



An Chomhairle Náisiúnta Eacnamaíoch agus Shóisialta  
National Economic & Social Council

# Employment and Enterprise Policy

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## Table of Contents

<b>1.</b>	<b>Introduction</b>	<b>2</b>
2.	Employment	3
3.	Action Plan for Jobs 2013—An Overview	8
4.	Evidence of Broader and Deeper Approach	15
5.	Scope to Broaden and Deepen Further	18
6.	Widen Further Still to Social Enterprise and Local Community Projects	21
7.	Conclusion	23

## List of Tables

Table 1: Top Sectors by Growth in Numbers, 2006–2011	5
Table 2: Employment Change by Sector and Region between Q3 2007 and Q3 2012	6
Table 3: Components of the Action Plan for Jobs Process	13
Table 4: Wider and Deeper Enterprise Policy	17

## List of Boxes

Box 1: Action Plan for Jobs—Sectoral Opportunities	11
Box 2: Problem-Solving Approach to Big Data	19
Box 3: Using Data Analytics in the Agri-Food Sector	20



## 1. Introduction

This paper focuses on employment and the ways in which enterprise policy is responding to the challenge.

The paper begins with a brief overview of the employment challenge. Effective enterprise policy is one part of the necessary response to this challenge. Closing the employment gap is also dependent on a range of macro-economic, labour market and activation policies. The remainder of the paper focuses on the role of enterprise policy, however it is worth stating at the outset that even if ‘enterprise and jobs’ targets are achieved in full there will still be a sizable employment challenge.

The paper is more conjectural than definitive. Its objective was to support discussion, by the Council, of whether enterprise policy is testing every possibility and pushing as hard as is possible to find ways to support job creation. It is structured around four propositions which, alongside inputs from Department of Enterprise Jobs and Innovation, Enterprise Ireland and Forfas<sup>1</sup>, allowed the Council to discuss the merits of further work on a revised conception of enterprise policy. The four tentative propositions are:

- That a rigorous data-intensive, recursive and organised search process would seem to increasingly characterise Irish enterprise policy;
- That this type of institutional innovation may be beginning to diffuse further out beyond its role with FDI, large enterprise and high-potential start-ups— for example, it seems evident in the approach to credit and financial services and ‘Big Data’;
- That this approach may need to diffuse further and be more understood and consciously adopted in smaller sectors such as marine and educational services; and
- That this approach may need to diffuse further still so that it becomes characteristic of the strategy for supporting social enterprise and community and local development.

The paper is structured as follows. Section 1.2 provides a very initial summary of trends in employment. Section 1.3 provides an overview of the Action Plan for Jobs 2013 including the processes of review and monitoring. Section 1.4 considers if this can be seen as an extension and deepening of enterprise policy. Section 1.5 and 1.6 looks at possible ways enterprise policy might broaden and deepen further. Section 1.7 concludes by considering the degree to which an effective enterprise policy and a response to employment creation is emerging.

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<sup>1</sup> Officials from Enterprise Ireland (Niall Donnellan) and Forfas (Martin Shanahan) made presentations at the NESC Council in April 2013.

## 2. Employment

As discussed at the Council meeting in March 2013, signs of stabilisation in employment were emerging during 2012. Total employment in the final quarter of 2012 increased slightly by 1,200 relative to the same quarter of 2011. This was the first annual increase since the second quarter of 2008. It occurred while public sector employment continued to decline (by 9,100 in 2012) and private sector employment remained relatively unchanged. Within the private sector the number of employees decreased (by 7,600) while the number of self-employed people increased (by 3,600).

However, the scale of the challenge cannot be underestimated, as the following facts remind us:

- Since the peak of employment in the fourth quarter of 2008 total employment has fallen by 298,7000 or almost 14 per cent;
- In Q3 2012, Ireland's employment rate was 59 per cent, compared to an EU-27 average of 64.6 per cent. The (unadjusted) unemployment rate was 15 per cent compared to 10.2 per cent among the EU-27 countries;
- The average number of people unemployed in 2012 was 316,000, an unemployment rate of 14.2 per cent;
- In the year to Q4 2012 the number of people who were unemployed for more than one year decreased by 19,600 (-10 per cent) bringing the total number of people who were long-term unemployed to 176,400;
- Long-term unemployed people now account for 59.9 per cent of all unemployed people;
- The increase seen in 2012 was mainly due to part-time employment; and there has been an increase in part-time underemployment;
- The 2012 increases were mainly for older age groups with employment in 2012 continuing to decline in the 20-24 (-12,800) and 25-34 (-8,900);
- In the final quarter of 2012 emigration reduced labour force by 9,900 people; and this emigration is effect is mainly concentrated in the 20-34 age groups; and,
- Unemployment remains higher among non-Irish people (22 per cent).

Thus, while there are signs that some stability is emerging the scale of the challenge continues to be significant. The remainder of this section provides some initial summary analysis of the way in which the crisis has been uneven in its impact, particularly in its affects across sectors and regions.



### **Sectoral Trends**

Employment fell in eight of the fourteen sectors over 2012. The greatest rates of decline were in *Public Administration and Defence* (-6.2 per cent, -6,400), *Construction* (-4.3 per cent, -4,600) and *Transportation and Storage* (-4 per cent, -3,700). The greatest actual decline in the number of persons in employment in a sector was in *Industry* where employment was down by 7,300 (-3 per cent) over the year. The largest rates of increase were recorded in *Agriculture, forestry and fishing*<sup>2</sup> (+12.1 per cent, 9,700) and *Information and communication* (+7 per cent, 5,400) (CSO, 2013).

