SME Credit Demand Survey, 2013). Recognising the importance and urgency of this issue, the 2013 APJ devotes significant attention to access to finance, and incorporates 24 separate actions in this regard.

The bursting of the property bubble exposed significant vulnerabilities in the banking system, which added to the context of the broader international financial crisis. Even excluding data from the property and construction sectors, which do not constitute the core SME sector in Ireland,

the data show that short term loans (new loans with a maturity of less than one year, for an amount lower than EUR 1 million and at a floating rate) decreased from EUR 19.4 billion in 2007 to EUR 3.6 billion in 2012. Interest rate spreads between small and large firm loans rose from 0.27 in 2007 to 1.67 in 2012. Payment delays for SMEs increased from 22 days in 2009 to 31 days in 2012, and bankruptcy numbers in 2012 (2 922 firms) were double the 2007 numbers (1 422 firms).

**Figure 2. Trends in outstanding SME loans 2010-12**

Year-on-year growth rates, percentages.



Source: OECD (2014).

For Ireland, data from the Central Bank of Ireland represents the stock of outstanding SME balances disaggregated to remove financial intermediation and property-related SME sectors. All maturities are covered in this indicator. Ireland's business loans are not based on loan size but on firm size (companies with less than 250 employees).

Access to non-bank financing has also deteriorated in more recent years. Total venture capital, including funding by VC funds and business angels, increased over the 2007-2010 period but declined in 2011 and again in 2012. Contrary to trends in other countries, seed capital rose and was larger than either early stage or growth capital in 2011, although it declined significantly in 2012. Growth capital fell drastically between 2008 and 2009 and, while it has recovered strongly, it has yet to recover to its 2007 level. Given the strong recovery in 2012 in early stage and growth capital, total venture capital funding would have exceeded its 2010 peak were it not for the dramatic decline in seed capital.

To ease access to finance for SMEs and entrepreneurs, the government has developed several direct and indirect measures. Among the direct measures introduced, both debt (loans) and

equity instruments are offered through new schemes (Microenterprise Loan and Innovation Fund). The Credit Guarantee Scheme, introduced in October 2012, was independently evaluated in August 2013. However, not all instruments are suitable for all firms. Equity instruments tend to serve the needs of high growth firms, but are more expensive and difficult to monitor than standard loans.

In terms of indirect measures, the government has imposed lending targets for banks during the period 2011-13 (the monitoring of which is foreseen in APJ 2013). It has established a SME state bodies group to develop and ensure the implementation of initiatives to support SMEs access to credit, and a Credit Review Office in 2010 to re-consider SMEs rejected credit demands, for which extra human resources were foreseen in APJ 2013. It has also reformed the tax code to incentivise them to create jobs, among other objectives. The SME state Bodies Group has considered the effectiveness of the initiatives implemented to date when formulating actions to include in the APF 2014.

### Venture capital raised by Irish SMEs, 2007-12

EUR million

Stage	2007	2008	2009	2010	2011	2012
Seed	20.4	51.1	71.2	53.6	104.9	53.7
Early	119.8	116.5	185.4	175.9	99.2	135.6
Growth/ Expansion	85.7	75.3	31.5	80.7	70.3	79.6
<b>Total</b>	<b>225.9</b>	<b>242.9</b>	<b>288.1</b>	<b>310.2</b>	<b>274.4</b>	<b>268.9</b>

Note: figures are reported by the SMEs and not by investors. Source: *Irish Venture Capital Association*.

Measures from the Action Plan for Jobs 2012 included measures intended to both improve understanding of the SME financing environment and ease access to capital for SMEs through direct measures (creating and augmenting the state support to equity funds), as well as indirect measures (rolling over the credit guarantee scheme for SME loans; improving SME financial knowledge before loan applications) that have similarly been applied in other OECD countries. Although the OECD Scoreboard on SME and Entrepreneurship Finance today does not permit a formal evaluation of the success of these measures, debt indicators show that SME business loans have not significantly increased since 2010, in a context of broader stringency for all business loans and reduced SME demand for credit.

Levels of venture and expansion capital invested have been maintained, thanks to state support. Nevertheless, a formal assessment of the costs and benefits of supporting SMEs through equity would be helpful, as equity instruments tend to be of higher cost than standard debt instruments, and are not necessarily suitable for the smaller segment of SMEs. A working group established in 2012 concluded that given the trends in private sector fund raising, a continuation of government support was deemed necessary to ensure availability of equity funds to Irish SMEs. Moreover, it is that the mobilisation of SME-dedicated funds established under the aegis of the National Pension Reserve Fund and the Ireland Strategic Investment Fund are both accelerated and made subject to appropriate oversight and reporting mechanisms going forward. No short or medium term targets for dispersal of funds were foreseen in APJ 2013, as the Irish authorities considered that targets for dispersals were not appropriate. Furthermore, as recommended in the OECD's 2013 Economic Survey, more sustainable, market-based funding alternatives should be explored – such as SME loan securitisation (including covered bonds) and

mezzanine (hybrid debt/equity) financing instruments. The AJP 2014 contains commitments to develop alternative sources of finance for SMEs.

The 2013 APJ included tax modifications for SMEs (Finland has a similar scheme of promoting investments in part through tax incentives). It also included rigorous scrutiny of the SME credit environment and concerted efforts to communicate to smaller entrepreneurs the availability of state-supported SME funding options. However, it may be useful to extend the scope of this assessment in APJ 2014 to cover the evaluation of the spectrum of government interventions in this area to ascertain their impact on SMEs access to finance.

## 4. Promoting an Innovation and Knowledge Based Recovery

The Irish government sees research and innovation as important sources of competitive advantage, of new jobs, and of socio-economic development. In recent years, the government has focused its investments – through the National Research Prioritisation Exercise and 2012 Action Plan for Jobs 2012 – on those areas expected to deliver the greatest return in terms of jobs and growth. Going forward, there is a need to better evaluate innovation support and to streamline its delivery mechanisms, as well as further measures to encourage innovative start-ups. The National Health Innovation Hub represents an opportunity for Ireland to build on its existing strengths to become a global market leader.

In its 2013 Economic Survey of Ireland, the OECD set out a number of key recommendations for Ireland on innovation and knowledge-based growth. These included:

- Reflecting significant uncertainties about the effectiveness of various innovation policy tools; independently and regularly evaluating all actions in this area; strengthening programmes with proven higher returns, and winding down the others. To promote effective evaluation, it recommended ensuring that all innovation and enterprise supports have sunset clauses. It also suggested that an extension of the scope of the National Research Prioritisation Exercise to more explicitly cover the prioritisation of innovation policy tools could be considered.
- Increasing the effectiveness and cost-efficiency of the innovation and research policies; making it easier for businesses to access support; and consolidating innovation funding and actions into a smaller number of government agencies.
- Increasing capital supply and encouraging entrepreneurship by lowering costs for small-cap IPOs; centralising legal processes for intellectual property rights (IPR) transfers with the new central technology transfer office; and introducing changes to the examinership process.

This chapter builds on these elements, deepening the analysis and policy recommendations in some, and adding to others. It also benchmarks Ireland's performance relative to its peers in some key areas using the 2013 edition of the OECD Science, Technology and Industry Scoreboard. This chapter also provides preliminary comments on plans to “establish a world-renowned National Health Innovation Hub” – one of the ‘Disruptive Reforms’ included in the 2013 APJ.

