3.4 Ireland

3.4.1 Setting the scene: key traits of the country's political economy

Ireland has been one of the EU countries hardest hit by the financial and economic crisis that began in 2008. In 2010, the Irish government asked the European Union and the International Monetary Fund for fi-

Table 15 **Ireland: selected socio-economic indicators, 2007–2014**

Indicators/years	2007	2008	2009	2010	2011	2012	2013	2014
Real GDP growth	4.9	−2.6	−6.4	−0.3	2.8	−0.3	0.2	4.8
General government gross debt (EDP concept) (% of GDP)	24.0	42.6	62.3	87.4	111.2	121.7	123.2	109.7
General government deficit/surplus (% of GDP)	0.3	−7.0	−13.9	−32.5	−12.7	−8.1	−5.8	−4.1
Employment rate (% 20-64)	73.8[b]	72.2	66.9	64.6	63.8	63.7	65.5	67.0
Unemployment rate (%)	4.7	6.4	12.0	13.9	14.7	14.7	13.1	11.3
People at risk of poverty or social exclusion (% of total population)	23.1	23.7	25.7	27.3	29.4	30.0	29.5	n.a.

Note: b = break in time series.
Source: Annex to Agostini and Natali (forthcoming: Appendix).

nancial assistance. Before 2008, the country experienced a fairly high rate of GDP growth (4.9 per cent in 2007) and sound budgetary conditions (public debt and deficit were, respectively, at 24 per cent and +0.3 per cent of GDP in 2007). However, the years between 2008 and 2013 saw a sharp deterioration of those indicators, with GDP growth falling by –6.4 per cent in 2009, the public deficit reaching 32.5 per cent of GDP in 2010 and public debt touching 123.2 per cent of GDP in 2013. The employment situation deteriorated significantly over the crisis years: the employment rate decreased from 73.8 per cent in 2007 to 63.7 per cent in 2012, while the unemployment rate, which stood at 4.7 per cent in 2007, peaked at 14.7 per cent in 2011. In 2007, the rate of people at risk of poverty or social exclusion was 23.1 per cent, rising to 30.0 per cent in 2012 (Table 15).

In 2014, the Irish economy showed some signs of recovery, at least in terms of GDP growth (+4.8 per cent) and some improvements of budgetary indicators: in 2014, public debt was 109.7 per cent of GDP (13.5 percentage points lower than 2013) and the deficit was 4.1 per cent of GDP (1.7 percentage points lower than 2013). However, only modest progress was registered for employment and social indicators: in 2014, the employment rate reached 67.0 per cent (+1.5 percentage points compared with 2013, –6.8 percentage points compared with 2007) and the unemployment rate was 11.3 per cent (–1.9 percentage points compared with 2013 and +6.6 percentage points compared with 2007). In 2013, 29.5 per cent of the Irish population were at risk of poverty and social exclusion, which means a decrease of 0.5 percentage points compared with 2012 and an increase of 6.4 percentage points compared with 2007 data.

Scholars invoking the ‘varieties of capitalism’ approach generally situate Ireland among the liberal market economies. However, the country shows some important peculiarities, inherited mainly from economic policy choices made at the end of the 1980s (Kirby 2008; Schweiger 2014). First, the Irish economy has traditionally been highly dependent on foreign direct investments and on exports, much more than other countries in the liberal market cluster. Second, the country’s industrial relations system displays some features comparable to the coordinative arrangements characterising coordinated market economies. Ireland is indeed among the most open economies in Europe: the establishment in the country of large multinational companies and the export of their products were the basis of the ‘Celtic Tiger’ boom during the 1990s, a

Table 16 **The Irish social model**

Labour market regime	Welfare regime	Varieties of capitalism
Anglo-Saxon	Liberal	Liberal market economy
		Peculiarities: - Strong dependence on FDI and important presence of multinational companies; - Coordinative arrangements at both sectoral (REAs, EROs) and national level (social partnership)

Source: Authors' elaboration on Agostini and Natali (forthcoming).

