Towards an Employment and Skills Strategy for the Dublin City Region

prepared by

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for

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EXECUTIVE SUMMARY

The first four chapters of this report provide the evidence base and analysis that informs an *Employment and Skills Strategy for the Dublin City Region* as presented in Chapter 5. The report was commissioned by the Dublin Employment Pact (supported by the Dublin Regional Authority) in the context of the evolution of an *Economic Development Action Plan for the Dublin City Region.* The Dublin City Region is defined as the territory covered by the four relevant local authorities i.e., Dublin City Council, South Dublin County Council, Fingal County Council and Dub Laoghaire Rathdown County Council.

Chapter 1 outlines the background to the development of an Employment and Skills Strategy for the Dublin City Region (DCR). In setting the context, it provides an overview of recent trends and developments in the economic and employment / unemployment situation at international and national levels, drawing attention to the scale and depth of the issues arising. It emphasises the need to take effective strategic action on unemployment and the parallel challenge of growing employment and suggests that these issues should be designated as a national priority at the same level and at the same time as dealing with the banking and fiscal crises. The chapter draws attention to ongoing shifts in economic activity at a global level that precede the current fiscal, banking, and employment/unemployment crises and to the manner in which Ireland has responded to the ensuing restructuring challenge. In that regard it notes the unique space in the Irish economy that is occupied by the DCR as well as the region's disproportionate dependence on the services sector for its employment base (almost 9 in every 10 jobs) making for a particular case that requires a tailored strategic response.

Chapter 2 presents a statistical analysis of the DCR in terms of: (i) population trends including the diversity in the makeup of the population and trends in migration; (ii) the economy and employment base of the region (noting the dependence on a diverse services sector base); (iii) occupations and qualifications (noting the high levels of qualifications amongst the region's workforce); and, (iv) unemployment and long-term unemployment (noting, for example, the heterogeneity of the unemployed with particular reference to qualifications and the high proportion of the unemployed with third level qualifications in comparison to the 1980s).

Some of the key findings presented in Chapter 2 are:

- following a period of continual increase, the population of the DCR declined in 2009 and that decline was concentrated amongst persons in the 20 to 29 age group (while the population outside of the region increased);

- over the period Q3 2007 to Q2 2009 the net loss of employment geographically located in the DCR was approximately 71,500 jobs - 65,200 of these jobs were lost by people resident in the region, the rest to workers commuting into the region to work;
- a substantial component of employment loss in the manufacturing and construction sectors in the region is likely to be structural (those particular jobs will not be available again even in the event of an upturn);
- recent trends in the sectoral and occupational composition of employment change show that it is the lower qualified and less skilled who have disproportionately experienced unemployment - however, there is much greater heterogeneity (particularly as regard qualifications) in the composition of the unemployed than was evident in the 1980s and early 1990s; and,
- within the DCR there are now approximately 100,000 persons unemployed based on Live Register figures for October 2009 and almost one in four of those unemployed on a Live Register basis are long-term unemployed.

Our analysis of the key findings points to a number of policy implications. First, the loss of young and possibly highly skilled people may result in the loss of key skills to the DCR. Population and 'diversity' loss in general (noting that the largest single group to leave the region are those from the Accession countries) may also threaten the region's status as Ireland's only comparable metropolitan city region as well as further dampen an already depressed level of domestic consumption. As such, policies focused on the retention of qualified and skilled workers are of particular relevance to securing the future economic development of the region.

Second, as well as employment loss attributable to the bursting of the construction bubble and the more general recession, the pre-existing trend in the decline in manufacturing employment has been exacerbated by the crisis. This has had the effect of further increasing the region's reliance on the services sector for employment. In order to generate sufficient employment opportunities to absorb the structural losses in employment (construction, manufacturing) as well as the loss of employment in cyclically dependent sectors (e.g., retail, personal services) and to generate employment opportunities for first-time entrants to the labour market, it will be necessary to broaden and deepen the sectoral and employment base in services. Notwithstanding the impressive and tenacious performance of the internationally traded services sector (in terms of GVA, contribution to GDP, and regional productivity) it is not a major generator of employment even allowing for the fact that each job in this sector supports approximately one additional job outside of the sector. In short, the level of recovery will need to be substantial as well as "job rich" if many of those currently unemployed are to find employment and the annual inflow to the labour force absorbed.

Finally, as indicated above, while not yet at levels seen in the late 1980s, long-term unemployment is now beginning to increase and evidence from previous crises shows that there is a strong tendency for high levels of unemployment (and particularly long-term unemployment) to persist following shocks to the labour market. Given that - (i) the structure and dynamic of the economy has altered radically since the late 1980s and the early-mid 1990s; (ii) the composition of the unemployed is substantially different from that time (e.g., in terms of skills and diversity); and, (iii) areas of employment growth are particularly difficult to forecast with any degree of accuracy even in the short-term - one of the key questions arising concerns the relevance, adequacy, and fitness for purpose of the current employment services as well as the further education and training policy package and its associated implementation system.

Chapter 3 reflects on the growing significance of city regions (including Dublin) in the global economy and the potential role of the knowledge economy as an element of the policy response for the DCR. The capacity and capabilities of the education and training system in the city region are also referenced as they will be of critical importance in growing employment and promoting skills formation and development.