### Benchmarking Ireland's performance in innovation

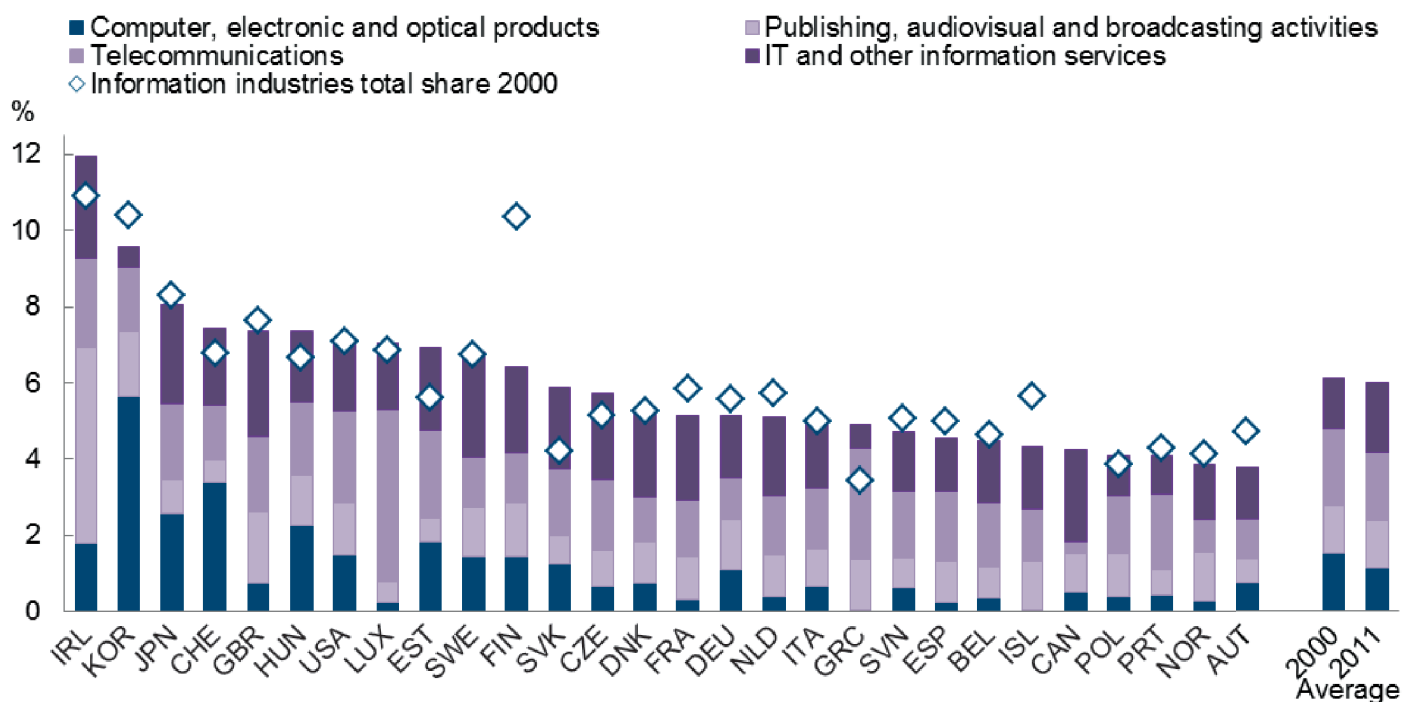
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New indicators from the OECD Science, Technology and Industry Scoreboard can provide some comparative insights into innovation-led job creation in Ireland. Ireland has a strong specialisation in information-based industries and is the OECD's leading exporter of IT services. Information and communication activities together represent almost 12% of Ireland's total value added (Figure 1), against an OECD average of around 6%. Indeed, employment has held up

relatively strongly in Ireland’s ICT sector, standing 14.8% higher in Q3 2013 than in Q1 2007 <sup>7</sup> (see also Chapter 2, Figure 2 for comparative performance during the 2011-2012 period).

**Figure 1. Information industries in OECD economies, 2000 and 2011**

as a percentage of total value added



Source: OECD (2013), *OECD Science, Technology and Industry Scoreboard 2013: Innovation for Growth*, OECD Publishing, Paris. [www.oecd.org/sti/scoreboard.htm](http://www.oecd.org/sti/scoreboard.htm)

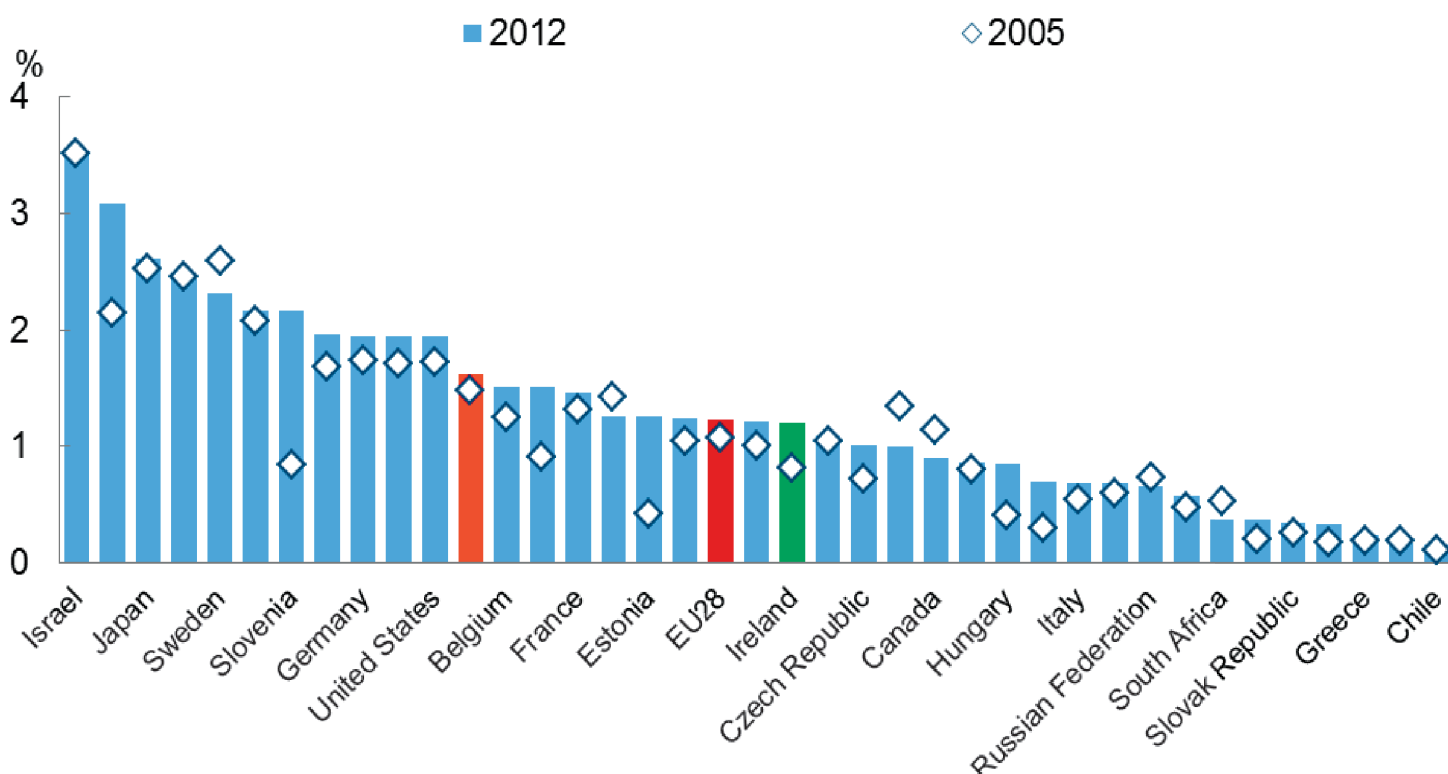
Although it has risen substantially over the past decade (Figure 2), Ireland still has relatively low business expenditure on R&D relative to GDP (1.2%), which is not due to the structural composition of the business sector itself. If Ireland had the same industrial structure as the average of OECD countries, its R&D intensity would not be much different from its current level. Services account for nearly 60% of total business R&D, mostly in information, communication and R&D services. Low- and medium- to low-technology manufacturing account for almost half of business R&D in manufacturing.

