



## THE IRISH EXPERIENCE

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## Agenda

6 THEMES:

1. Irish Economic Transformation
2. National Consensus Through Social Partnership
3. Social Partnership in Innovation
4. Specific Bodies for Specific Functions
5. State Support for Innovation
6. Looking Back – Lessons Learned



## 1. Irish Economic Transformation

From Poor to Rich in One Generation:

- In 1970 Irish income per capita \$3,000 - one of the poorest in Europe
- GDP per capita now \$54,000 – 144% of EU average
- Exports of \$119 billion (54% of GDP)
- Trade Surplus \$36 billion



## 1. Irish Economic Transformation

Main Underlying Causal Factors:

- Social Partnership and Policy Consensus in Structured Formalized Public-Private Alliance
- Massive Investment in Education
- Reduction in Taxation
- Membership of EU from 1973
- Aggressive Campaign for Export-oriented FDI
- Switch from Import Substitution to Export Promotion
- More recently, large scale investment in Innovation



## 2. National consensus through social partnership

- Cornerstone underpinning rapid Irish economic growth
- Virtuous circle between Government, employers, labour, farmers and voluntary sector – all groups with a voice in developing strategies for economic and social progress
- They meet under the umbrella of the National Economic and Social Council (NESC) since early 1970s
- Chaired by Head of Prime Minister's Department



## 2. National consensus through social partnership

- Representation within NESC:
  - Government – Secretaries General of 7 departments (ministries)
  - Private Sector – 5 from business associations
  - Labour – 5 from trades unions
  - Farmers – 5 from farmer organisations
  - Voluntary – 5 from NGO organisations
  - Other – 5 independent representatives, normally technical experts or academics
- Term of Office is 3 years



## 2. National consensus through social partnership

- Original purpose was forum for diverse interests to discuss the country's economic and social development
- Today, NESC analyses medium and long term strategic issues for the economy and makes recommendations to the Prime Minister
- Focuses on principles that should inform Irish public policy
- Rarely comments on Government decisions



## 2. National consensus through social partnership

- Receives technical and administrative support from semi-autonomous secretariat of 9 people
- Funded by Prime Minister's Office (\$1.5m per annum)
- Meets once a month for a half day
- Meetings held in private
- No transcripts kept – only final agreed reports are published
- Decisions taken by consensus – no need for Chairman to use casting vote



## 2. National consensus through social partnership

- Develops shared understanding of the link between economic and social development
- NESC's tri-annual report forms strategic input into National Social Agreement between government, employers, trades unions and farmers on issues including wages, personal incomes taxes, social spending, productivity and social cohesion
- Has major influence on Government's 6-7 year National Development Plans



## 2. National consensus through social partnership

- **Real Secret of Success – A *Shared Understanding* Characterized by a *Problem Solving* Approach to Achieve *Consensus***



## 2. National consensus through social partnership

- Discussion of broad principles only relating to Ireland's long-term socio-economic problems
- Under agreed analytical framework
- Aims to adopt social compact and national strategy
- Recognition of *interdependence* between social partners
- *Tradeoffs* both between and within interest groups



## 2. National consensus through social partnership

- Partners core mandate is problem solving
- A common definition of the problem is reached
- Partners do not argue over ultimate vision
- Empirical evidence supplied by impartial technical secretariat
- Consensus and understanding not a pre-requisite of the partnership but rather a result of it



## 2. National consensus through social partnership

- Deliberation is oriented towards pragmatism and the solution of a problem
- Tends to produce consensus even where there are underlying conflicts of interest and no initial shared understanding
- Consensus always provisional
- Allows right to review analysis, targets and strategies



## 2. National consensus through social partnership

- Led to development of coherent, long-term strategy
- Helped to instill common vision in implementing agencies
- Led to industrial peace, wage moderation and low inflation
- Combined with strong inward investment and heavy investment in education led to rapid improvement in human capital
- Result was relatively fast growth in productivity without comparable increase in labour costs



## 2. National consensus through social partnership

- Was important element in transition from high inflation, volatile economy to low inflation, stable economy
- Insulated discussions from party political competition
- Freed up employers, unions and government to discuss real issues of competitiveness and social inclusion



## 2. National consensus through social partnership

- Facilitated the integration of social cohesion into strategic framework
- Built support among social partners for politically unattractive public investments such as R&D/Innovation
- Facilitated National Plans with 6-7 year horizons
- Innovation a high priority in current plan