The literature suggests that successful regions are successful because they have the environments and policies to not only grow technology and talent but also to attract technology and talent. A range of factors are significant in facilitating their development and their capacity to nurture a sustainable knowledge economy. These factors include what have been referred to as 'hard' (e.g., quality of labour supply, quality of public services, local taxation policy, and transport infrastructure) and 'soft' (e.g., attractive housing, amenities and leisure facilities, security, and the atmosphere or 'buzz' of a city) factors. Cross-cutting these factors are tolerance and equality.

As Ireland's only comparable metropolitan city region, the DCR is effectively competing with other city regions. There is a growing body of literature to suggest that the DCR should be supported in its development as a region and that any false dichotomy between the wellbeing of the region and other regions in the country should be eschewed. Rather the issue is creating a positive dynamic between a prosperous city region and the other regions of the country. Realising a vision of the DCR as a dynamic national hub fostering sustainable employment and a high quality of life requires the attention of policies and policy-makers not just in the specific domain of employment and skills but also of policies and policy-makers in a wide range of areas including transport, housing, amenities, arts and culture, environment, health, and energy. Achieving coherence between the national and regional elements of policy and associated institutional structures that impact on these diverse areas is a central issue in this regard.

One of the key strengths of the region with a view to realising the knowledge economy is the substantial capacity of the region's education and training system as well as the significant level of investment in cutting edge research and development. That said, the further education and training and the higher education system face challenges in meeting both the quantum and diversity in demand that they are likely to meet given high levels of unemployment. The higher education system in particular is faced with the challenge of widening its role in supporting the social and economic development of the DCR through pursuing policies that focus not solely on generating knowledge but also on ensuring that such knowledge is accessible to new and expanding businesses and people in work as well as out of work.

Chapter 4 reviews a wide range of policy literature and social partner perspectives to identify recent - and sometime older - thinking in respect of key issues of relevance in developing an Employment and Skills Strategy for the DCR. In that regard we note that whereas it is useful to trawl the policy landscape in order to inform the proposed strategy, it is equally important to note that many of the old assumptions no longer hold thereby creating *an imperative to strategise and to plan on the basis of the present new reality*. That said, the principal lessons from the literature that can be brought to bear on the proposed strategy are the following:

- There is a need for a forum or mechanism that is representative, focused on the region, and granted the authority to oversee the ongoing development of the regional economy with a particular emphasis on internationally traded services and possible growth areas such as e-learning and digital media;
- In order to meet the challenges ahead, there is a need for co-ordinated action across all relevant stakeholders to include employers, training and education providers, unions, professional associations, regional bodies, and the community and voluntary sector;
- Human capital is a key component of our economic and social future. Core / generic skills and the use of technology should be prioritised and embedded in all publicly funded education and training provision. Further education and training needs to be client-focused and market relevant rather than provider, trainer, or programme-driven;
- There is need for fundamental reform of the education, training and welfare systems with a view to realising the knowledge society;
- Given its infrastructure, reputation and capacity, the third level sector should collectively position the region as a location of choice in the International Education market;
- There is a need to retain as many people in employment as possible so as to maintain their employability and to avoid the dangers and costs of unemployment - redundancy should be a last resort;
- There is a need to intensify and improve the quality of engagement with people who are unemployed - integrate the placement function with the unemployment benefit administration function;
- There is a need to generate opportunities for contact with work for people who are currently unemployed and a particular need to support people who are least qualified <u>and</u> in the absence of market-led demand, there is a need to generate employment opportunities for the unemployed;
- There is a need to anticipate and prepare for opportunities in the Smart / Green economy; that is, to ensure the development of the skill base necessary to take advantage of the new economy <u>and</u> to ensure an adequate supply of skilled people in particular areas (e.g. environmental engineers, marketing experts, linguists, actuaries, risk management experts etc.);

- We need to further exploit our advantages in the export services sector and to more effectively use our success in that sector as leverage into areas such as environmental services, education/e-learning, and digital media/creative industries.

Chapter 5 sets out the elements of the proposed strategy. We note that in order to ensure an adequate and strategically focused response to the crisis, there is a need for all stakeholders to accept and understand the scale and depth of the employment / unemployment crisis facing the DCR. In that regard we stress the need for a co-ordinated, multi-stakeholder (e.g., the state, employers, workers and citizens) response with the state playing a facilitative and co-ordinating role.

	Employment Policies and Initiatives to Prevent Employment Loss and Support Sustainable Employment Growth	**Unemployment** Policies and Initiatives to Minimise the Costs of Unemployment and Maintain and Develop the Employability of the Unemployed
National Policies and Initiatives that are Premised on and Designed to Address the Crises in Employment and Unemployment at a National Level	e.g., Personal Taxation and Social Insurance Corporate Tax Rates Availability of Credit and Investment Finance Current Job Subsidy Scheme	e.g., Activation Policy and Employment Supports Education and Training Programmes for the Unemployed
Dublin City Region Policies that have a Specific Regional Focus and Intent and Represent Regionally Coherent Approaches to Supporting Employment and Addressing Unemployment at Regional Level	e.g., City and County Development Plans Strategic Initiatives by Third Level Sector and other Regionally Based Organisations (e.g., Dublin Creative Alliance)	e.g., Local Initiatives by Organisations such as Partnership Companies or other Regionally Based Organisations

Skills Formation and Development

Framework for Articulating an Employment and Skills Strategy for the Dublin City Region

As set out in the diagram above the proposed strategy has regional and national dimensions as well as specific reference to employment policy and policies to address unemployment. Skills formation and development are central features of the overall strategic response required. The strategy will also require close co-ordination of a range of policy areas (e.g., employment, labour market, skills development, planning, transport, education, enterprise etc.) to support the ongoing viability of a modern city region. It is our contention that the economic and employment context is such that now, as never before, there is an imperative consonant with a range of policy aspirations (e.g., employment growth, economic competitiveness, lifelong learning, equality, anti-poverty and social inclusion) to address the issues through a coherent, strategic approach.