Between 2006 and 2011 the main areas of growth were education, retailing, farming, public administration, and computer and related activities (Table 1). There was also significant job growth in social work activities. The area with the largest growth in employment was primary education, with a more modest growth in secondary education. In relation to retailing the main growth was in non-specialised stores, mainly convenience stores. Employment in the retail sale of clothing also grew.

In addition, employment in MNCs has almost returned to pre-crisis levels of approximately 150,000. In 2011 there were 12,722 jobs created and 6,152 lost, meaning 6,570 net new jobs were added. The IDA target is to add 62,000 jobs between 2010 and 2014 and at end of 2012 were on track to surpass that goal<sup>3</sup>.

Finally, it is striking that despite the numbers unemployed there would still seem to be difficulty in filling vacancies in specific areas. Skills shortages exist in information and communications, health and social care, sales and marketing (particularly multi-lingual posts), science, engineering (mainly electronics, medical devices, pharmaceuticals and energy), some areas of finance, and transport (FÁS & Expert Group on Future Skills Needs, 2012).

### **Regional Trends**

National trends are responsible for a significant proportion of the employment change, although regional factors also play a role (Morgenroth, 2012). Morgenroth's analysis finds significant differences regarding the industrial specialisation across regions, with Dublin in particular having a very different industrial structure than the rest of the country. These differences are reinforced by the persistence of unemployment differentials which it is suggested are due to the underlying structural differences across regions. The research also argues that past regional policies were ineffective at dealing with these structural differences so that a fresh policy perspective may be required to address region and location specific factors.

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<sup>2</sup> It is noted that estimates of employment in agriculture, forestry and fishing are sensitive to sampling changes over time

<sup>3</sup> IDA Ireland 2012 Review

**Table 1: Top Sectors by Growth in Numbers, 2006–2011**

Sector	At Work 2006	At Work 2011	Change	% Growth
Primary education	45,495	61,177	18,682	41.1
Retail sale in non-specialised stores	44,662	57,488	12,826	28.7
Other public administration	78,125	88,076	9,951	12.7
Farming	72,731	80,084	7,353	10.1
Social work activities	73,366	80,645	7,279	9.9
Adult and other education	19,547	26,253	6,706	34.3
Retail sale of clothing	15,301	21,039	5,738	37.5
Secondary education	37,354	43,213	5,649	15.0
Computer and related activities	36,656	41,978	5,322	14.5
Higher education	24,870	30,085	5,215	21.0

Source: CSO (2012), *Profile 3: At Work*.

Table 2 shows changes in employment by sector across regions. Sectors which grew in most regions include Information and Communications, Education and Health and Social Work. While other sectors declined the level of change varies considerably across regions. Some of the main features are as follows:

- Employment in industry declined strongly in the Dublin region;
- The accommodation and food services contracted very strongly in the Border and Midlands regions;
- Professional, scientific and technical sector employment declined by more than two fifths in the Midlands region;
- The West region benefitted from a 25 per cent increase in employment in education, which is five times the national average;
- Construction employment contracted by 63 per cent nationally, with a regional range between 69 per cent in the West to 55 per cent in the Mid East; and that
- Overall the change in construction employment is more uniform than the change in employment in any other sector, suggesting that the variation in the change in total employment is mainly driven by changes in other sectors.

**Table 2: Employment Change by Sector and Region between Q3 2007 and Q3 2012**

Sector	Border	Mid-lands	West	Dublin	Mid-East	Mid-West	South-East	South-West	State
	%	%	%	%	%	%	%	%	%
Agriculture, forestry and fishing	-14	-23	-30	0	-27	-22	-18	-36	-24
Industry	-33	-18	-8	-41	-26	-26	-17	-14	-25
Construction	-63	-68	-69	-67	-55	-57	-66	-57	-63
Wholesale, retail trade; repair of motor vehicles and motorcycles	-17	5	-10	-17	-10	-15	-19	-3	-12
Transportation and storage	16	-4	27	-6	-4	-1	-16	-6	-3
Accommodation and food service	-30	-25	-17	-12	-10	7	-1	-4	-11
Information and Communication	-33	32	58	2	78	52	20	9	16
Financial, insurance and real estate	0	-20	15	-7	3	38	-12	-12	-4
Professional, Scientific, technical activities	-16	-43	-5	-9	-10	-8	-16	-22	-13
Administrative and support services	-34	0	-9	-26	-21	-31	-2	-12	-20
Public administration, defence; social security	-13	-14	-12	-10	-3	14	-10	-3	-8
Education	-1	7	25	4	3	5	2	1	5
Human health, social work	1	17	10	16	10	11	5	20	12
Other NACE	-8	-2	19	15	0	5	-4	-7	4
Not stated	0	0	0	0	0	0	0	0	-46
<b>Total</b>	<b>-22</b>	<b>-18</b>	<b>-12</b>	<b>-14</b>	<b>-12</b>	<b>-13</b>	<b>-18</b>	<b>-13</b>	<b>-15</b>

Source: Morgenroth, (2012: 68), based on CSO Quarterly National Household Survey

When the change in employment is examined in more depth with respect to a national component, an industry component and regional component (shift-share analysis), Morgenroth found that the national trend contributed the most to employment change in all regions. Nevertheless, region specific factors were also very important in all regions except the Midlands and the South-East.

Micro-spatial analysis of unemployment showed that the heterogeneity of the unemployment rate tends to be greater within regions than between regions. For example, the hinterlands of Dublin, Cork and Galway, and to a lesser extent Limerick, Sligo and Athlone have lower than average unemployment. Conversely, some of the most peripheral areas of Donegal, Galway and Mayo have substantially higher unemployment rates than the national

average, but this is also the case in some urban areas especially in Dublin, Cork and Waterford. Morgenroth suggests that these differences are not simply reflecting an urban/rural divide but are due to underlying factors that have not been altered by the boom.