period characterised by high rates of GDP growth, increasing employment and decreasing unemployment rates. Policy choices made in that period pursued a precise strategy for increasing national competitiveness, creating an attractive environment for foreign direct investments, which have indeed given the Irish economy a comparative institutional advantage (Kirby 2008). Foreign investors were offered among the lowest corporation taxes in Europe and a stable, non-conflictual industrial relations system. Employment relations in Ireland have historically relied on a 'voluntarist' approach, with the state providing a supportive framework for collective bargaining, which results in non–legally enforceable collective agreements binding only on the signatory parties (Doherty 2014). At the sectoral level, important exceptions are the Registered Employment Agreements (REAs) – sectoral agreements registered with the Labour Court applying to all the employers and employees in the sector – and the Employment Regulation Orders (EROs) agreed by Joint Labour Committees (JLCs) and setting legally binding minimum wages and working conditions for the relevant sector (ibid.). At the national level, a peculiar feature of the Irish industrial relations system is the so-called 'social partnership' model, a 'semi-corporatist' model (Schweiger 2014) based on triennial social pacts signed by the government, employers' representatives and trade unions. Social partnership, developed since 1987, has entailed a strong centralisation of the social relations system, although it still relies on a regulatory framework based on voluntarism (Baccaro and Howell 2011; Doherty 2014). While social pacts agreed over the years have focused on a variety of issues, the key feature of these deals has remained constant: wage moderation in return for a reduction in personal taxation (Kirby 2008). That said, wage moderation has been more rigidly enforced in the private sector than in the public sector (Baccaro and Howell 2011: 546).

In terms of welfare regime, Ireland displays most of the characteristics of liberal welfare regimes (Kirby 2008). The Irish welfare system has a residual nature and relies substantially on non-contributory, means-tested benefits. Cash benefits – generally kept at a low level – significantly prevail over services. Social protection spending as a percentage of GDP has traditionally lagged behind the EU average – even during the years of sustained growth of the 'Celtic Tiger' – and the system has proved to be scarcely effective when it comes to the reduction of poverty and inequalities. Overall, though social spending has increased and new provisions have been gradually introduced over time, the Irish social protection system has always remained aligned with the imperative of cost competitiveness characterising the country's economic policy objectives (Dukelow 2015). Looking more specifically at labour market policies, the Irish model has taken some inspiration from the Danish and Dutch systems of flexicurity, with some emphasis on activation and human capital development: however, the presence of a significant degree of flexibility[26] was never accompanied by equally generous unemployment benefits (Baccaro and Howell 2011: 546).

The beginning of the 2000s represented a turning point for the Irish economy. Although still extremely important, foreign direct investment started to slow down and the importance of domestic demand increased (Schweiger 2014: 156). The latter was fuelled by an expansion of the construction sector and the development of risky financial practices, which favoured private borrowing and the development of a property bubble. Thus, despite the country's growth rate and its sound budgetary position, the business model of many Irish banks left them significantly exposed to the turmoil of the US financial sector in 2007–2008. In September 2008, the Irish government announced that it would guarantee all the banks' liabilities. Because of this cash inundation into the banking system, the financial crisis rapidly turned into a sovereign debt and economic crisis and, in November 2010, the Irish government officially asked for financial assistance from the EU and the IMF. As is the case for the other countries under financial assistance, the Economic Adjustment

26. Considering the strictness of employment protection over the period 1999-2013, Ireland displays values among the lowest in the EU (Agostini and Natali forthcoming: Appendix).

Table 17 **Irish governments, 2007–present**

Years	Prime Minister	Position in the political spectrum	Coalition forces	Reform programme
2007–2008	Bertie Ahern (Fianna Fáil)	Centrist-conservative	- Fianna Fáil - Progressive Democrats - Green Party	Social standards devaluation
2008–2011	Brian Cowen (Fianna Fáil)	Centrist-conservative	- Fianna Fáil - Green Party	Social standards devaluation
2011–	Enda Kenny (Fine Gael)	Right-left coalition	- Fine Gael - Labour Party	Social standards devaluation

Source: Authors' elaboration.