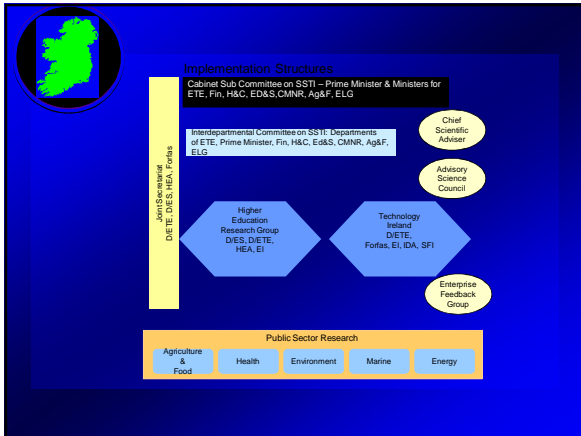
## 3. Social Partnership in Innovation

- By late 1990s Irish economic success pushed incomes and therefore costs up substantially
- The country was by then no longer a low cost economy
- Further, the second major attraction of very low taxes was being copied by many other countries, especially in Eastern Europe
- Social partners completed major study of threat to Irish competitiveness in 1998
- Concluded that Ireland needed urgently to move to a Knowledge Economy
- Identified technology as a key driver but found Ireland lacked a world class research capability of sufficient scale in the technology sector



## 3. Social Partnership in Innovation

- Ireland then launched an attempt to have a comprehensive strategic approach to science, technology and innovation on a 'whole-of-government' basis
- The aim is joined-up thinking at the policy making level followed by joined-up action in the implementation structures



### 3. Social Partnership in Innovation

- Cabinet Sub Committee – political direction at Cabinet level
- Interdepartmental Committee – monitoring implementation
- Higher Education Research Group
  - Putting more investment in higher education bodies
  - Achieving more post-graduate researchers (Masters and Doctoral)
  - Ensuring coherence among funding initiatives of relevant agencies and councils
  - Achieving balance between collaboration and competition among the institutions

### 3. Social Partnership in Innovation

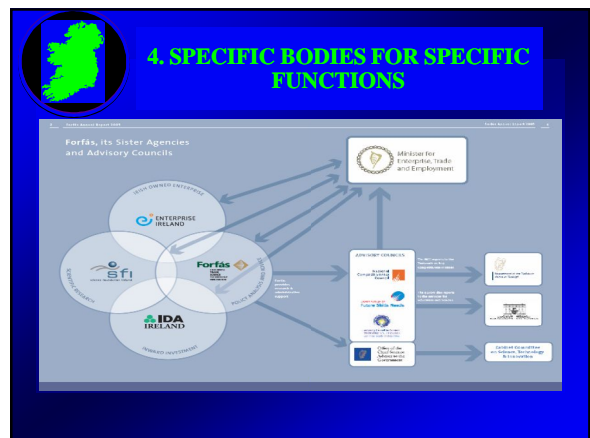
- Technology Ireland
  - Development of competence centers which are industry-led collaborative research groups bringing together companies with similar research problems and teaming them with highly qualified researchers to produce solutions
  - Monitors outputs and outcomes of all investment promotion agency research schemes
  - Assesses progress towards national targets for Innovation

### 3. Social Partnership in Innovation

- Joint Secretariat
  - Organizes and develops the agenda for meetings
  - Coordinates the activities of each organization to eliminate overlap
- Other
  - Other bodies are consulted on an ongoing basis and send representatives to these fora including public sector research officials in Agriculture and Food, Health, Marine and Energy

### 4. SPECIFIC BODIES FOR SPECIFIC FUNCTIONS


- Combination of government departments, state agencies and advisory councils
- Each with its own specialist function
- All well funded by government with focused operational budgets
- Professional, permanent staff who do not change with changes of government





**4. SPECIFIC BODIES FOR SPECIFIC FUNCTIONS**

- Long-term Strategic Planning - Forfas
- Creation of Social Cohesion - NESC
- Building National Competitiveness - NCC
- Attracting FDI - IDA
- Developing Indigenous Industry and Export Development – Enterprise Ireland
- Building Innovative Capacity – Science Foundation Ireland



**4. SPECIFIC BODIES FOR SPECIFIC FUNCTIONS**

- Issues recognized as cross-cutting, interlinked and interdependent
- All institutions linked by cross board memberships
- Institutions attempt to provide a complementary division of labour
- Each institution has its own specialist focus within overall national strategic framework



**4. SPECIFIC BODIES FOR SPECIFIC FUNCTIONS**

**Main Players – Government Departments:**

- Department of Finance (National Development Plan) - \$153m, 625 staff
- Department of Enterprise, Trade and Employment (Funding and Coordination of Main State Agencies) - \$1.9 billion, 1000 staff



**4. SPECIFIC BODIES FOR SPECIFIC FUNCTIONS**

**Main Players – State Agencies:**

- Forfas (Strategic Planning) - \$85m, 120 staff
- IDA-Ireland (FDI) - \$205m, 170 staff
- Enterprise Ireland (Indigenous Industry & Export Development) \$335m, 900 staff
- Science Foundation Ireland (Innovation) - \$177m, 44 staff



**4. SPECIFIC BODIES FOR SPECIFIC FUNCTIONS**

**Governance of State Bodies:**


- Board members highly respected
- Appointed for experience and ability
- Recommendations carry political weight
- By law, must sign Code of Ethical Practice
- Aim is high standard of ethical conduct, to preserve confidentiality and prevent conflicts of interest