### ***Conclusion***

This short analysis of employment and unemployment acknowledges that there are some positive signs. However, it also shows that substantial challenges remain in relation to the scale of the unemployment problem; the level of unemployment and emigration among young people; level of part-time underemployment; the extent of long-term unemployment; higher unemployment rates among non-Irish nationals; and the regional concentrations of unemployment.

The analysis highlights the importance of detailed and nuanced policies which can address skill shortages; take into account local and regional needs; and develop and promote employment, particularly in sectors which are growing. In addition, population and labour force projections from Census 2011, when they become available, would provide a useful analytic insight into future scale of the employment challenge.

### 3. Action Plan for Jobs 2013—An Overview

As part of its response to the employment challenge the Government launched its second Action Plan for Jobs in February 2013. The Plan contains 333 actions and engages 16 Government departments and 46 agencies. The Plan has been developed on foot of wide consultation with interested parties and engagement with industry to try and ensure that the issues prioritised are the right ones (Department of Jobs, 2013: 7).

The actions in the report are aimed at building competitive advantage, driving entrepreneurship and start-up companies, assisting indigenous business to grow, developing and deepening the impact of foreign direct investment, and promoting the enterprise sectors of the economy. The Plan also addresses access to finance, and the availability of investment capital (*ibid.*:15). The main elements of the Plan are:

- **Disruptive Themes:** It begins by describing seven ‘disruptive themes’: ‘Big Data’ and analytics; ICT skills availability; integrated licensing application system; online businesses; JobsPlus initiative; energy efficiency; and national health innovation hub. The goals attached to these themes are ambitious in nature. It is stated that they require new ways of working and to this end Government will seek private sector involvement in driving their delivery.
- **Pathway to Work:** It provides a short summary of this Government initiative, its basic aims and progress achieved to date in areas such as client profiling, establishment of Intreo offices and integration of FAS services into Department of Social Protection. It also notes that consultative work is underway to tighten the targeting of activation places and to improve the employment impact (*ibid.*:48).
- **Access to Finance:** It provides an overview of developments in relation to finance for micro, small and medium enterprise. This includes the establishment of State Bodies Group, Credit Review Office, SME Funding Consultation Committee, Local Enterprise Offices (involved in grant aiding micro enterprise), use of NPRF funds (e.g. SME Turnaround Fund) and other reforms such as the 10 Point Tax Reform Plan in Budget 2013. In addition, there are a number of financing initiatives for the SME sector<sup>4</sup>:
  - €4 billion lending target has been assigned to pillar banks in 2013.
  - Range of new government initiatives under the aegis of Enterprise Ireland and the European Investment Bank will help channel long-term funds towards the sector.
  - €350 million of budget resources has been earmarked to leverage private sector funding with the objective of providing more than €1 billion of venture capital and equity financing to high potential innovative SMEs.

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<sup>4</sup> Draft Memorandum of Economic and Financial Policies, March 2013.

- A strategic investment fund (redeploying NPRF resources) will be established with an Ireland focused investment mandate to invest in areas of strategic importance on a commercial basis, supporting economic growth and employment.
  - In January 2013 the NPRF announced that it will invest up to €500m in three new SME funds which will make up to €850m available to SMEs through the provision of equity, credit and restructuring/recovery investment.
  - The NPRF will continue to work on supporting the delivery of additional funds that will complement those already announced and provide financing for SMEs.
- **Competitive Advantage:** It discusses the various ways by which Ireland can build competitive advantage: research and innovation including the prioritisation of 14 research themes and revised legislation to permit SFI to fund ‘applied research’; cost competitiveness, aligning skills with enterprise needs; infrastructure investment; and, through the development of sensible regulation.
  - **Entrepreneurship:** It highlights how entrepreneurship might be further supported emphasising the role of competitive start-up funding, non-financial supports, female entrepreneurship and the attraction of international entrepreneurs. Key institutional developments are the launch, in 2013, of Local Enterprise Offices (LEOs) that will provide support to micro-enterprises through Local Authorities and the establishment of a Centre of Excellence for Micro-enterprise and Small Business within Enterprise Ireland. The latter will be key means of integrating work across the LEO network. A national entrepreneur development programme, *New Frontiers*, has been established. This will be delivered at local level by the Institutes of Technology.
  - **Indigenous Business:** The Plan focuses attention on the role of Irish companies in supporting export-led job creation. It proposes action to expand this role by scaling Irish enterprises into global players and forging partnerships in business, research collaboration and new ventures overseas. A key issue is to capture what is seen as a ‘considerable opportunity to stimulate peer-to-peer learning in areas such as management capability, innovation and internationalisation’ (*ibid.*:90). The key institutional development is the establishment of a senior management team to allow IDA and EI to work together to attract inward entrepreneurs, maximise procurement opportunities and strengthen linkages between MNCs and SMEs.
  - **Foreign Direct Investment:** It considers how Ireland can develop and deepen the impact of foreign direct investment. IDA launched a five year strategy, Horizon 2020, in 2010. It is a dual strategy focused on attracting new investment and jobs and helping drive company transformation to protect and retain jobs in Ireland. The target is to attract 640 new investments and create 62,000 jobs (gross). In the first three years 419 investments have been secured and 36,332 jobs (gross) have been created. The target of creating 50 per cent of investments outside Dublin is proving challenging (*ibid.*:98).

- **Employment at Community and Local Level:** The Plan highlights the role of local businesses in providing employment and local initiatives and campaigns taken directly by communities and business (e.g. Shop Local Campaigns). Actions contained in the Plan include the establishment of Socio-economic committees in each Local Authority and commitments to review existing work, such as the County and City Managers report which identified 2,000 actions/projects and initiatives. There is also a focus on supporting young people and economic opportunities for rural areas.