Programme (EAP) for Ireland, signed in December 2010, foresaw three types of measure (European Commission 2011): (i) financial measures (with the aim to achieve a fundamental downsizing and reorganisation of the banking sector); (ii) fiscal measures (restoring fiscal sustainability through expenditure cuts and changes to the tax system); and (iii) structural reforms (including, for instance, reforms of the labour market). Ireland officially left the financial assistance programme in November 2013, entering into the post-programme surveillance phase. Furthermore, since 2009 the country has been under the corrective arm of the SGP (Excessive Deficit Procedure) and, for 2014 and 2015, it was among the countries for which the Commission had detected macroeconomic imbalances, which require 'specific monitoring and decisive policy action'.

Three governments have been in power over the period 2008–2015. In 2007, a coalition government headed by Bertie Ahern (Fianna Fáil) was formed. The lead party was Fianna Fáil, a centrist/conservative party, while the other members of the majority were the Progressive Democrats (liberals) and the Green Party (Table 17).

In 2008, a period characterised by significant political turmoil, Mr Ahern was replaced by Brian Cowen (Fianna Fáil) and the new government coalition was made up of Fianna Fáil and the Green Party. The rapid deterioration of the financial situation from 2008 made the Cowen government extremely unpopular and Mr Cowen resigned in 2011. The two opposition parties – Fine Gael (centre-right) and the Labour Party

– won the early general election held in February 2011 and formed a coalition government headed by Enda Kenny (Fine Gael). Looking at the governments' stance during the crisis, some observers point out that – overall – the interpretation of the causes of the crisis and of the actions needed was not disputed by members of the Irish political and economic elites (Dukelow 2015). The crisis was attributed to an excessive growth in expenditure and a related loss in competitiveness and reputation, so priority was to be given to cost containment and to the rescue of the banking system in order to preserve investors' confidence. An austerity plan amounting to 9 per cent of GDP was implemented in 2008–2009 and the Kenny government basically continued the austerity policy of its predecessors (social standards devaluation).

3.4.2 Structural reforms sector by sector

Pensions

Pension reforms have been at the heart of fiscal consolidation efforts of Irish governments over the crisis years. Measures implemented since 2009 have included cuts in pensions, changes concerning the retirement age and access conditions and cuts in public support to pre-funded pension schemes (Natali and Zaidi 2015).

The Irish MoU (European Commission 2011) contained measures related to pensions, including a reduction in pension tax relief and pension-related deductions to be undertaken in 2011 and the enactment of a reform increasing the state pension age in line with the government's National Pension Framework.[27] Specific provisions concerned public service pensions: existing benefits had to be reduced on a progressive basis averaging over 4 per cent, while a reform to be enacted in 2011 was expected to set up a new regime for new entrants. Notably, the 2011 reform was expected to provide for: a review of accelerated retirement for certain categories of public servants and an indexation of pensions to

27. The *National Pensions Framework* – published by the Cowen government in March 2010 as part of the negotiation for the rescue programme – set out the direction of future reforms. It included provisions on public sector pensions, higher retirement ages, the reform of tax subsidies as well as the expansion of coverage among low and middle income groups (Natali and Stamati 2013: 27). This document foresaw a gradual increase in the age for qualifying for the state pension to 66 years in 2014, 67 in 2021 and 68 in 2028.

consumer prices; linking pensions to average career earnings; and linking new entrants' retirement age to the state pension retirement age.

An initial set of measures was introduced between December 2010 and February 2011 (Natali and Stamati 2013: 27). First, current civil servants' pensions above 12,000 euros were reduced by an average of 4 per cent.[28] Second, provisions contained in the Finance Act enacted in February 2011 entailed a reduction of the maximum earnings limit for tax relief on pensions and of the limit on the 'tax-free' lump sum, as well as a gradual reduction of tax incentives for voluntary retirement savings.

In continuity with the approach followed by the Cowen government, the Social Welfare and Pensions Act enacted by the Kenny government in June 2011 contained the bulk of pension reforms. Besides increasing the standard retirement age for the state pension, as foreseen by the National Pension Framework, the Act also introduced disincentives for early retirement in the public sector, abolished exemptions from contributions for very low-income workers and put in place a new regime for newly hired civil servants (Natali and Stamati 2013: 27). The latter were assigned to a Public Service Pension (Single Scheme), paying a single price-indexed pension calculated on career average wages and with age prerequisites equalised to the new levels for private employees (ibid.). As for private pensions, a 0.6 per cent annual levy for the years 2011–2014 was introduced in 2011, followed by an additional levy of 0.15 per cent for 2014 and 2015 (Natali and Zaidi 2015: 36). Considering the scope and speed of the changes described above, Natali and Stamati (2013: 29) conclude that in Ireland '(...) pension austerity has probably reached its limits'.