The ongoing development of the *Economic Action Plan for the Dublin Region*, the Lord Mayor's Commission on Employment, the drafting of the Development Plans for the four local authorities, and the strong representative nature of existing fora (e.g., the Creative Dublin Alliance, the Dublin Employment Pact) provide the means and opportunity to co-ordinate the expression of an Employment and Skills Strategy that is initiated and located at regional level, acted on by leaders at the regional level and addressed, as required, to the relevant policy makers and decision-makers at national level. We consider that the existing grouping of the four Local Authority Managers in the region is best placed to drive the strategy from a regional perspective with the support of the Creative Dublin Alliance (whose membership should be expanded to include employment and skills expertise) as well as the Dublin Regional Authority and the Dublin Employment Pact, which could act as a facilitator to support the process of engaging relevant agencies and developing specific details and plans associated with the rollout of the strategy. *An indicative set of actions that can be taken by the Local Authorities to create momentum for an Employment and Skills Strategy for the DCR is provided at* ***Annex 1***.

Strategic Aim

The strategic aim of the Employment and Skills Strategy is to ensure the ongoing economic viability of the DCR and its status as Ireland's only comparable metropolitan city region through ensuring the attractiveness of the region as a place in which to invest, to work and to live.

Strategic Objectives

The strategic objectives of the Employment and Skills Strategy for the DCR are to:

- Protect and generate jobs;
- Deliver high quality and relevant vocational education and training;
- Ensure the realisation of the full potential of the human capital of the city region;
- Enhance the productivity and competitiveness of the city region;
- Prepare the city region to take advantage of opportunities in the global economy; and,
- Protect the unemployed from the effects of long-term unemployment and de-skilling.

Core Principles & Core Value

In order to meet the needs of the heterogeneous labour force in the DCR the strategy should be underpinned by the following core principles: Inclusivity; Equality (of Access, Opportunity and Outcome); Respect; Responsiveness; Value for Money; and the Pursuit of Excellence.

We recommend that the concept of equality should be the core value underpinning the Strategy with a view to promoting self-determination, self-realisation, independence of thought while acknowledging and accommodating diversity and the promotion of choice.

The Components of the Strategy

The elements of the proposed Strategy can be summarised as follows: Growing Employment, Sharing Employment, and Preparing for Employment. As such, the specific components of the proposed Employment and Skills Strategy for the DCR are:

(i) Protecting and Growing Employment;
(ii) Minimising the Costs and Effects of Unemployment; and,
(iii) Maximising the Skills and Competency Base of the Region's Labour Force.

These are underpinned by recommendations regarding the transversal issues of Governance and associated Structural and Organisational Reform.

While a range of recommendations are made in respect of the components of the strategy they, of necessity, are at the level of providing a direction for the types of specific initiatives and programmes required. The specification of these initiatives and programmes is thus a down the line matter but one that crucially involves not just addressing their content but also their mode of delivery and governance.

1st Strategic Component: Protecting and Growing Employment

Recommended Actions to Grow Employment

- Enhance and promote internationally the image and status of the Dublin City Region as a place to do business, to visit, and in which to live. Key areas for action include branding and marketing the key strengths and resources of the region, ensuring that infrastructural planning and development is focused on doing business in the region and underpinning quality of life, and supporting cultural and creative excellence.
- In consultation with business interests and relevant state agencies in the context of the development planning process, the Local Authorities should carry out a planning audit to see how changes in planning criteria/zoning combined with a regional inward investment drive could maximise future new employment in the city region.
- Develop a clear set of strategic sectoral objectives for sectors that have the potential to create sustainable employment and ensure that employment targets are

established and clearly related to specific policy instruments and initiatives. This will involve making an assessment of current strengths and future opportunities in a grounded manner. The key is to identify the competitive and other advantages of the DCR region and use these as a platform for employment growth.

- Maintain and develop the region's status and capabilities in relation to FDI-led exports in services and manufacturing and pursue the further diversification of FDI in high-end services such as ICTs, business services, and digital media.
- Identify and implement specific initiatives that have the potential to enhance competitiveness and growth in all sectors and that are in line with national policy goals concerning: building a smart economy (e.g., upgrading ICT infrastructure and training); building a green economy (e.g., undertaking energy conservation measures with long-term cost reduction potential).
- Develop specific sectoral initiatives in potential growth areas such as tourism, education services, health, and business services.
- Identify people with creative abilities, entrepreneurial acumen and/or particular scientific/technical skills and 'match-make' them with established business-oriented expertise and, as appropriate, financial support. Provide quality mentoring and training and on the basis of viability and employment potential, provide seed capital and other incentives such as through the taxation system.
- Provide opportunities, mechanisms and supports for the realisation of creative/entrepreneurial potential with a particular focus on sustainable employment creation potential, value added and export orientation.
- Undertake to employment proof all state and local authority expenditure in the region with a view to maximising the employment content of central government and local expenditure.