Finally, the report considers specific sectoral opportunities in the following areas: manufacturing, agriculture, food and marine, green economy, construction and property, tourism, retail, creative services, aviation services, international financial services and cloud computing (Box 1 provides a brief summary of each).

This section finishes by reviewing the structures and underlying processes of the APJ. Doing so may help to improve work on this process and in other areas of policy areas, though it should not be assumed that the process could be replicated in its entirety in all areas of policy.

Within the process there is an overarching annual policy statement, the Action Plan for Jobs, and also supporting plans and statements such as the Green economy report *Delivering Our Green Potential*<sup>5</sup>. The success of these plans increasingly depends on a significant level of engagement across a whole myriad of sectors, involving several government departments, agencies and many companies and other stakeholders. The issue of how Government manages such a network and diverse set of sectors is a critical and long-standing challenge. What has emerged, thus far, is a process with three key elements: an overarching plan; a monitoring committee and secretariat; and, steering or implementation groups. Table 3 provides a summary of each.

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<sup>5</sup> Under the APJ there is a commitment to monitor and report on progress on Delivering Our Green Potential to the Cabinet Committee on Climate Change and the Green Economy. The APJ also lists specific actions related to the environment, such as reducing the number of waste regions from ten to three or implementing the green public procurement action plan.

## Box 1: Action Plan for Jobs—Sectoral Opportunities

**Manufacturing:** Broad range of activities from research and development through design, production, logistics and distribution to marketing and after-sales services. Focus is to enhance the capabilities of the sector to compete internationally and to respond to deep changes facing the global manufacturing sector, linked to ICT, customer responsiveness and collaborative ways of working. Key sub-sectors are pharma/biotech, medical technologies, agri-food, ICT hardware and software, engineering and offsite manufacturing. A key issue is the ability to capture convergent possibilities that cross-traditional sectors—for example opportunities that link pharma and food such as functional foods and nutraceuticals. A long-term vision for the sector is being finalised by DEJI and Forfas. There is also a Manufacturing Development Forum which is identifying the needs of manufacturing enterprises helping to progress a transformation agenda for the sectors.

**Agriculture, Food and Marine:** Food Harvest 2020 sets out specific targets for the dairy, beef and seafood and beverage sectors. A key institutional development is a Ministerial level committee which proactively monitors the implementation of Food Harvest. Standards are the cornerstone of Ireland's international marketing strategy and recent events in the beef sector reinforce their importance. In this context, Origin Green is a Bord Bia led initiative which will ensure that 75 per cent of food and drinks exports will meet independently verifiable standards. This will be necessary if Ireland's agri-food sector is realise in respect to growth and climate change.

**Green Economy:** Ireland's endowment of natural resources and skills in areas such as construction, ICT and agriculture mean that it is well positioned to take advantage of the Green economy. A ministerial level consultative committee has been established to identify opportunities for further job creation.

**Construction and Property:** Sector in its own right and also critical input to other sectors. Need to return to sustainable pattern of activity, which includes both domestic and international work. Forfas finalising strategy for the sector to 2015.

**Tourism:** Sector returning to (low) growth and improvements in cost competitiveness increasingly recognised. Key challenge is to assist the very many small businesses in the sector. Among supports in the Plan is an online toolkit which will allow businesses make better use of internet and digital media.

**Retail Sector:** 70 per cent of online trade in Ireland is with foreign companies. An online-trading voucher will be provided to encourage more retailers to market their products and services online. Licensing for retailing is one of the seven disruptive themes.

**Creative Services:** Broad ranging sector including arts, culture, heritage and ICT. It includes film, audiovisual and games sector. Main action is to implement actions in the Creative Capital Report.

**Aviation Services:** Includes range of activities such as repair, training, leasing and software services. There is already a sizable sector in Ireland and it is seen as one with potential for significant growth. Key action is development of an International Aviation Services Centre in Shannon.

**International Financial Services:** The main areas are investment/ asset management; banking and capital markets; and insurance and pensions. There are 250 firms in the IFSC. Main action is to continue to implement Strategy for the International Financial Services Industry in Ireland.

**International Education Services:** The objective is to promote Ireland's reputation among international students. The aims are to increase total number of international students, the number of English-language students and to enhance the economic impact of this activity on Ireland. Main action is to continue to implement International Education Strategy and to undertake short focused review of the Strategy.

**Cloud Computing:** The focus in this area is to encourage more companies to provide cloud computing solutions and to heighten awareness among businesses that can use cloud computing for competitive advantage. Key action is the focus on 'Big Data' as a cross-cutting disruptive theme.



The plans are developed by the Department of Enterprise, Jobs and Innovation and Forfas. The Government endorses and commits to implementing the plans. The management of the process is carried out by a Monitoring Committee. It is supported by a small secretariat. The activities of the Monitoring Committee and its Secretariat include:

- **Breaking Down Plans:** The annual plan is re-worked into quarterly actions which are then circulated by the Secretary General of Department of An Taoiseach to each department.
- **Advance Warning:** A warning system is in place to track work during each quarter. This involves checking at the end of the first month to see if plans are on track or not; and “flash report” at the end of month two to identify potential problems. The latter forms the basis for a memo to cabinet.
- **Referral:** Plans and in particular problem areas are referred to various bodies that can help provide fresh impetus. These include various cabinet sub-committees and via the Cabinet directly to responsible ministers.
- **Reporting and Review:** Progress is classified as either “delayed” or “complete”. Where projects are delayed sufficient information must be provided to allow the monitoring committee assess the validity of the reason for delay. The Secretariat use its expertise—or contacts where areas are outside their own expertise—to assess plans and their ambition. They will also occasionally follow-up on specific outputs—such as a workshop or trade event— to identify the impact on sales or jobs.
- **Case-studies:** In a number of areas the Secretariat have provided short case studies to help communicate the impact the Plans are having at the front-line.