Labour market

Two main lines of change can be identified in labour market policies over the crisis years: (i) a review of minimum wage and sectoral wage agreements; (ii) reforms of unemployment benefits and active labour market policies (ALMP). The changes implemented largely went in the direction of the measures listed in the Irish MoU (European Commission 2011).

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28. A pension levy on civil servants, reducing benefits by 7 per cent on average, had already been introduced in 2009. Furthermore, the 2013 public service wage agreement included pension cuts for annual pensions above 32,500 euros for new retirees from 31 August 2014 (European Commission 2015b: 18).

As for wages, the Irish government was asked to reduce by 1 euro per hour the nominal level of the national minimum wage and to extend the scope of the 'inability to pay clause'.[29] Furthermore, an independent review of the REA and JLC arrangements was to be carried out in order to avoid distortions of wage conditions across the sectors associated with the presence of sectoral minimum wages in addition to the national minimum wage. The national minimum wage was actually reduced by 1 euro (12 per cent) through the Budget Law for 2011 (December 2010). However, after negotiations with the Troika, the Kenny government succeeded in reversing this decision in 2011. As for the REA and JLC arrangements, the results of the review conducted in 2011 were in favour of keeping the system in place, while reforming it. This reform was enacted in 2012 through the Industrial Relations (Amendment) Act.[30]

According to the Irish Economic Adjustment Programme, social benefits had to be included in the fiscal consolidation plan to be implemented by Ireland. In particular (ibid.: 63), changes were to be introduced to avoid unemployment benefit – as well as social assistance benefits – leading to so-called unemployment and poverty 'traps', including a possible reduction of replacement rates for individuals accumulating more than one benefit. Furthermore, conditions concerning work and training availability and activation measures were to be strengthened.[31] Finally, the governance of the system was to be improved by exploiting synergies and reducing the overlapping of competencies across the departments responsible for the administration of the various benefits.

With regard to measures on unemployment benefits implemented over the crisis years, there has been a mixture of negative incentives for activation (including a reduction of the replacement rate and the duration

29. As reported by Schweiger (2014: 547), during the crisis, '[m]any private sector companies used the "inability to pay" clause in the national agreement either to freeze wage increases or even implement nominal pay cuts'.

30. According to some observers, the new provisions have entailed a downgrading of the social partners' role when it comes to negotiating terms and conditions of employment, while a subsequent decision of the Irish Superior Court has declared the *erga omnes* extension of the contents of the REA agreements unconstitutional (Doherty 2014: 87–88).

31. According to the MoU, improvements were needed in the identification of jobseekers' needs and the monitoring of jobseekers' activities, and to make sanction mechanisms for jobseekers not complying with labour-market activation more effective. EU attention to ALMP – as well as to Vocational and Educational training – would remain high even after the Irish exit from the financial assistance programme, resulting in a country-specific recommendation on those issues addressed in 2014 (cf. European Commission 2015c).

of unemployment benefits, as well as the introduction/reinforcement of sanctions) and positive incentives (the development of ALMP). In 2009, the number of contributions required to be entitled to Job Seeker's Benefit was doubled and, by 2013, the maximum claiming period was reduced from 15 to 6–9 months (Dukelow 2015: 105).[32] As for the Jobseeker's Allowance, in 2010 its level was cut for young recipients: 51 per cent of the full payment for recipients aged 18–21, 30 per cent for those aged 22–24 and, since 2014, 51 per cent of the full payment for all recipients aged up to 24 (ibid.). Overall, subsequent cuts to the value of the benefit made since 2009 have entailed a decline in the net replacement rate of unemployment benefits from 57 per cent in 2008 to 53 per cent in 2011 (Daly 2015:13). As for sanctions, a 30 per cent reduction in payments was introduced in 2010 for recipients not complying with activation conditions, and a further sanction in the form of a nine-week suspension of full payment was introduced in 2013 for claimants repeatedly refusing or failing to comply with activation conditions (Dukelow 2015: 106).