Recommended Actions to Protect Jobs

- The state should provide a business relevant package of incentives and supports for businesses to maintain existing levels of employment and that avoids or minimises deadweight and displacement. Currently there is much discussion regarding the merits and limitations of various approaches (e.g., job subsidies, PRSI reductions) and the choice of supports needs careful consideration if such supports are to be cost effective.
- Employers should explore - and should be actively assisted to explore - all alternatives to redundancy with employees (e.g., compressed hours, part-time options, reduced weeks, job share, e-working, career breaks). In the current climate the positive benefits of flexible working arrangements should be maximised in terms of promoting enhanced work-life balance. It would be naive not to think of the likely reductions in individual wages that arise in this regard but the presence of job loss as the alternative outcome needs to be considered as less desirable.

- Employers should be assisted to find ways of cost containment that will lead to enhanced productivity and competitiveness such as improved management skills, stronger business and market intelligence, and reduced costs of doing business (e.g., taking into account rent, energy, waste management, communications etc.) that will ultimately benefit the company, its employees, and the economy as a whole.
- Where workers are required to work reduced hours in order to maintain their employment they should be supported to use the 'down time' to engage in training with a particular emphasis on acquiring and developing generic skills. Ideally, and where possible, that training should be delivered in the workplace.
- In the case of all companies in receipt of state aid, make the availability of certain supports and/or tax breaks conditional on them at least maintaining existing levels of employment over the course of the period for which state aid is made available to them.

2nd Strategic Component: Minimising the Costs and Effects of Unemployment

Recommended Actions to Minimise the Costs and Effects of Unemployment

- Review / evaluate the fitness for purpose of existing arrangements and ensure, in the interim, that all players are operating to best practice levels in respect of adult employment and vocational guidance, including assessment and profiling.
- Create a modern and comprehensive employment service that is capable of effectively meeting the needs of people seeking employment and commanding high levels of utilisation by employers. The strategic goal of the service should be to ensure that all job seekers are assessed and directed to appropriate employment or education and training opportunities in a timely manner.
- Require all public organisations and businesses in receipt of public funds to identify a range of positions in respect of which they than can provide redundant and unemployed workers with the opportunity to exercise and maintain their skills. These employment opportunities should be commensurate with their skills and competencies. It must be emphasised that what is being recommended here is not "work placements", "work experience" or "workfare". What is required is the provision of real opportunities for redundant and unemployed workers to maintain their skills and retain their dignity through being enabled to exercise and keep fresh their skills while also acquiring new skills in the workplace.
- Introduce a Job Rotation Programme (JRP). Job rotation has never featured as part of active labour market policy in Ireland. There is the opportunity to learn from elsewhere - particularly Scandinavian countries - but also from pilot projects that have been developed at home (e.g., by the Dublin Employment Pact under the EQUAL Programme) to devise a JRP that can contribute to achieving mutually desirable and compatible objectives in respect of up-skilling workers in

employment and providing unemployed workers with the opportunity to maintain and upgrade their skills.

- Design and introduce a quality employment programme that will replace all existing public employment programmes such as Community Employment and the Social Economy Programme. Since the late 1980s a range of single purpose employment programmes have been introduced that embody different operational criteria and that cater for different groups of unemployed people, albeit sharing a common core objective - employment. In the face of the scale of the current crisis, the issue is not rationalisation or adjusting existing programmes but achieving a quantitative and qualitative enhancement of the role of a public employment programme. This will require a radical re-think on issues such as their delivery and financing. In that regard it is recommended that a single employment programme be introduced that will provide varied opportunities for unemployed people to contribute to the public good in areas such as the arts, culture, health care and the environment. Moreover, it is recommended that Local Authorities would be the local delivery mechanism for this programme.

3rd Strategic Component: Maximising the Skills and Competency Base of the Regional Labour Force

Recommended Actions to Maximise the Skills and Competency Base of the Regional Labour Force

- Reaffirm that one of the principal rationales for skill development from an economic perspective is to enhance the productivity of workers and thereby contribute to increased competitiveness and sustainability (and in the current context, recovery).
- Commit to the development of ‘world class’ learning skills in the entire workforce. Such skills are useful in all contexts and are fundamental to enhancing productivity, flexibility and competitiveness (e.g., identifying and solving problems, communication, ICTs, literacy, numeracy, language).
- Require that ICT skills acquisition and literacy enhancement is built into all education and training provision. Ideally, there is a need to specify a minimum standard of ICT competence and ensure that this is reached by all persons participating in publicly funded education and training programmes.
- Identify and commit to the development of key specific skills including hybrid skills that will be required in the domestic and export markets of the future (e.g., language skills, high-end ICT skills, marketing skills etc.)
- Empower the consumer of education and training services (i.e., redundant workers, unemployed) by providing a guarantee of a right to access appropriate education and training courses commensurate with the consumer’s educational and training needs. For example, through provision of a cashable voucher set at

the average cost of one year's participation in state supported education and training (all inclusive cost).