It is interesting that one of the most developed sectors in the Action Plan for Jobs—in terms of including very specific outcomes some of which include targets for jobs to be created—is food and agriculture. In this sector, there is an underlying process in place, which seems similar in structure to that in the Action Plan for Jobs. This process is led by the Minister for Agriculture, Food and the Marine and constructed around high-level implementation group and a number of sectoral ‘activation’ groups and ad hoc groups. This process includes the development and achievement of very specific annual milestones.

One of the distinctive characteristics of the Action for Jobs process is the technical or sectoral level expertise of the secretariat. The secretariat prioritise actions; anticipate potential difficulties; and identify recurring themes—such as legislative delays. The approach relies on departments and agencies to provide detailed analysis in relation to progress, almost on a monthly basis. Progress reports are produced on a quarterly basis. In particular, as noted above if plans are delayed sufficient information must be available to allow the Secretariat and the Monitoring Committee to understand and verify reasons for inaction. Quarterly progress reports are now compiled and in these reports stakeholders report their on specific quarterly actions, related to each action in the Annual Plan. As well as providing a status update they provide a commentary in relation to the action. In most cases the commentary highlights the impact of the action or at least the expected impact of a measure taken. Thus for example commentary related to Action 53 (Tax Plan for SMEs) notes that change to corporation tax and incentives in Budget 2013 are expected to help cash flow among SMEs

and reduce administrative burden. This analytical approach would seem to be key to the Department of the Taoiseach's contribution and its focus on ensuring that the planning process is not a 'box ticking exercise' but instead one which adds value.

**Table 3: Components of the Action Plan for Jobs Process**

<b>Action Plan for Jobs</b>	<p>Annual plans are developed by Department of Jobs, Enterprise and Innovation and Forfas.</p> <p>Plans are developed in consultation with Government departments and agencies. There is also a process of consultation with industry. Plans were published in 2012 and 2013.</p> <p>APJ 2013 contains 333 actions and engages 16 Government departments and 46 agencies.</p>
<b>Monitoring Committee</b>	<p>The monitoring committee is jointly chaired by the Secretary Generals of Department of An Taoiseach and Jobs Enterprise and Innovation. Its members are drawn from those departments and Public Expenditure and Reform.</p> <p>The function of the Monitoring Committee is to monitor the implementation of the Action Plan. It is supported in this work by a small secretariat. The Secretariat is based in the Department of An Taoiseach but includes staff drawn from Forfas..</p>
<b>Steering Groups</b>	<p>A number of steering groups, chaired by Assistant Secretaries, have been established to support the work on the seven Disruptive Themes. Six senior executives from industry are members of the steering groups, with some serving on more than one group.</p>

The political and organisational support deriving from within Department of the Taoiseach remains important. However, the work now taking place on enterprise suggests that this authority is being enhanced or complemented by monitoring and coordination work undertaken by the Secretariat. In this sense, the authority of the centre derives not simply its position in a hierarchy but also from its ability to know what is happening in many diverse areas and sectors.

This ability to judge the quality of the actions is critical. If actions are more outcome/impact orientated than output focused this judging process becomes more challenging. In our view, it is likely that the process of planning, associated with the Action Plan for Jobs, will need to become more concerned with outcomes. If this is to happen then the question of the analytical capacity that will be required may require further consideration.

In addition, it is likely that as the process continues that there will be a need to find more ways to push departments and agencies to be more ambitious and to take on more challenging action plans. One means of supporting this is consultation. In the Action Plan for Jobs there is consultation with industry. While clearly important there would seem to be

limits to this. The main form of consultation elicits from business what might be seen as what business already knows, or a snag-list. These are issues that people in business find to be hampering their ability to trade—costs, administrative bottlenecks, licensing, skills shortages, lack of financial support etc. They are familiar because they arise in the everyday context of doing business.

However, there are also issues for which the answer is not obvious—for example, how to develop an indigenous Irish waste and agricultural anaerobic digestion industry. In these areas there are multiple aspects to the challenge—gate charges for waste, energy tariffs, planning, needs of end users in heating and transport, infrastructure etc. In these areas, enterprise policy needs to do more than consult with industry. It needs to ensure that industry or agencies of the state explore and experiment to figure out how to make things work and to test and build ideas that have scale. The Action Plan for Jobs has a number of plans which would seem to testing ideas—for example, in relation to big data and energy efficiency—and in these areas there may be deeper engagement with industry.

However, the challenge of creating jobs at the scale required will not be solved by dealing with the snag-list. There needs to be much more exploration of new ideas and options, for example: how might retrofit, construction skills and the IT sector connect to ensure that the professionalism of the construction sector is radically improved? There would seem to be a need within the current system to create space and capacity to test and explore possible projects. The outcomes of this exploratory work needs to be assessed and supported. The types of actions or plans associated with this work, at least at the early developmental stage, are also likely to be more ambiguous.

In addition, the dominant form of consultation is with business. This narrows the spectrum of possibilities. In particular, as attention shifts further towards the role of non-traded and local and community projects in creating employment and opportunity it would seem that there is much that can be learned from consultation and engagement with wider stakeholders.

In conclusion, the Action Plan for Jobs does seem to be an important public sector reform. This section suggests that among the issues which it will need to confront is how will the process ensure that it is continuously improving; that is that it can push departments and agencies to bring forward stretch targets, set more challenging goals; and ensure that there is greater focus on outcomes and impact as well as outputs?