Much of the R&D in the business sector is performed by foreign-controlled affiliates. This reached 70% of the total in 2009, the highest level for the countries for which such data are available. Around 25% of the funding for business R&D comes from abroad. This includes R&D undertaken by subsidiaries of foreign-owned companies, as well as on behalf of companies based abroad. Almost 40% of the patents filed in Ireland over 2009-2011 had “inventors” from other countries and were mostly filed by firms in the business services sector. Almost 30% of Irish PCT filings relate to pharmaceutical patents and medical technologies.

<sup>7</sup> Central Statistics Office Quarterly National Household Survey seasonally adjusted sectoral data.

Over the period 2006-11, Ireland has considerably increased its tax incentives for business R&D. In 2011 these approached over 70% of total government financial support for business R&D, up from about 50% in 2006 (Figure 3). The R&D tax credit was reviewed by the Department of Finance in 2013 and is generally considered to be well designed and efficient in supporting business R&D. Ireland’s broader tax environment is also likely to play a role in the location of intellectual property. By contrast, direct government funding of business R&D in Ireland lags behind many competitor countries. Recent OECD work has found that direct support – contracts, grants and awards for mission-oriented R&D – can also be effective for stimulating R&D, particularly for young firms that lack the upfront funds for innovation. A well-designed, competitive and transparent system of direct support measures can be complementary to the use of R&D tax incentives as it may direct public funding to areas of high social returns, and help address specific barriers in the innovation system. This is perhaps something that could be addressed in future APJs as fiscal constraints become less acute. In the interim, efforts to encourage strong take-up by Irish firms of EU Horizon 2020 funding, as foreseen in APJ 2013, are a step in the right direction.

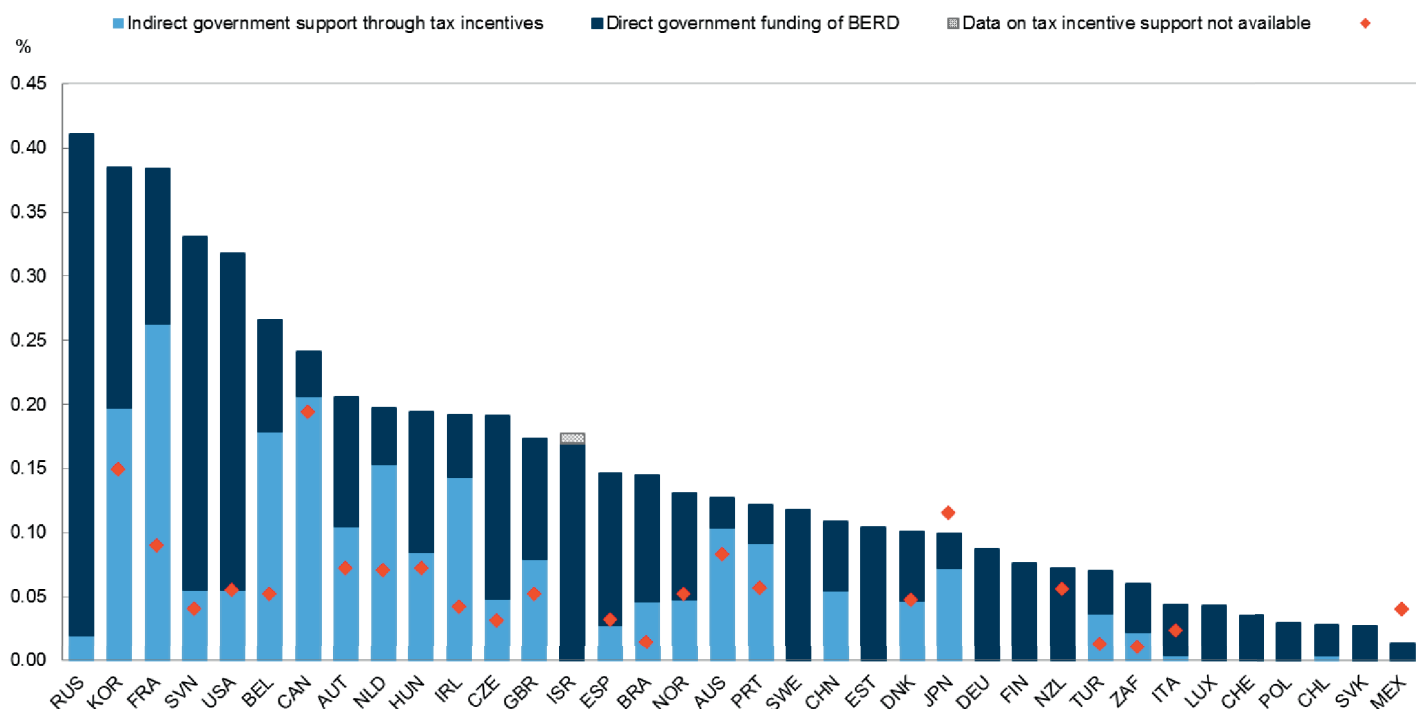
**Figure 2. Business expenditure on R&D, 2005 and 2012**  
as a percentage of GDP



Source: OECD, Main Science and Technology Indicators Database, [www.oecd.org/sti/msti.htm](http://www.oecd.org/sti/msti.htm), December 2013.