- Stimulate both the quantity and quality of educational and training provision and providers through: (i) opening up skills provision to the market - knowledge of the specific skills and competencies required at a given time is more like to exist in the market that in the delivery system; and (ii) requiring higher standards of trainers through on-going training.
- Create and build a new role for employers in the area of skill and competency development of the workforce.
- As part of a National Employment and Skills Strategy require that all businesses over a certain size (say 50 plus employees) are required to have a Skills Development Statement and Policy in much the same way as businesses are required to have a Health and Safety Statement. All businesses with a Skills Development Statement (SDS) should be eligible for state assistance on a matching funds basis (50:50) to implement their stated policies in that regard. Specific initiatives should also be identified to ensure that owners and workers in small enterprises have access to skills development.
- Ensure that the quantity and range of skills and competency development programmes provided - particularly with the assistance of public funds - is driven by real market demand rather than the capacity to supply.

Transversal Issues: Leadership, Governance and Policy, Structure and Organisational Change

Recommended Actions

- At regional level, the pursuit and co-ordination of the strategy should be led by the Dublin Employment Pact working closely with other relevant groupings such as the four Local Authority Managers, Dublin Regional Authority and the Creative Dublin Alliance and feeding off and into initiatives such as the Lord Mayor's Commission on Employment – this will be necessary to develop momentum and critical mass in favour of planned and strategic change within the region.
- The regional actors and leaders should advocate for change in national policy and reform of implementing structures as necessary with a view to maximising the ongoing economic viability of the region. In that regard we recommend that the regional actors/leaders seek buy-in from the Department of the Taoiseach with a view to creating a forum at national level that draws in relevant line departments (Enterprise Trade & Employment, Education & Science, Social and Family Affairs) and other actors. This forum should ensure that the purpose of the strategy is clear and that no gap emerges between the high-level goals and the actual realisation of these in practice. The forum established to progress the strategy should involve other actors who are relevant to ensuring the success of

the strategy including, for example, the Local Authorities and other members of the Creative Dublin Alliance.

- Under the guidance of the Department of the Taoiseach, relevant line departments should collaborate to produce a comprehensive Employment and Skills Strategy at national level that has a regional focus.
- Part of the process should involve a review of the fitness for purpose of all state organisations with a role in stimulating employment and combating unemployment.
- If, in due course, there is an elected Mayor for Dublin, responsibility for co-ordination could be devolved to that office.
- National and regional educational and training clearing houses should be established that will provide comprehensive registers of training places in respect of all courses on offer so that prospective trainees can be made fully aware of options open to them.
- The referral and training systems should be separated (i.e., should reside within different organisations) with a view to creating an efficient and focused assessment and referral system that interacts with a responsive and flexible training system.
- The delivery of specific skill aspects of vocational education and training should be opened up to market in order to maximise efficiency and flexibility and to build the overall training capacity within the region. All providers (e.g., within the public sector, partnership companies, private sector, third sector) will be subject to FETAC/HETAC quality assurance and will work to clearly defined and closely monitored targets.
- Consideration should be given to providing prospective trainees who require specific skill inputs with credits to purchase from the provider who best meets their needs.
- The capacity of the existing state system to provide core, generic skills and skills for learning should be maximised through appropriate training for trainers and, as required, recruitment of personnel with specific expertise in this regard.

CHAPTER 1

THE CONTEXT AND RATIONALE FOR AN EMPLOYMENT AND SKILLS STRATEGY FOR THE DUBLIN CITY REGION

1.1 Introduction

This chapter begins by outlining the background to the development of an Employment and Skills Strategy for the Dublin City Region (DCR). This is followed by an overview of recent trends and developments in the economic and employment / unemployment situation at international and national levels that form the context for developing an Employment and Skills Strategy for the region. Our understanding of 'strategy' is outlined and the rationale for an Employment and Skills Strategy for the DCR at this time is presented in that context. The chapter concludes with an outline of the structure and content of the report.

1.2 Background to the Employment and Skills Strategy for the Dublin City Region

On 29th July 2009 the Local Authority Managers of Dublin City, Dun Laoghaire Rathdown, Fingal, and South Dublin launched an *Economic Development Action Plan for the Dublin City Region* (July, 2009). The central aim of the Action Plan is to:

> *position the Dublin City Region, the engine of Ireland's economy, as a significant hub in the European knowledge economy through a network of thriving spatial and sectoral clusters providing a magnet for creative talent and investment.* (p. 7)

The Action Plan establishes the framework conditions of strong civic leadership, the creation of a vibrant region, and the nurturing, attraction and retention of creative people in order to support a balanced and sustainable quality of life and environment in the Dublin City Region (DCR). The development of an Employment and Skills Strategy for the DCR is one of the actions specified in the Action Plan[1].

[1] The Action Plan also envisaged the development of an Enterprise Strategy for the region. Titled *Developing an Enterprise Strategy for the Dublin City Region* this was prepared by Fitzsimons Consulting and published in September 2009.

The Dublin Employment Pact (DEP) was asked, on behalf of the Dublin Regional Authority and the four local authority managers, to facilitate the development of an Employment and Skills Strategy for the DCR. The DEP contracted WRC *Social and Economic Consultants* to assist in devising a strategy for the region defined as the area covered by the four Local Authorities mentioned in the opening paragraph.