## 4. Evidence of Broader and Deeper Approach

Ireland has long had an activist approach to enterprise policy. It has developed institutions, in particular the IDA, which engages deeply with industry. It is from a position of deep understanding of the needs of industry and sectoral trends that the IDA crafts and re-crafts Ireland's foreign direct investment proposition. The strategy is continuously improving, open to innovation and radical change and very successful, particularly so in the face of the current crisis. The IDA as an institution has linked bottom-up growth opportunities with top-down actions which can facilitate growth (e.g. new infrastructure, new third-level courses or regulatory changes).

In responding to the crisis it is possible that this capacity may have broadened and deepened. Table 3 indicates that traditionally the core focus on enterprise policy has been on a number of sectors, predominantly in recent years pharma, med-tech, computer hardware and software, food, manufacturing and international financial services.

The Action Plan for Jobs could be seen to broaden this focus in three ways:

- i. **More Sectors:** The Plan certainly brings more sectors into the purview of activist enterprise policy, such as construction, tourism, retail and a number of specific services. These are important areas and for different reasons. For example, retail is a large source of employment, while cloud computing is a key enabler in the drive to create future cost competitiveness and support innovation.
- ii. **New Thinking on Growth:** The Plan's focus would seem to be on new approaches to thinking about growth and economy. In particular, it highlights the importance of developing the green economy so that Ireland's natural resources could be protected and used more effectively.
- iii. **Local and Community Employment:** The Plan focuses on how enterprise policy and local and community employment might be more aligned and mutually supportive. The Plan notes that new structures—such as, Local Employment Offices, New Frontiers and socio-economic committees at sub-county level—can have an important role in job creation.

The Action Plan might also be seen as promoting a deeper approach to enterprise policy:

- i. **Participative Policy:** In more of the areas under the Plan there would seem to be engagement, consultation and collaboration with front-line stakeholders. There are several consultative processes just completed or underway, within EI, IDA, Forfas, Local Authorities and in many Government Departments. There are taskforces working on issues such as Big Data and Tourism Recovery. The depth or quality of this engagement is difficult to assess and, therefore, at this point one needs to remain cautious about the system's capacity to do 'organised search.' Some exploration of these processes might be valuable.
- ii. **Disruptive Themes:** The second means of producing more in-depth analysis of the policy choices and actions is through a focus on 'disruptive themes'. These are identified as areas with the potential to have a significant impact on job creation.

or where Ireland can profit from a natural advantage or opportunity that presents itself in the economy (*ibid.*:9). Table 3 lists four of the key themes. The approach to work on these areas shares similar features. It centres on creating a network of stakeholders that can identify and progress specific opportunities.

- iii. **Indigenous Development:** The Plan, and action by the agencies, would also seem to deepen discussion of indigenous development. Ireland's indigenous sector accounts for a small proportion of its exports. Based on the most recent Census of Industrial production (in 2009) just 10 per cent of the value of exports by manufacturing and internationally traded services companies was from Irish-owned enterprises. If exports are adjusted for the level of expenditure in the Irish economy the share of exports rises—to 28 per cent in 2009. This means that Ireland still faces the challenge of developing its indigenous business sector, a theme in discussion of enterprise policy since at least the 1970s. However, importantly, the Plan acknowledges the capacity that now exists in the indigenous sector. It argues that there is a significant and growing export footprint and that in some sectors, such as construction and food, this has increased during the crisis. It argues that indigenous business is part of the eco-system for FDI. It acknowledges that more could be achieved by strengthening the connections between the foreign-owned base of companies here and Irish-owned firms, through increased local sourcing for example. Likewise, assisting Irish-owned firms to connect into global supply networks would strengthen their capabilities, reputation and visibility on international markets (*ibid.*:90).

The Plan identifies actions which would help to increase the export and/or import substitution capacity of indigenous firms. This includes general managerial and organisational issues with actions linked to training, mentoring and peer-to-peer learning. That is there is very significant focus on key means of creating distinctive capabilities, what Kay (1993) calls 'architecture': internal and external relationships. It includes ways of linking inventors (Big Ideas Showcase for inventors); specific programmes which reduce costs (e.g. 14 Lean Manufacturing projects); and links to international buyers (International Markets Week) and funding for start-up and developing companies (e.g. Growing Global Fund). There are also supports to encourage more companies to do significant levels of R&D.

**Table 4: Wider and Deeper Enterprise Policy**

New Economy & Societal Themes	Core Enterprise Sectors	New Enterprise Sectors
<p>Green Economy</p> <p>Creation of Shared Value</p> <p>Local Economy</p>	<p>Pharma</p> <p>Med Tech</p> <p>Computer Services</p> <p>Computer Hardware</p> <p>Food</p> <p>Manufacturing</p> <p>International Financial Services</p>	<p>Construction and Property</p> <p>Tourism</p> <p>Retail</p> <p>Creative Services</p> <p>Aviation</p> <p>International Education</p> <p>Cloud Computing</p>
<b>Disruptive Themes</b>		
<p>Big Data</p> <p>Energy Efficiency</p> <p>Banking and Financial Services</p> <p>National Health Innovation Hub</p> <p>Integrated licensing application system</p> <p>Online businesses</p> <p>JobsPlus initiative</p>		
<b>Indigenous Development</b>		
Eco-system for Investment		

## 5. Scope to Broaden and Deepen Further

The apparent development of a wider and more participative approach to enterprise policy is important and can be linked to emerging analytical work on economic growth.

Ricardo Hausmann, one of the world's leading theorists on economic development, shows that growth and export success is dependent on an array of capabilities and skills which are deep rooted in the existing sectors and activities in a given economy (Hausmann & Hidalgo, 2011). His recent work suggests that countries evolve along trajectories set by existing capabilities. Growth is determined by incremental innovations and changes to products, services or business models. It can also come about through leaps or more radical innovation as connections are forged between different sectors. The leaps are more likely if the areas/sectors share some underlying characteristics. For example, two sectors which require advanced engineering skills or use similar raw materials. The more underlying characteristics two sectors share the stronger is the potential connection and the opportunity for learning.