**Figure 3. Direct government funding of business R&D and tax incentives for R&D, 2011**  
as a percentage of GDP

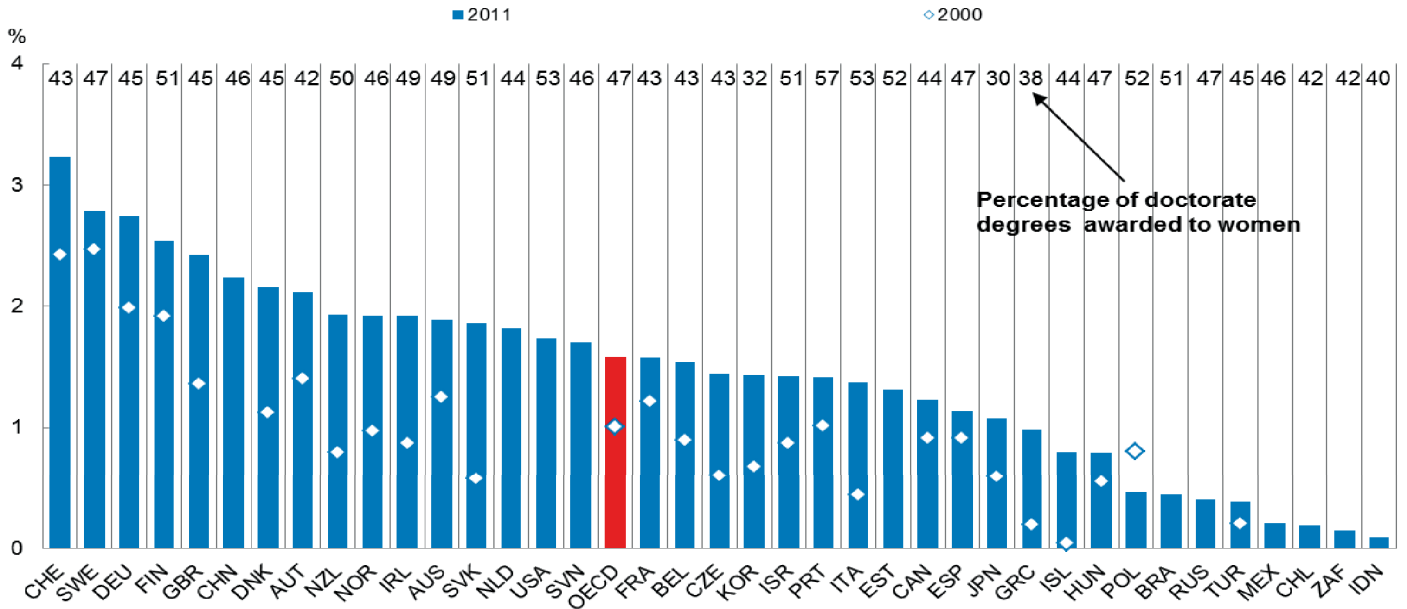


Note: This is an experimental indicator. International comparability may be limited.

Source: OECD (2013), *OECD Science, Technology and Industry Scoreboard 2013: Innovation for Growth*, OECD Publishing, Paris.

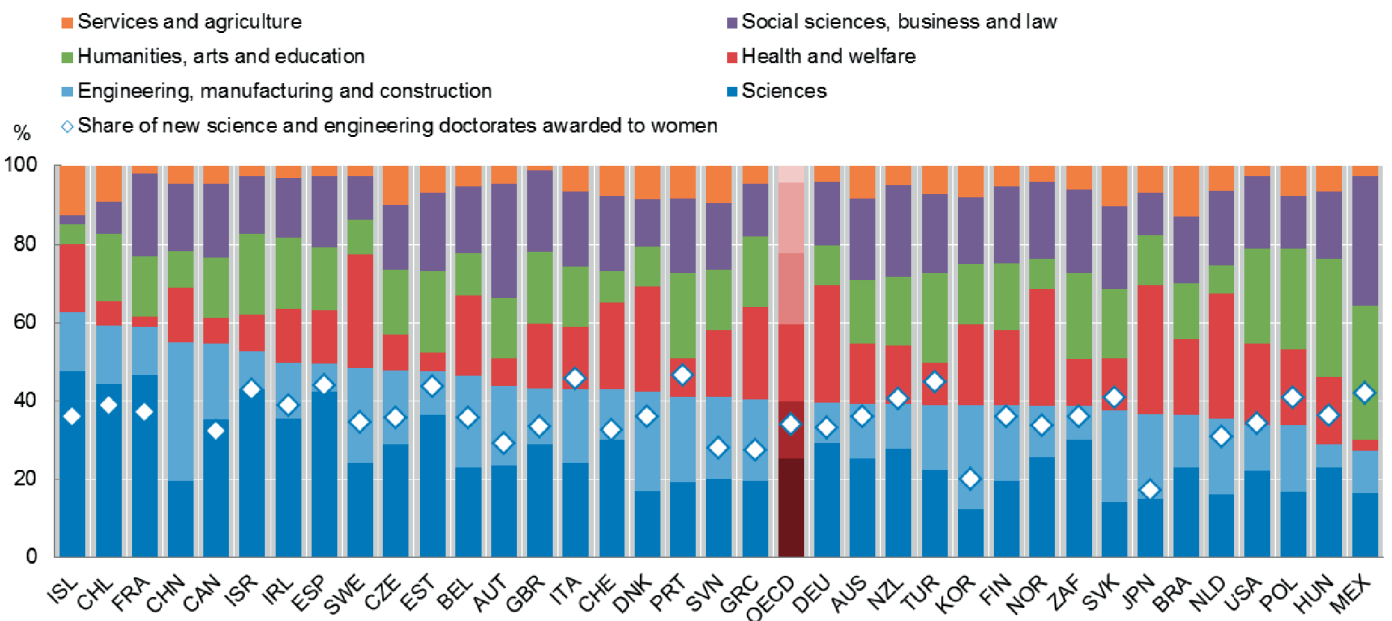
In addition to a favourable environment for entrepreneurs to set up businesses, Ireland has benefited from a relatively skilled workforce. Graduates at the doctorate level are considered as best qualified for knowledge creation and diffusion and also play an important role for a country's innovative performance. Graduation rates at the doctorate level in Ireland have doubled since 2000 and remain today above the OECD average of 1.6% (Figure 4). Women account for almost half of all graduates. Almost 50% of all students at the doctorate level graduated in sciences and engineering fields (Figure 5).

**Figure 4. Graduation rates at doctorate level, 2000 and 2011**  
as a percentage of population in the reference age cohort



Source: OECD (2013), *OECD Science, Technology and Industry Scoreboard 2013: Innovation for Growth*, OECD Publishing, Paris. [www.oecd.org/sti/scoreboard.htm](http://www.oecd.org/sti/scoreboard.htm)