This report presents the evidence base and analysis informing the elements of the proposed strategy. In terms of content and coverage the report presents an economic profile of the DCR focusing on recent trends in population, employment and unemployment, considers the current and potential future role of the region - and city regions in general - as an integral component of national development, and examines recent policy documentation of relevance to identifying the elements of the Employment and Skills Strategy. That detail leads to the presentation of the proposed Employment and Skills strategy in the final chapter.

1.3 The Context for the Employment and Skills Strategy: International and National Perspectives

1.3.1 The Global Employment Crisis

In a statement issued in April 2009[2] the Director General of the International Labour Organisation (ILO) said that the world is facing "a social recession with potential security risks" as in nearly all countries job losses are mounting, job creation is slowing while unemployment and the phenomenon of the working poor is increasing. The statement calls for *interlinked policy responses* to the financial, economic, social, and employment dynamics of the global crisis in an effort to achieve a "job-intensive" and sustainable recovery.

As a result of its concern over the projected global increase in unemployment, poverty and inequality and the continuing collapse of enterprises, the ILO initiated a Global Jobs Pact (GJP) in June 2009 that aims to guide policies aimed at stimulating economic recovery, that generate jobs, and that provide protection to working people and their families. The GJP is supported by governments, employer, and trade union interests. In underscoring the scale of the crisis the ILO estimates that even if an economic recovery began to take hold in the short term, a global jobs crisis could linger for six to eight years and with 45 million new entrants to the global jobs market annually, the global economy would have to create some 300 million new jobs over the next five years just to go back to pre-crisis levels of unemployment. As such, the GJP represents the "most urgent and wide-ranging response to an economic crisis ever adopted by the ILO"[3]

The latest forecasts provided by the International Monetary Fund (IMF) in October 2009 suggest that world unemployment will not peak for at least another 8 to 12 months

[2] http://www.ilo.org/public/english/bureau/dgo/speeches/somavia/2009/ifi.pdf
[3] http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/lang--en/WCMS_108482/index.htm

despite signs of growth in certain economies noting that there is typically a time lag in the employment effect of growth. Overall, the IMF forecasts that unemployment in advanced economies will rise to 9.3% in 2010 from 8.2% this year.

The EU Employment Situation and Social Outlook Report (September, 2009) shows that, although the pace is slowing, EU labour markets continue to deteriorate. Unemployment in the EU continued to rise in July 2009 with young people and migrants continuing to be hit particularly hard. Overall unemployment rose by 225,000 (or 1 per cent) to reach 21.8 million, an increase of 5.1 million (or 30 per cent) compared to July 2008 and the EU unemployment rate increased to 9% (two per cent higher than the previous year). The report also notes that as unemployment continues to rise in line with expectations there is an increased risk of long-term unemployment and that the "unemployment rate might deteriorate for some time before the lagged effect of the turnaround in consumers' expectations takes hold, alongside any associated upturn in economic activity" (p. 3).

1.3.2 The Employment / Unemployment Crisis in Ireland

The above observations provide a brief indication of the scale and the depth of the economic and associated employment/unemployment crises. However, Ireland's position *vis-à-vis* the recession is relatively unique. Not alone is the country affected by the global recession but it is also exposed to the well-rehearsed severity and depth of the banking crisis and the parallel collapse in the public finances based on the bursting of the property bubble. These have un-chartable implications for the future but provide a hugely important backdrop to an employment and skills strategy with particular reference to the economy's capacity to generate employment opportunities and the capacity of the state to address issues such as unemployment and to adequately support initiatives proposed to address the unemployment crisis.

The employment effects of the multi-dimensional crises have been dramatic as evidenced in the Quarterly National Household Survey Q2 2009 (CSO, September 2009). It shows that there were 1,938,500 persons in employment in Q2 2009, an annual decrease of 174,300 (8.2%) comprising an annual decrease of 138,200 (11.6%) in the number of men in employment and an annual decrease of 36,200 in the number of women in employment (3.9%). The labour force also contracted by 36,500 (1.6%) over the year as did the participation rate, which declined from 63.7 percent to 62.5 percent, with the largest annual decrease (11.5 percentage points) occurring for the 20 to 24 age group. There were 264,600 persons unemployed in Q2 2009, an increase of 137,900 (+108.8%) in the year with male unemployment increasing disproportionately by 102,700 (+122.0%) as against an increase of 35,100 (+82.4%) for women. Seasonally adjusted unemployment overall was running at 11.6 per cent at the end of the quarter.

The results of the QNHS Q2 2009 also show that full-time employment fell by 190,300 on an annual basis with a disproportionate decline in the number of men in full-time employment and that this was associated with the loss of 92,800 jobs in construction and a further 33,900 in industry. The results of the survey also show an increase of 15,900 in the numbers employed part-time, with all of the increase attributable to males. From an occupational perspective the largest specific decreases were in craft and related occupations (-71,500) and amongst plant and machine operatives (-32,900).

In a presentation to the Dublin Economic Workshop (2nd November, 2009), Blanchflower used OECD data to show that, in the case of Ireland, the decline in output since peak is -14.0% against an OECD average decline of 5.6%; only Turkey (-20.2%) and the Slovak Republic (-19.1%) have fared worse. The associated decline in employment since peak in Ireland is the most severe (-8.6%) followed by Spain (-6.4%) and the United States (-3.9%) and the 8.0% increase in unemployment since peak is surpassed only by Spain (10.2%) with the United States recording the third highest increase in unemployment amongst the OECD countries at 5.0%.