Since 2010, the measures described above have been accompanied by increased attention to ALMP and the development of related programmes and services. In this regard, particular emphasis has been put on the 'Pathways to Work' strategy, launched in February 2012 and revamped every year, which is supposed to complement the Plans for Jobs published annually since 2012 (Government of Ireland 2014). A key element of the strategy is the creation of Intreo offices, 'one-stop shops' integrating welfare and employment services, thus providing a single reference point for unemployment and welfare recipients and offering tailor-made support to benefit claimants. The Intreo working methodology has been gradually introduced in the Irish Employment offices, a process that should be completed by 2015 (Government of Ireland 2015). Since 2013, within the framework of the 'Pathways to Work' strategy, measures addressed to the long-term unemployed have been extended, including incentives for employers who recruit long-term unemployed people (JobPlus), relief from income tax for individuals who start a new business (Start Your Own Business), training opportunities and temporary employment schemes. Besides measures concerning public services, a new

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32. In detail, Jobseeker's Benefit duration was reduced from twelve months to nine months for recipients with 260 or more contributions paid and from nine months to six months for recipients with less than 260 contributions paid, in 2013 (OECD 2013c: 35).

labour market activation service specifically targeted at the long-term unemployed – JobPath – is expected to begin in 2015. JobPath is to be delivered by private providers, on the supposition that it will entail gross benefit savings estimated at 525 million euros (European Commission 2015c: 38).

While political attention to ALMP has grown over the crisis years and a number of new initiatives have been implemented, data on expenditure suggest a more nuanced interpretation of these developments (cf. Agostini and Natali forthcoming: Appendix). Indeed, total expenditure on labour market policy measures[33] as a percentage of GDP was fairly stable between 2008 and 2011 and total expenditure on labour market policy supports (as a percentage of GDP) increased between 2008 and 2010, but has been on the decline since 2011. As a consequence, when looking at the percentage of ALMP expenditure out of total labour market policy expenditure, a negative trend emerges, with the level of this expenditure declining over the crisis years and slightly increasing only from 2011 (although still at a lower level than in the pre-crisis period). Data on expenditure in relation to GDP may be misleading, however, because they are extremely sensitive to the economic cycle: other indicators appear better suited to capturing trends in labour market policy over the crisis years and in particular the scope of 'activation efforts' (Eurostat 2011; on this point, see also Dukelow forthcoming).[34] Expenditure on labour market policy support for people wanting to work (in purchasing power standards) grew between 2007 and 2010, but has declined since 2011. Conversely, expenditure on labour market policy measures per person wanting to work (in pps) collapsed between 2008 and 2009, although since then it has been increasing at a slow pace (always remaining well-below the pre-crisis level). Overall, the financial effort to support the introduction of new ALMP initiatives seems uncertain and doubts can be raised about the adequacy of the resources made available. Furthermore, the number of people involved in labour market policy measures has also declined compared with the pre-crisis period. Notably, the rate of participants (per 100 persons wanting to work) fell significantly between

33. 'Labour market policy measures' can be broadly equated with activation measures, while 'labour market policy supports' generally involve income maintenance benefits.

34. Eurostat (2011) defines activation efforts as 'efforts that countries make to help people in the transition from unemployment or inactivity to work'. In this case, the target group considered is the 'population wanting to work', that is 'unemployed and inactive people who do not qualify as unemployed because they are either not actively seeking work or not immediately available for work but who would nevertheless like to work'' (ibid.).

2008 and 2009 and then continued to decline until 2011. Besides calling into question the effectiveness of the activation effort, this circumstance may also indicate an attempt to target interventions better.

Budget constraints have also affected the implementation of the Youth Guarantee, which is proceeding gradually, starting with long-term unemployed young people and mostly adapting some of the already existing schemes for the long-term unemployed to the requirements of the Youth Guarantee (Government of Ireland 2014; 2015).

To sum up, it is possible to detect two main directions in labour market policies implemented in Ireland over the crisis years. On one hand, unemployment benefits have been a target of fiscal consolidation measures, entailing some reduction of their replacement rates and duration and more emphasis on sanctions. On the other hand, since 2010 more attention has been paid to the development of ALMP: the scope of measures has been enlarged and their governance strengthened. That said, doubts arise when considering the trends of expenditure actually devoted to those initiatives.