**Figure 5. Graduates at doctorate level, 2011**  
by field of education

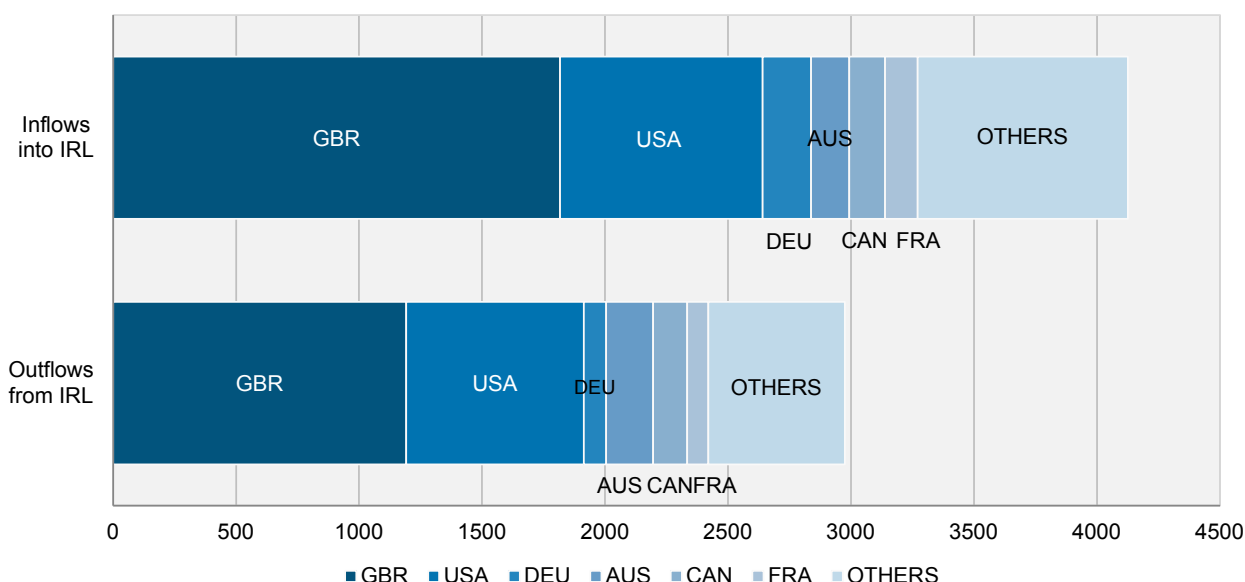


Source: OECD (2013), *OECD Science, Technology and Industry Scoreboard 2013: Innovation for Growth*, OECD Publishing, Paris. [www.oecd.org/sti/scoreboard.htm](http://www.oecd.org/sti/scoreboard.htm)

Evidence shows that scientific mobility and collaboration contribute to increased scientific quality. Ireland has relatively high shares of publications involving international collaboration as well as high impact scientific publications. Over the period 1996-2011, Ireland experienced a substantial net inflow of scientists – about 35% more inflows than outflows – as revealed by changes in the affiliation of publishing scientists (Figure 6). The United Kingdom accounted for approximately half of those flows, followed by the United States (about one fourth), Canada, Australia and other large European countries. The impact of the recent crisis on these flows remains to be seen. Recognising the importance of international collaboration in science, APJ 2013 included continued work with research institutions to support collaboration eligible for international research funding.

**Figure 6. International flows of scientific authors, 1996-2011**

Shares of bilateral flows in percentages by first and last affiliation – selected countries



Source: OECD calculations based on Scopus Custom data, Elsevier, version 5.2102, January 2014. See also OECD (2013), *OECD Science, Technology and Industry Scoreboard 2013: Innovation for Growth*, OECD Publishing, Paris, [www.oecd.org/sti/scoreboard.htm](http://www.oecd.org/sti/scoreboard.htm) and Scoreboard interactive charts: [www.oecd.org/sti/scoreboard-2013-interactive-charts.htm](http://www.oecd.org/sti/scoreboard-2013-interactive-charts.htm)

Ensuring that quality fundamental research is translated into products and services that can be commercialised is of central importance for job creation. The establishment of a central Technology Transfer Office within Enterprise Ireland, as foreseen in APJ 2013, could make a contribution in this regard. It is important, however, to avoid a proliferation of innovation policy delivery vehicles or points of contact for entrepreneurs. If anything, existing structures are in need of streamlining. In this regard, exploring the mergers of Research Centres and Technology Centres – as foreseen in APJ 2013 – is a welcome development. It could be extended to cover a wider range of innovation policy delivery vehicles.

## Disruptive Reform: Establishing a National Health Innovation Hub

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One important innovation in APJ 2013 was the inclusion of seven ‘Disruptive Reforms’, identified as potentially high-impact priority areas for action with ambitious targets and timelines for implementation. One of these reforms is to “establish a world renowned National Health Innovation Hub (NHIH) to drive collaboration between the health system and the enterprise sector leading to the development and commercialisation of new healthcare technologies, products and services, emerging from within the health system and/or the enterprise sector”.

It is envisaged that the NHIH will encourage foreign direct investment, including research and development, in the areas of medical technologies, healthcare systems and services, ICT systems, supply chain and financial services. It should also attract substantial venture capital funding internationally. Specifically, the NHIH aims to promote opportunities in the areas of connected health/silvertech and telemedicine whereby medical and community care can be provided remotely through the integrated use of ICTs, sensors and diagnostic devices linked to healthcare professionals.

Ireland has many of the essential building blocks needed to develop as a global centre in these areas. This includes the necessary key strengths in ICT, life sciences and healthcare sectors to capture a growing share of this market. In 2013, the NHIH project was still at an early ‘demonstration’ phase – aiming specifically to identify and validate appropriate operational model(s), including location, resourcing and governance arrangements. APJ 2013 foresees its operationalisation in 2014, pending adoption by government of a detailed proposal for its establishment. In addition to the NHIH, a number of other elements of APJ 2013 are closely aligned with efforts to establish Ireland as a global leader in health innovation, such as the establishment of Technology Centres linked to the Government’s priority research areas of connected health, data analytics and pharmaceutical manufacturing.

The OECD could make several contributions to the further development of the NHIH project in the context of APJ. It completed seven case studies in 2013 on smart ageing and the promotion of welfare technologies (including integrated use of ICTs, sensors and diagnostic devices). These will be published in 2014. This work explores a number of novel initiatives that share the common goal of more rapidly and effectively bringing new products (e.g. robotics, telemedicine) and services (e.g. home care services for older persons) to market. The objectives of this project were to identify what these strategies are, the framework conditions, and what the major perceived opportunities are for efficiency gains in delivering these innovations. The use of technologies in elderly care services, and their potential for improving productivity and improving quality, has also been analysed in the OECD Reports *“Help Wanted? Providing and Paying for Long-Term Care”* and *“A Good Life in Old Age - Monitoring and Improving Quality in Long-Term Care”*.

The OECD has also recently reviewed emerging smart models of care and will continue working on this topic, specifically in relation to data governance issues. In May 2013, the OECD published a report on *“Strengthening Health Information Infrastructure for Health Care Quality Governance: Good Practices, New Opportunities and Data Privacy Protection Challenges”*. The report highlights different approaches taken by countries to balance individual rights to privacy (and therefore, how they regulate informed patient consent) with collective rights to safe and effective health care (and therefore, the sharing and comparison of clinical and other types of data).

The OECD is examining how to make better use of big data and big data analytics to improve health system performance. For example, OECD reviews of health care quality in some 12 countries are exploring the potential of linking medical records with other health system-level transactional data and disease registry information to improve quality of care. The OECD is also examining this issue in the context of work on data systems for dementia care.

More broadly, there is acknowledgement that the current innovation model in health care is inadequate and might not provide the right set of incentives for the right types of innovations with appropriate sharing of risk and rewards. A few countries such as the United Kingdom are looking into new models of paying for genome sequencing and mapping of the human genome – both of which present tremendous opportunities for genetic tests that could help prevent and treat diseases.

In the context of the connected health/silver technology and telemedicine – whereby medical and community care can be provided remotely – the OECD has developed a Guide to Measuring Information and Communication Technologies in the Health Sector. This includes a model survey and indicators to monitor progress in the availability and use of telemedicine. The survey is currently being pilot-implemented in ten countries and would help in monitoring and evaluating performance going forward.

