### **Creating an Inclusive Smart Economy?**

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John Sweeney
National Economic & Social Council (NESC)

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The 'smart economy' is about high-tech manufacturing, knowledge-intensive services and energy

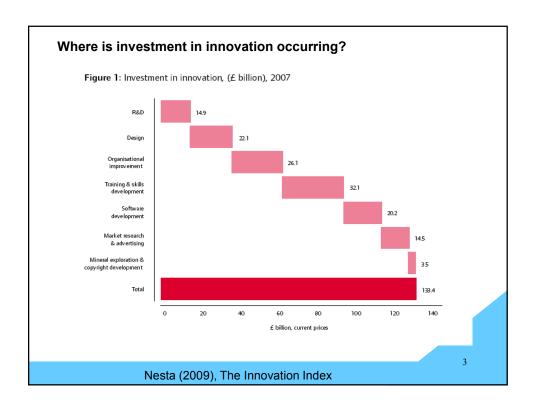
This ground is being well-tilled, and deservedly so

But the smart economy is also about

low- to medium-tech manufacturing, tourism, education and health, construction, retailing non-traded services, public services, local and central government, NGOs, civil society (householders, consumers, citizens, etc.).

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NESC (2008), The Irish Economy in the Early 21st Century



The wide application of innovation, and pursuing it along multiple routes, is necessary but not sufficient to ensuring an inclusive Smart Economy

Even high-tech and knowledge-intensive 'workbenches' can be accessed, with appropriate supports, by people from relatively modest backgrounds (minor step)

Significant numbers of low-productivity jobs come on stream in the Smart Economy. The ease of access to them, their relative earnings and their status confirm the inclusive nature of the Smart Economy (major step)

## Where do jobs come from?

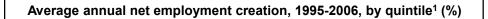
Cluster	Average income 2005 (\$ 2003)	Average annu: 1994	Employment share 2005		
	(\$ 2003)	Income	Employment		
Managers in high-growth industries & professional services ('Top earners)	85.5	3.0	4.4	7.8	
Managers and professionals in a wide range of industries ('White collar')	69.7	2.3	1.8	14.0	
Core, non-tradable service workers ('Speeding Treadmill')	40.2	0.8	1.8	17.4	
Mainly non-tradable, lower skill functions in high-growth industries ('Semi-Skilled Servicers')	29.0	0.5	3.2	19.9	
National	43.7	1.7	1.4	100	

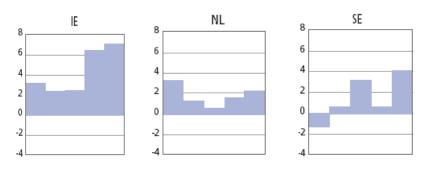
McKinsey (June 2009, Exhibit 13)

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Ireland was doing well in several respects...

☐ Jobs growth across the skills spectrum





Note 1: Jobs are divided into quintiles based on wage rankings in the year 2000 (the mid-point of the period). E.g., the lowest quintile on the LHS is the lowest paying one fifth of jobs in 2000.

Source: Hurley & Fernández (2008), More and Better Jobs. Eurofound.

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Ireland was doing well in several respects...

- ☐ Jobs growth across the skills spectrum
- ☐ Reasonable quality of employment growth

#### Ireland's Labour Market Performance, Selected Indicators

	Average gro	wth rate (%)	Women's emplo	oyment rate	R	Total			
	Employment GDP		Increase Level (percentage points)			annual rate (%)	Level in USD PPPs	tax wedge	
	1995-2005	1995-2005	1994-2007	2007	1995-2000	2000-2005	2006	2008	
Ireland	4.1	7.5	21.4	60.3	1.9	2.9	44,538	22.9	
Netherlands	1.4	2.6	15.5	68.1	0.0	0.5	41,764	45.0	
Sweden	0.6	2.9	2.5	73.2	3.2	1.5	32,328	44.6	
United									
Kingdom	1.1	2.8	4.2	66.3	2.5	1.6	41,612	32.8	
Spain	4.2	3.7	24.0	55.5	-0.5	-0.4	28,821	37.8	

Source: OECD Employment Outlook 2008

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Ireland was doing well in several respects...

- ☐ Jobs growth across the skills spectrum
- ☐ Reasonable quality of employment growth
- ☐ To which key policies were contributing...
  - ... low tax wedge
  - ... national minimum wage
  - ... response to EU enlargement

Ireland did badly in other respects...

Poor employment access for lower skilled women in particular

Growth in working-age welfare dependency

Weak activation, evidence of 'closed circuits'

High cost of essential services (childcare, health, etc.) while still on low earnings'

Continuing educational disadvantage despite rising spending

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#### Employment ratios, selected EU 15 countries: 2007