**4. SPECIFIC BODIES FOR SPECIFIC FUNCTIONS**

**Main Players – Advisory Councils:**

- National Economic and Social Council (Social Partnership)
- National Competitiveness Council
- Expert Group on Future Skills Needs
- Advisory Council for Science, Technology and Innovation




### 5. STATE SUPPORT FOR INNOVATION

- Total Spend on R&D \$3.5 billion (2006)
- Of which:
  - Public Sector 32.8%
  - Private Sector 67.2%
- Represents 1.56% of GNP, well below OECD average of 2.26% but closer to the EU 25 average of 1.77%



### 5. STATE SUPPORT FOR INNOVATION

- Number of researchers employed in R&D is 6.0 per 1000 in employment, equal to the EU average but below some major competitors – Finland 16.5, Sweden 12.5, Japan 10.6 and USA 9.6
- PhD Graduates per million population in Ireland is 172, above EU 25 average of 157 but well below Sweden (397) and Germany (279)



### 5. STATE SUPPORT FOR INNOVATION

National Development Plan 2007-2013:

- Public Funding of R&D of \$12 billion over the period
- Business Funding of R&D to double from \$1.7 billion per annum in 2007 to \$3.4 billion per annum by 2013



### 5. STATE SUPPORT FOR INNOVATION

Main State Agencies:

- IDA – Helps fund R&D in Ireland of foreign companies in the country
- Enterprise Ireland – Helps fund R&D of Irish indigenous companies
- Science Foundation Ireland – Helps fund research in Irish Universities



### 5. STATE SUPPORT FOR INNOVATION

Science Foundation Ireland (SFI):


- Aims to make Ireland a globally recognized centre of research excellence
- Gives grants to attract Irish and foreign researchers to undertake research programs in Irish Universities
- \$70,000 to \$375,000 per annum for 3 to 4 years
- Believes excellence at individual level is not enough – needs critical mass in research *teams*



### 5. STATE SUPPORT FOR INNOVATION


SFI differs from IDA and Enterprise Ireland in 4 ways:

- SFI deals exclusively with Universities whereas IDA and EI deal only with companies
- All SFI's calls for research are international
- Quality of research funded is exclusively measured by an International Peer Review Process
- All research funding directed at people, not physical assets or infrastructure



### 5. STATE SUPPORT FOR INNOVATION

- Core principle is that investment in Higher Education Research translates into economic benefit for the country
- Focuses on two sectors only – ICT and Biosciences – the two areas seen as having greatest strategic value for Ireland in the long term
- Uses international peer review process to evaluate applications
- First budget was \$970 million over 7 years 2000-2006
- 831 projects with 1200 people in research teams to date



### 5. STATE SUPPORT FOR INNOVATION


The Approval Process for SFI Funding:

- Several times a year SFI issues calls for proposals from scientists around the world (also accepts unsolicited applications)
- Irish University applies for funding for one or more research scientists in ICT or Biosciences
- SFI professional staff evaluate eligibility
- Then, using internationally recognized procedure, conduct international search for scientists with relevant experience to carry out International Peer Review



### 5. STATE SUPPORT FOR INNOVATION

- If International Peer Review is positive, staff submit proposal to SFI Executive Committee for funding approval
- If approved a legally binding funding agreement is completed between University and SFI
- Typical time from application to approval is 19 weeks
- All projects submit annual progress reports to SFI with project-specific measurement milestones



### 6. LOOKING BACK – LESSONS LEARNED

- Success did not come quickly – putting the ingredients together was a long slow process but was well worth the effort
- Social Partnership emerged only in response to economic crises
- Could it have been done sooner without crises?
- Social Partnership facilitated policy consensus and was absolutely crucial



### 6. LOOKING BACK – LESSONS LEARNED

- At the start, mistakes were made in going after all sectors for investment – real value of selectivity not realized until later
- Showed the importance of leveraging national comparative advantage – playing to national strengths



### 6. LOOKING BACK – LESSONS LEARNED

- Ireland relied too heavily on FDI initially
- State only realized much later the importance of assisting SME development
- And only in more recent years came to see need for a more strategic approach to R&D and for much more investment in Innovation



### 6. LOOKING BACK – LESSONS LEARNED

- Irish economic policies and institutions change very little with changes in Government
- Civil servants and staff of state agencies do not change with change of Government
- Enabled long term, strategic and consistent policies to survive outside political/electoral timeframes
- Gave all investors great confidence in country



### 6. LOOKING BACK – LESSONS LEARNED

- Success brought higher incomes but also higher costs -Ireland losing international competitiveness in basic manufacturing
- New challenge is how to generate higher value added, innovation-intensive activities where labour cost is not the dominant consideration
- Result is massive state supported innovation building campaign underway - \$12 billion over period 2007-2013



### FINALMENTE

## MUCHAS GRACIAS