Ireland may also find it useful to compare the NIHIF operational model against similar models established in other OECD countries (for example, health innovation hubs exist in the United Kingdom, New Zealand, Japan, and Italy, among others); and to participate in the pilot implementation of the OECD Guide to Measuring ICT in the Health Sector and establish baseline data against which to benchmark progress.

Finally, Ireland would benefit from reviewing its national health information system for its ability to support innovation in health care and treatments and to compare its progress to that of other countries, such as England, Finland and Canada. In particular, an examination of the legal and policy environment, investments in data, and the accessibility of data for research uses are needed for Ireland to participate with other countries in advancing the use of big data for innovation.

Together, these OECD activities could help support the further development of the NIHIF project and its contribution to the Action Plan for Jobs.

## 5. Governing for Growth and Jobs

The implementation of Ireland's Action Plan for Jobs (APJ) marks an important innovation in Irish governance, with notable efforts to strengthen co-ordination and collaboration across government in support of private sector-led job creation. It employs high-level political buy-in and a governance structure comprising key government departments, including the Department of the *Taoiseach* (Prime Minister), the key centre-of-government (CoG) institutions. Modelled on the EU-ECB-IMF Troika's quarterly targets and reporting, the APJ is subject to strong central oversight and rigorous action-oriented monitoring.

Implementation of the APJ could benefit from even deeper CoG-led horizontal policy co-ordination between the APJ itself and key sector-based strategies so that opportunities for policy synergies are fully exploited (*e.g.* on innovation, R&D support, support for entrepreneurs/start-ups and higher education). Stronger vertical institutional co-ordination along with collaboration between central and local authorities could ensure that the local and regional dimensions of job creation are integrated into the roll-out of the national APJ. Deeper private and public engagement and co-ordination at the local level could also facilitate partnerships between government bodies, businesses, and training and academic institutions in each local authority area.

Implementation could be further supported by a robust performance assessment and monitoring framework that tracks the impact of APJ actions against quantifiable outcomes and results targets, and by a more systematic communication strategy that builds active stakeholder commitment to pursue the APJ's objectives both within and outside government.

### Enhancing horizontal and vertical governance

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Effective and efficient public governance relies on robust co-ordination (*i.e.* joint or shared information) and collaboration (joint action and a structured relationship) across central government institutions, between central and local government, and between government and external stakeholders.

#### *Deepening the whole-of-government approach*

Whole-of-government approaches can improve national policy coherence, facilitate more effective use of resources, and capitalise on policy synergies and innovation that arise from multi-stakeholder engagement. These efforts should help to achieve integrated multi-sector policy outcomes successfully over time. The APJ recognises the importance of a whole-of-government approach and relies on a co-ordination structure that involves key ministers and departments.

At the political level, an Economic Recovery and Jobs Cabinet Committee reviews progress on a monthly basis. The Committee is chaired by the Taoiseach and convened by the Minister for Jobs, Enterprise and Innovation. It includes the ministers for Finance; Public Expenditure and Reform; Education and Skills; Social Protection; Communication, Energy and Natural Resources; Transport, Tourism and Sport; Agriculture, Food and the Marine; as well as junior ministers for Small Business; Research and Innovation; and Training and Skills. The Committee also co-ordinates other relevant sector-based policies including Pathways to Work, thus facilitating synergies and co-ordination across the strategies aimed at supporting sustainable job creation.

At the administrative level, a Monitoring Committee is responsible for overseeing the implementation of the actions identified in the APJ. The Monitoring Committee is composed of the Department of the *Taoiseach*; the Office of the *Tánaiste* (Deputy Prime Minister); the Department of Jobs, Enterprise and Innovation; and the Department of Public Expenditure and Reform. It also includes *Forfás* – the policy advisory board for enterprise, trade, science, technology and innovation – which is in the process of being integrated into the Department of Jobs, Enterprise and Innovation. Since 2012, senior analysts from *Forfás* have been located in the Department of the *Taoiseach* to support monitoring and co-ordination of the APJ.

At the sector level, a number of task forces, groups and committees contribute to the steering and implementation of the APJ. Box 1 provides some examples of task forces, groups and Committees that support the implementation of deliverables under the APJ. The Government has also tasked representatives from business and private sector stakeholder groups with identifying opportunities for efficiency and synergy with the private sector in the implementation of the seven horizontal policy reforms (the Disruptive Reforms) introduced in the 2013 APJ.

#### **Box 1. Action Plan for Jobs: examples of related task forces, groups and committees**

- **Industry-Government Big Data Task Force**, comprised of industry representatives and the Department of Jobs, Enterprise and Innovation/*Forfás*, Department of Public Expenditure and Reform, Department of the Taoiseach, Science Foundation Ireland, Enterprise Ireland, and IDA Ireland.
- **Small and Medium Enterprises State Bodies Group**, chaired by the Department of Finance and comprising the Department of Jobs, Enterprise and Innovation, Department of Education and Skills, *Forfás*, Enterprise Ireland.
- **Prioritisation Action Group**, under the authority of the Cabinet Committee on Economic Recovery and Jobs.
- **High Level Group on Business Regulations.**
- **Manufacturing Forum.**
- **Consultative Committee on the Green Economy.**
- **Food Harvest 2020 High Level Implementation Committee.**

Source: Government of Ireland (2013), *2013 Action Plan for Jobs*, <http://www.djei.ie/publications/2013APJ.pdf>

Cross-governmental co-ordination mechanisms to enhance multi-sector policy coherence in the pursuit of economic development outcomes are not uncommon in OECD countries. For example,

in Denmark, ministers meet on a weekly basis to assess proposals and initiatives with significant consequences for the economy and the budget. A Cabinet Committee on Economic Affairs is chaired by the Minister of Finance, with the Ministry of Finance serving as the secretariat. The Ministry of Finance also hosts preparatory meetings with permanent state secretaries of the participating ministries ahead of the weekly Cabinet Committee meeting. These preparatory meetings give line ministers an opportunity to discuss strategic policy solutions and gain an appreciation of their own proposals as part of an overall strategic approach to addressing the policy challenge on the agenda from a whole-of-government perspective. These mechanisms go beyond sheer information sharing and focus strongly on strategic policy co-ordination.

The APJ's Monitoring Committee appears to focus mostly on the implementation of specific actions under the APJ, while playing a limited role in policy co-ordination. Delegation of sector-specific responsibilities to relevant line departments helps ensure that sector-based policy development and implementation is led by the government institution with the best and most pertinent knowledge of the key issues. However, sector-specific responsibilities could benefit from better linkages with other sector policy activity through cross-sector policy steering led by the CoG. For example, the Economic Recovery and Jobs Committee could oversee strategy-setting, policy execution and performance monitoring. Such an arrangement could improve overall coherence in implementing strategy to achieve integrated multi-sector policy outcomes. This could ensure, for example, robust CoG-led co-ordination between implementation of the APJ itself and that of such national strategies as Pathways to Work, the programme for public-sector reform, the ICT action plan, the energy-efficiency action plan, support for higher education, science and technology, research, development and innovation, and the local government reform strategy (discussed further below). A thematic Public Governance Review, focused specifically on job-creation and enterprise, could provide a richer diagnostic and a set of practical recommendations on strengthening horizontal strategic policy co-ordination and collaboration arrangements and making the work of the Cabinet Committee, the Senior Officials' Group supporting it and the Monitoring Committee more effective, drawing on lessons from other OECD member countries.