Education

In Ireland, public spending on education as a percentage of GDP increased over the crisis years (4.9 per cent in 2007 vs 6.2 per cent in 2011), while the percentage of public spending on education out of total spending basically remained unchanged (23.4 per cent in 2007 vs 23.1 per cent in 2011) (Agostini and Natali forthcoming: Appendix). However, data on year on year changes in constant prices reveal a significant reduction in real government expenditure between 2008 and 2011, with a peak in 2009, when expenditure declined by 7.6 per cent compared with the previous year (ibid.). That said, despite severe budget constraints and cutbacks, a number of measures concerning the education system – from early childhood education and care[35] to primary, post-primary and higher education, and, in particular, vocational and educational training (VET) – have been implemented since 2010 (European Commission 2014d; OECD 2013b; Government of Ireland 2014: 2015).

35. As for early childhood education and care, the most significant measure is the introduction in 2010 of a free pre-school year for all 3 to 4 year olds: this measure is on a part-time basis, consisting of a maximum entitlement of 3 hours per day, 5 days per week, 38 weeks per year (Daly 2015: 9).

A strategy to improve the quality of early childhood, primary and secondary education – the National Strategy to Improve Literacy and Numeracy among Children and Young People – was launched in July 2011, with a budget of 9 million euros (Government of Ireland 2014: 40). The strategy set a number of performance targets to be reached by 2020 and it foresees the implementation of a series of concrete actions over the years. Also, in order to support the national strategy, primary and secondary initial teacher education courses were reconfigured in 2011 (OECD 2013b). Furthermore, a new system for school self-evaluation was put in place in 2012 (European Commission 2014d).

As for higher education, in the EAP the Irish government put forward their intention to increase charges on students in tertiary education, while providing means-tested support for lower-income groups (European Commission 2011:54). Indeed, in 2011/12 a new student charge of 2,000 euros replaced the previous Student Services Charge of 1,500 euros. This charge was then increased to 2,250 euros in 2012/13 and is expected to rise by 250 euros each year up to a maximum of 3,000 euros by 2015 (OECD 2013b: 16). At the same time, a new scholarship scheme for higher education – the Student Universal Support Ireland (SUSI) – has been introduced to improve access for students from disadvantaged backgrounds (Government of Ireland 2014).

A number of initiatives have targeted the VET sector, closely monitored by the Commission under the 2014 and 2015 European Semester process. First, in 2013 the Education and Training Board Act was passed with a view to rationalising and boosting the efficiency of the VET system by merging the existing 33 Vocational Education Committees into 16 Education and Training Boards (ETB). The latter now include the functions previously performed by the VECs (vocational education committees) and the FÁS training centres (vocational training) (Government of Ireland 2014: 28). Second, the 2013 Further Education and Training Act led to the establishment of SOLAS, an agency responsible for the development, funding and supervision of the further education and training sector (including the development of multi-annual strategies) (ibid.: 29). Finally, a review of the apprenticeship system was launched in 2013 with a view to adapting the system to the new needs. The review resulted in the publication of an Apprenticeship Implementation Plan in June 2014 which foresees – among other things – the establishment of an Apprenticeship Council bringing together representatives from business, trade unions and higher education bodies (Government of Ireland 2015: 20).

Overall, the analysis shows that a number of measures aimed at improving the effectiveness and efficiency of education and vocational training systems have been enacted in Ireland over the crisis years. The implementation of those measures, however, took place in a context characterised by fiscal consolidation priorities, with a significant overall reduction of government expenditure on education between 2008 and 2011.

Public sector

In the public sector, pay cuts and freezes have been a constant over the crisis years. Already in 2008 the government withdrew from the national pay agreement settled in November 2006 and unilaterally decided to freeze public servants' wages at least until 2010 (Glassner 2010: 18). In March 2009, as part of an emergency budget plan (the Financial Emergency Measures in the Public Interest Act), a cut in public sector pay was decided, followed by a further reduction introduced through the budget law enacted in December 2009 by the Cowen government.[36] After a difficult negotiation, a four-year Public Service Agreement (known as the 'Croke Park Agreement') was signed in March 2010. The agreement provided protection for public sector pay levels in exchange for a reduction in employee numbers and a commitment to reform working practices in the public sector (Doherty 2014: 86); a pay freeze in the public sector until 2014 was also decided on.