Bell and Blanchflower (2009) suggest that over the course of the last decade, economic analysis and explanations of unemployment tended to focus exclusively on the supply side (e.g., the prevalence of trades unions, the generosity of unemployment benefits, job protection regulation) rather than demand side issues such that “in most OECD countries, recent policies have focused almost exclusively on removing imperfections from the supply side of the economy, particularly the labour market” (p. 2). However, they note that the current recession is driven by a collapse in demand - the result of a combination of significant imbalances in demand structures and unsustainable increases in credit. One consequence of the recession is that unemployment is manifesting itself in rates of youth unemployment that are rising at a faster rate than adult unemployment in all countries (p. 8). There is also some evidence “that the least educated, as well as those with the lowest skill levels, plus minorities and immigrants are especially impacted by the drop in demand” (p. 9).

Those observations hold in the case of Ireland and the DCR as demonstrated in the subsequent chapter though, as we note there, it is also the case that the composition of the unemployed in 2009 differs significantly from that of the 1980s and early 1990s in that a substantial proportion of the unemployed are now qualified to third level making the task of comprehensively addressing unemployment and preventing long-term unemployment all the more complex. Moreover, as is argued in Chapter 2, as much as half of the employment losses in the DCR are structural losses and as such will not re-appear in the context of an upturn in the economy. This structural loss - in the absence of effective intervention - has the potential to feed the growth of long-term unemployment.

1.3.3 The Rise of the Service Economy and Challenges for the Dublin City Region’s Service Dependent Economy

Ireland’s experience of recession is also uniquely shaped by the fact that it is a small open economy relying heavily on trade with the outside world. Unlike many of our European counterparts, Ireland has not moved through a prolonged ‘industrial’ era and, over time, into a more modern service driven economy. Instead, due to the phenomenal trajectory and nature of recent economic growth, Ireland’s economy and particularly the economy of the Dublin City Region has been rapidly - and most likely irreversibly - catapulted toward a service economy model which the internationally traded service sector (which is dominated by foreign firms providing ICT services and financial services) is coming to play an increasingly central role.[4]

In a number of service areas (e.g., software development, financial services, ICT and ICT related business services) Ireland has been phenomenally successful in trading on the world stage. However, despite the contribution of these export oriented sectors to Gross National Product and the high levels of productivity that they demonstrate, their direct significance in terms of overall employment numbers is relatively slight even allowing for the spin-off jobs that they generate on a more or less 1:1 basis in other services sub-sectors. Furthermore, the bulk of service-related employment in Ireland is not at the top end of the spectrum and is not export-oriented. Much of its growth was predicated on the temporary hyper-market in personal and other services generated by the construction boom and the circulation of cash/income as well as the increased personal and household debt that accompanied it. In other words, many service jobs - particularly the labour intensive and relatively low paid service jobs - generated during the boom years were supported by the strength of domestic consumption and, as noted later, many of these jobs were in pro-cyclical sectors vulnerable to recession. The contraction in public and private consumption associated with the recession has contributed to the loss of employment in many labour intensive service sectors.[5] The contraction in the capacity of the state to deliver services as a result of the fiscal crisis has also contributed to the loss of employment opportunity, to an increase in underemployment and, in certain instances, unemployment, in publicly provided services.

In assessing the implications of structural and cyclical trends in net employment over US business cycles from 1949 to 2009, Kirkegaard recently concludes that the orthodox view that the greater the role services play in an economy the richer it is (and *vice versa*) has been severely shaken by the current global economic crisis (Kirkegaard, 2009). The crisis has, he says, "spawned a reassessment of the benefits of the continuing economic shift toward some of the very sophisticated and high-wage services sectors, notably

4 "In absolute terms, growth in services value added has been very pronounced. Between 1997 and 2007 Ireland's (Gross Value Added) GVA more than doubled, from €60 billion to nearly €170 billion. Two thirds of this growth was in the services sector, which increased from €34 billion to €109 billion, while GVA in building and construction increased from €3 billion to €17 billion, and GVA in industry grew from €20 billion to €40 billion (Forfás, 2008, p. 15). In the seven years from 2000 to 2007, the contribution of services to total Irish exports doubled, from 21 percent to 43 percent. Computer-related services account for 29 percent of total services exports, and Insurance and Finance services between them account for 25 percent" (p. 16). Breathnach (2008) has examined the growth of foreign direct investment (FDI) in export services and the geographical location of companies in the sector. He shows the move from data processing and call centre operations in the late 1980s, the development of financial services during the 1990s, to software development in the late 1990s, and the current growth of headquarter operations (e.g., Apple, Google, e-Bay) from 2000 forward and shows the concentration of FDI in export services in the Dublin City Region.

5 The rise in personal / household indebtedness that accompanied the expansion of consumption in the early part of this decade will now act as a continuing constraint on the resumption of consumption for some time. This together with income reductions among the employed and increases in unemployment are likely to place continued constraints on any expansion of domestic consumption in the short to medium terms. See Cynamon and Fazzari 2008 for a general discussion of the implications of consumption fluctuations for macroeconomic policy.

financial services" (p. 2) and raises questions about the type of recovery that will be experienced and in what sectors future employment growth is likely to materialise. Given the Dublin City Region's dependence on services for employment Kirkegaard provides a salutary reminder of the fragility of the employment base overall.