The research is based on empirical analysis of 83 cases of growth accelerations<sup>6</sup> between 1957 and 1992 (Hausmann *et al.*, 2004). It shows that the key to export growth is the ability to find and capitalise on connections between areas in which a country has some underlying advantages. Growth in this work is found to be reliant on, first, the range and, second, the sophistication—defined as activities happening in very few other countries—of capabilities in an economy. However, Hausmann also identifies a third related component: active search. Active search refers to the process by which companies and supporting agencies search—locally and globally—for ways that capabilities might be enhanced or ways they might be used in different ways or in new sectors. This networking capability is seen as critical for growth. For Hausmann a key feature of the emerging system is the capacity of stakeholders across economy, society and the state to see problems, explore their causes and search for solutions based in many cases on well-developed organisational disciplines. Such exploration is necessary precisely because there is not an *ex ante* solution known by a principal who has the capacity to instruct an agent.

In the Action Plan for Jobs there are signals that this capacity to do organised search may be diffusing beyond the IDA and parts of EI, for example in the response to credit and investment for SMEs. However, it is difficult to know from our initial desk-based research how deep and search-orientated the new structures and processes are in practice. Certainly, the description of the approach to issues such as 'Big Data' suggests a very intense process of search and engagement between industry public sector and third-level is underway (Box 2).

However, even in this area further details on the precise organisational arrangements and working structures would be needed to inform a sense of the quality of this engagement: what are the metrics being set, are they challenging, for whom and why? In other areas even this level of detail is not available—nor should it be in context of an overarching plan. However, it means that little is known of what is happening, at the front-line, in areas like

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<sup>6</sup> Growth acceleration is an increase in per-capita GDP growth of two percentage points or more, that is sustained for at least 8 years and the post-acceleration growth rate has to be at least 3.5 per cent per year.

marine, international education services or, indeed, the sub-sectors of manufacturing. For example, are there people working on issues such as the patent-cliff or employment intensive marine activities? If there are who is involved and what types of opportunities and challenges are they addressing?

## Box 2: Problem-Solving Approach to Big Data

“Big Data” refers to the storage and analysis of datasets that are so large and complex that they become difficult to process through standard database management tools. It is associated with the large amounts of data being generated in business and in other fields, through for example: information sensing mobile devices, radio frequency identification readers and wireless sensor networks. Data analytics is the conversion of data into valuable information through the use of statistical techniques and advanced software (:22).

The Action Plan for Jobs aims to position Ireland as a global leader in the area of ‘Big data’ and data analytics. Ireland has important capabilities in this area. There is a strong enterprise base of multinationals and indigenous companies providing services and solutions (for example, SAP and Qumas) and enterprises whose businesses are built in whole or in part in applying these technologies (e.g Google and eBay). In addition, public sector organisations are engaging in this area by making greater use of data analytics (e.g. Revenue, Department of Social Protection) and/or exploring the commercial opportunities associated with data (e.g. Dublin City Council’s partnership with IBM’s Smarter Cities Technology Centre). Finally, ‘Data Analytics, Management, Security and Privacy’ is one of the 14 research priorities; technology Centres are being progressed and work on standards development (around data sharing, data security, interoperability of systems, Cloud Computing etc.) is taking place within NSAI.

It is an open question whether the enterprise system, and particularly Enterprise Ireland, has or should have the capacity to support and organise search networks across all sectors of economy. It may simply be unable to provide the same level of support to smaller sectors and to smaller firms. In this context, should the function of bodies like EI be more focused on supporting firms and local communities to take the lead in creating networks capable of tackling bottlenecks?

As policy broadens out to embrace new sectors it also needs to ensure that traditional areas such as manufacturing are supported. The Plan references work taking place on manufacturing but at this point details are not provided. Will it offer a fine-grained analysis which identifies the key strategic issues facing specific sub-sectors? Will it improve our knowledge of the dynamics underpinning competitiveness in smaller sub-sectors such as metal fabrication, furniture and petroleum products?

Indeed, part of the way in which these sectors can protect jobs and create new opportunities is by drawing on and using advances in technology, in some cases of precisely the type included in ‘Big Data’. This is a key feature of the Keenan case (see Box in Section 1.4). An important aspect of the broadening of enterprise policy, to new areas such as ‘Big Data’ is that it considers ways that traditional activities or sectors can be also included. Thus, for



example, it is interesting to ask if a company like Keenan or organisations such as Teagasc or Bord Bia are involved in the Big Data Taskforce.

### **Box 3: Using Data Analytics in the Agri-Food Sector**

Richard Keenan Ltd. is an Irish-owned SME that has for 40 years manufactured specialist farm equipment for feeding livestock. The company employs in the region of 220 staff, with a turnover in the region of €55 million, 90% of which is based on exported goods and services. The company exports into 40 markets across five continents.

Keenan machines are now equipped with an ICT system that incorporates electronic sensors and wireless communications technology. This system collects and collates data on a daily basis in relation to the blend of feed ingredients being used for a livestock herd. It also collects data on the performance of the herd (such as quality of milk, fat and protein levels, and body-weight of cattle). This data is relayed to Keenan's central data processing unit in Ireland. The company has developed algorithms, protected by patent, to process data provided by an individual farmer. The resulting calculations provide the farmer with insights into how he/she is using feed ingredients. This provides the farmer with insights on performance relative to the farm itself (historically) and to national averages and international best practice.

A data processing centre, is led by a small team of IT specialists. The team provide real time feedback to farmers. However, the database is also used by Keenan's to refine and improve the underlying algorithms. The central database has records from almost 10,000 farms all over the world. These records are analysed by a Scientific Advisory Board. For example, recently, the Board engaged an agricultural economist to work with it on how the improvements in feed conversion efficiency might be monetised. The result was that farmers are now able to see the impact in monetary terms of, for example, using a particular ingredient.