In the Irish Memorandum of Understanding (European Commission 2011), the 'reduction of public service in terms of numbers', the implementation of the provisions concerning public servant pensions (cf. Section 2.1) and a 10 per cent pay reduction for new entrants are listed among the fiscal consolidation measures to be implemented, together with the pay freeze already decided by the government.[37]

The recommendation to reduce the number of public employees appears particularly telling, taking into account the fact that, on the eve of the crisis, Ireland already had one of the lowest shares of public administration jobs in total employment, which indeed had remained stable over the period 1999–2008 (Glassner 2010: 7–8). In any case, the reduction

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36. In 2009, the introduction of a pension levy inversely related to the level of income entailed a cut in net pay of 5 per cent to 7 per cent, while cuts from 5 per cent to 8 per cent (inversely related to the level of income) were introduced with the December 2009 budget law (Glassner 2010: 28).

37. The latter measure was not explicitly required by the MoU, but it was considered part of the fiscal target (Sapir *et al*. 2014: 77).

in the number of public service workers, to be completed by 2015, was quantified in the National Recovery Plan 2011–2014 – presented by the Cowen government in November 2010 – at approximately 24,750 people compared with the 2008 level.[38] Numbers reported in the Public Service Reform Plan presented by the Kenny government in November 2011 refer to a 37,500 staff reduction (compared with 2008 levels) by 2015 (DPER 2011) and, according to data provided by the Irish government, overall staffing levels were reduced by 10 per cent, from 320,400 in 2008 to 289,600 in 2014 (DEPR 2014). This reduction was obtained mainly through early retirements, non-replacement of departing staff and the imposition of strict limits on public sector recruitment, thus avoiding compulsory redundancies (Doherty 2014: 89).

A new triennial agreement – the Haddington Road Agreement – was signed in 2013, foreseeing further pay cuts, new pay freezes and changes to public sector working conditions. The latter include additional working hours, greater use of redeployment, the reform of work-sharing arrangements and a reform of flexible work arrangements (Doherty 2014:90). The Haddington Road Agreement was followed by the publication, in January 2014, of the Second Public Service Reform Plan 2014–2016.

Initiatives undertaken in the public sector between 2009 and 2014 are clearly in line with what we define as a social standards devaluation strategy. Over the years, the various Irish governments have enacted measures freezing or cutting public servants' wages and reducing the number of public sector employees.

Research and development

Over the crisis years, in Ireland gross domestic expenditure on R&D increased from 1.2 per cent of GDP in 2007 to 1.6 per cent in 2012 (in the latter year, the EU average was 2.0 per cent of GDP) (Agostini and Natali forthcoming: Appendix). This resulted from the growth of business expenditure on research and development, in particular by foreign firms, while government expenditure declined in real terms from 169 million euros in 2008 to 129 million in 2013 (Government of Ireland 2015: 40).

An important factor in stimulating private expenditure in R&D has traditionally been the existence of a fairly generous tax credit, recently re-

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38. The same plan also foresaw the introduction of a reformed pension scheme for new entrants to the public service and a reduction of their pay by 10 per cent.

formed in 2014 in order to increase the generosity and flexibility of the system (OECD 2015c: 221).

Besides the reform of this tax credit, other actions implemented over the crisis years were aimed at rationalising the R&D system, which, due to the plethora of programmes and agencies created over the years, was sometimes considered rather fragmented (OECD 2013c: 25). A first initiative in this direction has been the implementation, since March 2012, of the National Research Prioritisation Exercise, which has entailed the identification of 14 priority areas on which public funding should be concentrated in the coming years. Moreover, this measure also entailed the reinforcement of the mandate of the Science Foundation Ireland, the body charged with the funding of institutions operating in those areas (Government of Ireland 2014). In order to strengthen the commercialisation of publicly funded research, a new national Intellectual Property Protocol has been developed and a central Technology Transfer Office, charged with providing an interface between industry and the research community, was set up (ibid.).