#### *Vertical co-ordination and the role of local government*

Ireland has a highly centralised governance structure, which may explain in part the APJ's current emphasis on central institutions. However, the local and regional dimension of job creation should not be underestimated. Inequality in GDP *per capita* between Ireland's regions has increased over time. Even if regional variation in unemployment rates is relatively low compared to other EU member states, there are important differences in unemployment rates across the regions (Figure 1)<sup>8</sup>.

Given the regional variation in unemployment rates and the existence of local pockets of persistent unemployment, the Irish government has adopted a number of initiatives to incorporate this spatial dimension into its job creation efforts in general, and the APJs in particular. It is important that these efforts are sustained over time. Action could, for example, build on the evidence and analysis that is already planned for the APJ 2013, including the report

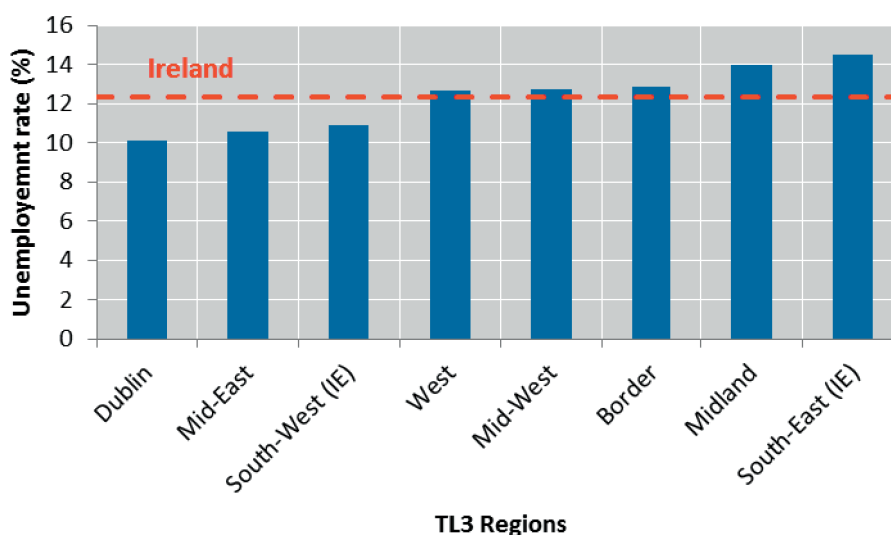
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<sup>8</sup> OECD (2011), "Ireland", in *OECD Regional Outlook 2011: Building Resilient Regions for Stronger Economies*, OECD Publishing. <http://dx.doi.org/10.1787/9789264120983-32-en>



on economic development in rural areas up to 2025, the review of the Local Government Sectoral Strategy, and the review of actions and best practices identified by the County and City Managers' Association.

**Figure 1. Unemployment rates (TL3 regions) - 2009**



Source: OECD Regional database (last updated: October 2013).

Policy co-ordination and integration could be further strengthened through stronger local partnerships and governance structures. This could lead to more information sharing and the identification of common objectives and strategic initiatives to promote local economic development and growth. Better use of information and data at the sub-national level can help bring local partners together in assessing which labour market interventions are successful. The 2014 Action Plan for Jobs recognises the importance of this approach and includes a commitment to develop a framework for a Regional Enterprise Strategy, in order to integrate more effectively the efforts of key stakeholders to build enterprise based on regional competitive advantages. This is a positive step that could be enhanced further. The long-standing Rural Development Programme and the Local and Community Development Programme could also be reviewed to ensure their on-going effectiveness in contributing to job creation efforts at local level, and to ensure that synergies with other place-based employment policies are maximised.

Opportunities for synergies at the local level could be further maximised by developing place-based approaches to job creation that reflect the specific strengths and assets of each functional region, including through greater institutional involvement of local businesses, training and higher education institutions (Box 2), even if only to match skills to jobs. In this respect, local government reform strategies should be closely co-ordinated with implementation of the APJ.

To promote greater integration, the Government could consider injecting more flexibility into local governance networks with proven capacity to deliver so that they can have more influence on the implementation of mainstream programmes and policies. This would enable the employment and skills system to be more responsive to regional variations and local labour market contexts. In practice, this means giving local agencies more latitude in designing policies

and programmes, managing budgets, setting performance targets, deciding on eligibility, and influence on the outsourcing of services.

## **Box 2. Lessons from the United States**

### **Local Workforce Investment Boards**

In the United States, Local Workforce Investment Boards (LWIBs) have played a strong role in creating more integrated strategies to address employment and skills within broader economic development strategies since 1998. There are over 600 WIBs at the state and local level, and they are strongly business-led, being both chaired by business and having a majority of business members. Each WIB is responsible for providing employment and training services within a specific geographic area. The WIBs administer Workforce Investment Act services as designated by the governor, and within the regulations of the federal statute and US Department of Labour guidelines. There are also designated seats for representatives from labour unions and local educational institutions, with economic development officials sitting on the boards in many states. While the performance of these boards varies, in some areas they have developed strong integrated strategies bridging employment, skills and economic development.

*OECD (2013), "Local Job Creation: How Employment and Training Agencies Can Help, United States", OECD Local Economic and Employment Development (LEED) Working Papers, No. 2013/10, OECD Publishing, Paris.*

### **Matching skills to jobs in the Chicago Tri-State Metropolitan area**

The Tri-State Region's various partnerships – both vertical (federal, state, and local agencies) and horizontal (educational institutions, business, non-profits and the workforce) – represent a system that is complex by necessity. For any co-ordination to be viable, the system requires, at a minimum, a common goal. A vision combined with objective performance indicators helps unite stakeholders behind that goal, and helps make tangible progress transparent.

"GO TO 2040" – the comprehensive regional plan launched in October 2010 by the Chicago Metropolitan Agency for Planning – represented a sound step towards establishing such a goal. Recognising existing skills mismatches and pockets of unemployment in the region, the plan's recommended actions were organised into two areas. The first related to the improvement of education and workforce development, and the second to support for economic innovation.

The Milwaukee 7 – a regional partnership for economic development comprising seven counties in southeast Wisconsin – adopted a strategic framework in 2007 calling for greater co-ordination along three dimensions: assets, export markets and opportunity zones. The development of an experienced workforce to meet the region's growing labour needs was among the principal opportunities identified. The group has released a series of annual reports including a performance scorecard that tracks a series of metrics related to the framework's objectives.