## 6. Widen Further Still to Social Enterprise and Local Community Projects

As noted in Section 1.2 the impact of the recession and reforms introduced has had an uneven spatial impact. A core question is how to address the significant differentials in the potential and capacity of counties and regions to attract and generate new types of employment that are of good quality and sustainable. The Action Plan for Jobs includes a focus on employment at community and local level. This includes some aspects of Local Government reform but also includes additional measures such as the role of EI in LEOs and the New Frontier's programme; as well as supports for local initiatives. However, a very significant challenge at local level would seem to be the absence of the very type of search processes seen as necessary and effective at national level.

Recent work by the NESC Secretariat for the OECD looked at two regions: Dublin and the South East<sup>7</sup>. In terms of economic development it found that forums and mechanisms which bring stakeholders (e.g., the state development agencies, employer representative bodies, higher education institutions, local authorities, local development companies, etc.) in local economic development together are weak or non-existent. It found that instances of broad collaboration take place occasionally in each of the regions but they are overly reliant on good inter-personal relationships between key personnel, the quality of individual leadership and/or the stimulus of a specific event. It found that there is, in effect, no authoritative coordination of all these players at the regional, city/council or sub-county levels. Particularly at the county and sub-county levels, there are numerous boards, partnerships and committees operating that, all too often lack decision making powers and influence, making the majority of them quite weak. This lack of effective coordination is compounded by a weak regional tier which has little impact on policy making, a governance level which in other OECD countries often serves as an integration platform. The research also found that in the case study areas, the pressure of reduced resources at the current time is even tempting some public service providers to retrench into policy silos and pull out of partnerships, making collaborative action at the local level more difficult.

This suggests that at local and regional level the challenge of coordinating and organising effective search processes which will maximise employment creation opportunities should not be underestimated. The Department of the Environment, Community and Local Government has outlined a new architecture with the express intention of empowering actors and communities to play more decisive roles at the local, city/county and regional levels (*Action Plan for Effective Local Government*, October 2012). The number of local authorities has reduced from 34 to 31 and there will be three large Regional Assemblies (replacing the current eight Regional Authorities and two Regional Assemblies) and these will have a role in drawing up and implementing Regional Spatial and Economic Strategies (RSES). This is to be done in cooperation with government departments and state bodies that, thereafter, and similar to the Local Authorities themselves, agree to be held accountable to the provisions of the RSES. City and County Development Plans are to reflect these higher

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<sup>7</sup> Local Job Creation, forthcoming OECD Report authored by Dr. John Sweeney, NESC.

level RSES (with Strategic Policy Committees for Economic Development and a Directorate of Economic Services in each Local Authority playing the key roles) and, in turn, to inform lower level Local and Community Plans. The latter are to be drawn up by Socio-Economic Committees which Local Development Companies and the local community sector participate in formulating and to which, afterwards, they too are to be held accountable.

However, it is difficult at this remove for NESC to identify how well suited these structures and processes are to the challenges of creating employment in local areas. It may be that detailed study by NESC in a specific area would help to identify the suitability of these new structures and processes: Are they creating better coordination? Is there evidence that networks are forming and finding ways to create employment locally? Where is innovative and ambitious work taking place on issues such as energy, natural resources, jobs for disadvantaged groups?

## 7. Conclusion

The initial reporting of overall employment trends provided a reminder of the scale and long-term nature of the job creation challenge. It also highlighted both the sectoral and regional variability of employment trends. As noted the ability for the Irish economy to close the employment gap is also dependent on macro-economic and labour market policy. This paper has concentrated on the role of enterprise policy.

It suggests that enterprise policy seems significantly experimental and characterised by collaborative work with front-line stakeholders, particularly foreign-owned enterprise—both large and small; new and existing—and indigenous high potential start-ups and agri-food companies. This paper argues that engagement seems to be broadening in ways to include more sectors and new ways of thinking about growth (e.g. green) and prosperity (e.g. local and community initiatives).

However, the paper is more conjectural about the quality of the broadening and deepening. It is difficult to know if the engagement beyond FDI, larger enterprise and high-potential start-ups has the same degree of rigour and depth required to carry out organised search and exploration of possibilities that has long characterised the IDA and parts of EI.

In the medium to long term these changes have important consequences for the role of state in the economy and society. There may be seeds in this approach of a radically more effective public system which are important to discuss. Might these developments in policy and practice provide some of the elements from which we can build a more integrated picture of economy, society and state, rather than one which remains resigned to the idea that the fiscal imperative is forcing us to make big choices *between* economy, society and state? If so, such a perspective may be able to cut across conventional theoretical and ideological debates about the state versus private enterprise, market based selection versus picking winners, rules versus markets, 'liberal market economies' versus 'coordinated market economies' etc. Finally, what is emerging would also seem to be very practical in the sense that it accepts the fact that policies for growth and social protection are context specific; therefore, it does not set impossible hurdles (derived from Silicon Valley, on the one hand, or Scandinavia, on the other) for Irish policy to jump or impossible 'models' for Ireland to emulate.

In the longer term the ability of the economy and society to respond to what are called mega-trends will be a critical feature. A recent IMF paper, *Jobs and Growth: Analytical and Operational Considerations for the Fund*, argues that three mega-trends—technological innovation, globalisation and demography and the great recession (reflected in long-term low growth prospects for developed countries (Gordon, 2012)— are re-defining the opportunities available within advanced and developing countries. For example, technological developments look set to revolutionise key areas such as medicine, education (particularly third-level) manufacturing, language translation and driving (Brynjolfsson & McAfee, 2012).

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