	All persons (15-64)	Men 15-64	Women 15-64					Vomen 25-6	Men 55-64	Women 55-64	
				Less than Upper Sec Education	Upper Sec Education	Tertiary Education	Less than Upper Sec Education	Upper Sec Education	Tertiary Education		
High performers											
Denmark	77.3	81.3	73.3	70.9	85.6	90.0	55.9	76.0	85.2	64.6	52.9
Sweden	75.7	78.0	73.2	74.3	85.5	87.9	57.1	77.9	86.8	73.1	67.2
Netherlands	74.1	80.0	68.1	76.6	84.8	88.7	47.4	73.2	83.7	60.4	39.6
Average I	75.7	79.8	71.5	76.9	85.3	88.9	53.5	75.7	85.2	66.0	53.2
Low											
performers											
Italy	58.7	70.7	46.6	71.5	83.9	86.1	33.3	64.7	75.8	45.1	23.0
Greece	61.5	74.9	48.1	79.9	86.0	87.6	38.6	55.1	78.6	58.6	26.8
Belgium	61.6	68.2	54.9	61.2	81.2	87.2	36.6	64.5	80.2	41.0	26.8
Average II	60.6	71.3	49.9	70.9	83.7	87.0	36.2	61.4	78.2	48.2	25.5
Ireland	69.0	77.4	60.3	74.3	89.5	91.8	39.7	65.6	81.8	68.1	39.8
IE-average I	6.7	2.4	11.2	2.6	-4.2	-2.9	13.8	10.1	3.4	-2.1	13.4

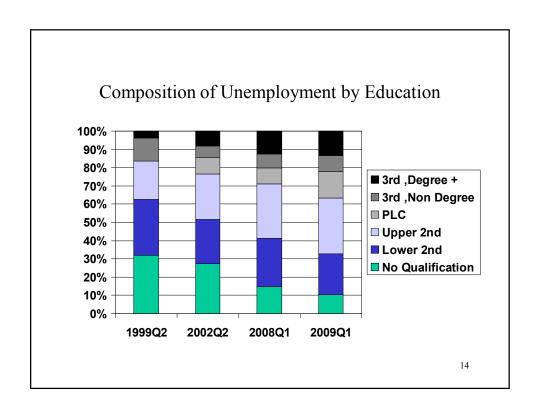
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Source: OECD Employment Outlook 2008

# Recipiency rates for incapacity, unemployment, lone parent and safety-net benefits: Ireland and other English-speaking countries

	-	Levels and percentage of the working-age population (15-64)							
		2000	2001	2002	2003	2004	2005	2006	2007
Ireland	Incapacity	5.99	6.22	6.47	6.68	6.89	7.14	6.98	7.2
	Unemployment	4.57	4.89	5.2	5.38	4.78	4.54	4.35	4.67
	Lone Parents	2.92	2.98	2.98	2.93	2.91	2.85	2.86	2.85
	Safety net	0.99	1.13	1.21	1.15	1.08	0.99	0.87	0.92
	Total	14.47	15.22	15.86	16.14	15.66	15.52	15.06	15.64
Australia	Total	13.22	13.36	13.58	13.00	12.83	12.49	12.11	11.47
New Zealand	Total	13.50	12.98	12.45	11.95	10.91	10.11	9.60	8.80
United Kingdom	Total	13.27	12.89	12.68	12.53	12.17	11.93	11.94	11.50
	Average A, NZ, UK	13.33	13.08	12.90	12.49	11.97	11.51	11.22	10.59
	Difference (IE -								
	average)	1.14	2.14	2.96	3.65	3.69	4.01	3.84	5.05

Source: Grubb et al (2009: Table 4.1), updated by Grubb for ESRI Conference, Dublin, 30/04/09



For Ireland's smart economy to be inclusive, we still lack:

- ✓ A greater emphasis on the quality of 'first time education'
- √ A short-term unemployment regime fit for purpose
- √ A revamping of the social welfare code
- ✓ Growing engagement with people the longer their social welfare receipt lasts
- $\checkmark$  The willingness and ability of someone to act as the 'employer of last resort'

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Thus, it is about:

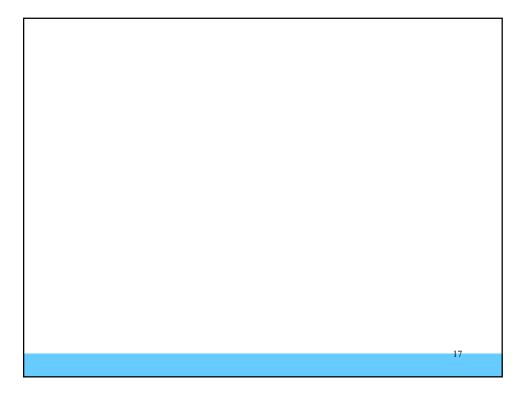
Applying knowledge...generating it at the frontier ...research (applied and basic)...the people (networked researchers) and their preparation (science, maths)...industry-HEI links...public research

Commercial development (inc. IP)...marketing research...the input of design...multi-disciplinary and multilingual individuals, and teams...authoritative management (e.g., PhD + MBA)

Business models...global supply chain management...logistics...outsourcing...inward investment...ODI...international risk-sharing partners

Clusters...agglomeration economies...regional development alliances...quality of life issues

A 'national innovation system'...monitoring...remedying weaknesses...harnessing strengths... improving feed-back loops



## Educational Attainment of Adult Population (2005)

	At leas	t upper sec education		Tertiary education				
	25-64	(25-34)	(55-64)	25-64	(25-34)	(55-64)		
High performers		:	:		:	:		
Denmark	81	87	75	34	40	27		
Sweden	84	91	72	30	37	25		
Netherlands Average I	72	81	59	30	35	24		
Low performers								
Italy	50	66	30	12	16	8		
Greece	57	74	32	21	25	12		
<b>Belgium</b> Average II	66	81	48	31	41	22		
<b>Ireland</b> IE-average I	65	81	40	29	41	17		

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Source: OECD Education at a Glance 2007