*Source: OECD (2012), OECD Territorial Reviews: The Chicago Tri-State Metropolitan Area, United States 2012, OECD Publishing, Paris.*

The Regional Spatial and Economic Strategies (SES) and the Local Economic and Community Plans (LECP) as provided for under the Local Government Reform Action 2014 could be particularly effective co-ordination mechanisms as they better reflect functional economic areas. The preparation of the SES will be the principal function of the three new regional assemblies, which will be obliged to collaborate with a broad range of stakeholders in this process. The SES will co-ordinate relevant investment programmes of Government and agencies, taking into account the revised processes being put in place by the Department of Public Expenditure and

Reform, including the adoption of 3 year multi-annual envelopes for expenditure. Furthermore, through the SES, the regional assemblies will facilitate the development of an integrated approach to regional economic development taking into account the views of various stakeholders, including the enterprise and economic development agencies (e.g. Forfás, the IDA, and Enterprise Ireland), infrastructural agencies, higher education institutions and education and training boards, local authorities, key private and commercial semi-state companies, as well as other relevant Department and agencies, whose programmes are regionally significant. To be successful, the SES will need a high degree of commitment and buy-in from the parties involved.

More broadly, the reforms provide local authorities with a stronger mandate to be more proactive in supporting the emergence of strategic leadership in economic development. At the local authority level, the new Local Community Development Committees offer the prospect of improved collaboration between the key local players and, indeed, they are intended to become the prime co-ordination mechanism at this level on social issues. The new Strategic Policy Committees for economic development to be set up in all local authorities, and dedicated Directorates for Services to Economic Development in large urban areas, also offer the prospect of a more consistent and competent role being played by local government in identifying and working with key stakeholders to create sustainable private sector jobs and link available workers to employment opportunities needing their skills.

## Improving Monitoring and Communication

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Governments need to be able to chart the course of the policies they are implementing in order to ensure that objectives are being achieved. Policy monitoring needs to build on well-defined objectives, targets and actions, as well as a set of output and results-based indicators that provide information on progress. Communicating objectives, actions and results internally and externally can help generate a common understanding of the aims of the strategy, as well as sustain momentum for its implementation.

### *Monitoring implementation of the Action Plan for Jobs*

The APJ sets a clear policy objective—enhancing sustainable private sector employment—and identifies more than 300 actions that are expected to help achieve this objective, with a timeline and targets for delivery for the institution responsible for carrying out each action.<sup>9</sup> Regular quarterly progress reports track the implementation of actions. In 2013, the Department of Jobs, Enterprise and Innovation and *Forfás* also conducted an initial assessment of the impact of the APJ on employment, competitiveness, delivery and implementation, institutions and processes.

The extent to which scheduled actions are completed within a given timeframe may provide information on the performance of inputs. The current effort to assess impact offers precious data and information on the outcomes of the APJ. That said, it would also be important to track the impact of actions on the achievement of intermediate outputs and long-term outcomes relating, for example, to the creation of *innovation-driven* jobs. The performance assessment framework could also seek to measure the impact of activity across the full range of policy

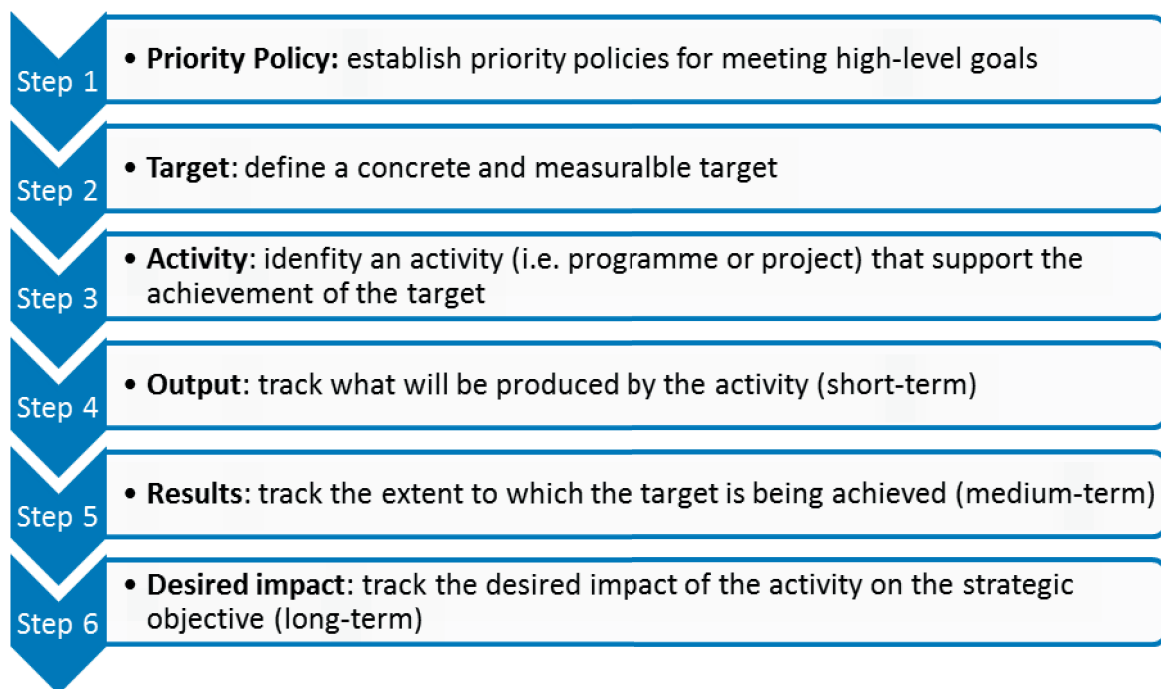
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9. Government of Ireland, *Action Plan for Jobs 2013: Table of Actions*, [http://www.djei.ie/publications/2013APJ\\_Annex.pdf](http://www.djei.ie/publications/2013APJ_Annex.pdf)

initiatives (e.g. Pathways to Work, the programme for public-sector reform, the ICT action plan, the energy-efficiency action plan, support for higher education, science and technology, research, development and innovation, and the local government reform strategy) on long-term job creation and sustainability.

A logical framework that links the APJ’s objectives with policies and results could provide a better sense of the direction of progress and help ensure that the more than 300 actions effectively contribute to those over-arching objectives (e.g. Figure 2). If, during the implementation process, performance information demonstrates that target outcomes are not being achieved, the performance framework can provide the government with the opportunity – and the information it needs – to change course. A thematic Public Governance Review could provide some practical guidance on the development of this performance framework along with more in-depth assessment, using an international comparative perspective and good practices in this area.

**Figure 2: Key steps for indicator development**



Source: OECD (2013), *Poland: Developing Good Governance Indicators for Programmes Funded by the European Union*, OECD Public Governance Reviews, OECD Publishing, Paris.

### *Communicating the objectives, actions and results of the Action Plan for Jobs*

The APJ builds on existing efforts to reach out to key stakeholders within and outside government. Progress reports on the APJ and related plans are easily accessible on the government website and the launch of the APJ itself received high-level support and media attention. Improving communication around the APJ is recognised as an important issue, and some dedicated resources were assigned to this task in 2014. It will thus be important in future years to assess the impact of these incremental resources dedicated to communications on the achievement of the government’s communications objectives for the APJ.

The risk is either complacency or irrelevance if implementation progress and results are not communicated strategically across key stakeholders within and outside government. Within government, the APJ could be a key reference point for any current and planned reform that can contribute to improving the business environment. Objectives, actions and results could be regularly shared not only at the top but also with line managers in key departments. Externally, the objectives, actions and results of the APJ could inform communications with such external stakeholders as business leaders, unions, training institutions and academics. Key APJ Champions, identified within the Government, could lead communications actions under the guidance of the Economic Recovery and Jobs Committee.

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