To sum up, mixed evidence emerges from the analysis of developments in the R&D sector in Ireland over the crisis years. Gross domestic expenditure on R&D as a percentage of GDP increased between 2007 and 2012 but this increase was largely due to private expenditure, while government expenditure declined. Public initiatives in this domain basically aimed at facilitating private investment (compare the reform of tax credits) and rationalising the R&D system.

2.1.3 Preliminary remarks on structural reforms in Ireland and their determinants

The pattern of reform over the crisis years in the policy domains considered in this report puts Ireland close to the 'low-road' to economic growth and competitiveness, a model reliant mainly on cost containment and narrow welfare provisions. Fiscal austerity – in the context of a strategy of social standard devaluation – has indeed been the main goal of the reforms implemented since 2009 in the domains of pensions, unemployment, education, R&D and the public sector. That said, the present report also identifies some policy changes likely to positively affect human capital development. In particular, some initiatives aimed at rationalizing and improving the quality of ALMP, education and VET systems have recently been undertaken. This may be the source of a new selective investment strategy in the future, although the adequacy of financial resources currently devoted to those measures can be questioned.

The model of economic development embraced in the past, significantly dependent on foreign direct investment and exports, has arguably played a major role in shaping the Irish reaction to the crisis. The latter was attributed to an excessive growth in expenditure and a related loss in competitiveness and reputation; given this assumption, priority was to be given to cost containment and to the rescue of the banking system in order to preserve 'investors' confidence' (Dukelow 2015). Consequently, a severe austerity plan of 9 per cent of GDP was implemented already in 2008–2009, a period when most EU governments were still trying to implement expansionary policies. Austerity provisions contained in the MoU with the EC and the IMF signed in 2010 were largely in line with – and, in a way, further reinforced – such a stance. While cost containment messages undoubtedly represented the bulk of the 'EU pressure' on Ireland, one can also observe other kinds of 'stimuli'. Notably, the insistence of the EU on the need to strengthen ALMP and the VET system may have played a role in the recent developments in the sectors illustrated above.

Finally, looking at party politics, one can note that the historic success of the opposition parties in the 2011 general election and the consequent formation of a coalition government supported by Fine Gael and the Labour Party have not entailed any major changes in the government attitude towards fiscal consolidation. Even if the Kenny government succeeded in negotiating a few aspects of the MoU (among them, the cut in the national minimum wage), its policy choices have been basically in continuity with the austerity actions of the previous government. This is particularly evident when looking at initiatives related to pensions, unemployment benefits and the public sector. Furthermore, according to many observers, the Irish governments have assumed an increasingly unilateral stance in taking policy decisions, a circumstance that has led to a crisis of the Irish social partnership model.

Table 18 **Summary table: drivers of reform and major reform trends in Ireland, 2008–2014**

	2008–2010	2011–2014
Drivers of reform		
Economic crisis	Financial crisis and economic recession; Strong increase of public deficit and debt	GDP growth (except 2012); Slight increase of public debt (until 2013) and decrease of deficit
Coalition governments	Centrist-conservative	Right-left coalition
EU influence	EDP	Economic Adjustment Programme (until 2013); Post-programme surveillance (since 2014); European Semester (since 2014); EDP; MIP (2014)
Structural reforms		
Reform path (for the five policies under scrutiny)	Social standards devaluation	Social standards devaluation
Main reforms in each policy field		
Pensions	- National Pensions Framework	- Restrictive measures (including cuts to pension payments); - Social Welfare and Pensions Act
Labour market	- Unemployment benefits: reduction of duration and replacement rates/ introduction or reinforcement of sanctions	- Industrial Relations (Amendment) Act; - Further changes to unemployment benefits; - Reinforcement of ALMP (especially for LTU) and institutional reconfiguration (e.g. Intreo offices)
Education	- Reduction in real government expenditure - Free pre-school year for children aged 3 to 4	- National Strategy to Improve Literacy and Numeracy; - Higher education: reforms of students' contributions and scholarships; - Education and Training Board Act
Public sector	- Wage freeze and cuts; - Staff reduction	- Staff reduction; - Haddington Road Agreement (further pay cuts and freezes; changes to working conditions)
Research and development		- Tax credit reform; - National Research Prioritisation Exercise

Source: Authors' elaboration.