The authors of *Service Sector Productivity: The Tiger's Next Challenge* (Farrell, Remes and Kehoe, 2007) note that whereas Ireland posted productivity growth of 63 per cent between 1995 and 2002 making it the best performer in Europe, its productivity progress has been gradually slipping. Quoting from research conducted by McKinsey Global Institute (MGI) that found 70 per cent of the productivity growth achieved has come from foreign-owned companies in just a handful of sectors (high-tech components, pharmaceuticals / chemicals, electrical machinery, food and drink, and IT services) the authors note that the relevant companies employ only 15 per cent of the country's workforce.

Productivity outside these sectors is described as 'patchy' but "even more pertinently for a modern economy, service-sector productivity has been weak" (p.53). The MGI research shows that service sectors, excluding IT, contributed just 14 per cent to the productivity increase posted in Ireland between 1995 and 2002, but was responsible for the employment of 55 per cent of the workforce. The authors argue that Ireland's productivity imperative has been accentuated by the fact that it has now become a relatively high-wage economy although they maintain that services are the best potential source of long-term employment and economic growth for developed economies.

They also suggest that that domestic services have the potential to create more jobs here than service exports and, as such, raising the productivity of Ireland's domestic service sector is a key challenge for the future. However, they go on to state that domestic services suffer from a poor 'economic image' and are too often regarded as a poor relation to high-tech sectors, manufacturing exports, and high value-added services that can be exported internationally. They stress that domestic services are

> *much more than fast-food vending or shoe repair. In Ireland, and around the world, they also comprise very significant sectors that are crucial to economic development, including power supply, transport, retail, construction and telecommunications, as well as a range of high-skill, high-wage occupations, from accountants, to advertisers, to rock stars. As economies grow richer, business-to-business services represent an increasing share of total economic activity. These activities include professional services such as law, accountancy and consulting; technical services such as IT and software support; wholesale trade services and employment services. The recent rapid growth in business services in developed economies is an outcome of specialisation. As companies focus increasingly on their core competencies, they buy more non-core services from third parties*. (p. 56)

More generally, recent analyses (e.g. OECD, 2009; European Commission, 2009) underscore the significance of services in developed economies (i.e., both traded services and non-traded domestically provided services). They also highlight that while some services are on long-term growth trajectories (e.g., healthcare, education, and energy) others (including all personal and business related services) are largely dependent on cyclical factors, particularly rates of personal domestic consumption. One implication is that while an employment and skills strategy needs to be particularly cognisant of sectors with long-term employment growth potential and of their associated skill requirements, it equally needs to acknowledge that employment levels in these sectors alone will be insufficient to absorb the majority of the stock of those currently unemployed as well as the ongoing inflow of new entrants to the labour market.

Like the rest of the country, the DCR is experiencing the adverse consequences of recession in terms of rapid employment loss, economic restructuring, and rising unemployment. As is indicated in Chapter 2 over 70,000 jobs are estimated to have been lost in the DCR since late 2007 and unemployment on a Live Register basis is currently approximately 100,000. However, because the region occupies a unique space in the Irish economy and because its employment base is disproportionately dependent on the services sector, the effects of recession and restructuring on employment and unemployment make for a particular case that requires a tailored strategic response.

1.4 Our Understanding of the Need for an Employment and Skills Strategy for the Dublin City Region

We are aware of the wide range of research and policy related reports and evaluations that are relevant to an employment and skills strategy although it is notable that the last *White Paper on Human Resource Development* was published in 1997 and is located in an economic and labour market context that has since radically altered. Similarly, the most recent *White Paper on Adult Education - Learning for Life* was published in 2000. That said, much of the more recent policy related documentation is already out of date as it is based on what are now evidently erroneous assumptions and projections regarding key issues such as national and international economic growth rates, aggregate and sectoral employment trends, and unemployment rates[6].

[6] It is noteworthy that the major current policy report on future skill needs - *Tomorrow's Skills: Toward a National Skills Strategy* published in 2007 - is premised on the following: "Full employment, combined with a substantially expanded labour force (through a combination of rising participation rates and favourable demographics, the Irish labour force has increased from just 1.64 million in 1997 to over 2 million in the first quarter of 2006) and a much improved macroeconomic environment have led to policymakers and society generally targeting more ambitious goals for the Irish economy and its people in general . Job growth is no longer an end in itself. Rather than focusing on the *quantity* of jobs created, policymakers, the development agencies and firms alike are now also concentrating on the *quality* of employment." (p. 18) and "Sectoral forecasts are also based on the assumption that Ireland will follow a high growth scenario until 2010 and a low growth scenario thereafter… Traditional manufacturing is expected to experience lower growth rates of approximately 2.7 percent per annum, compared with average annual growth of 7.8 percent per annum in the high technology sector up until 2010. Thereafter, the manufacturing sector is likely to contract. The growth in construction is also expected to remain robust at 4.3 percent per annum up until 2010, driven by a strong housing and commercial property market as well as continued state investment in infrastructure." (p20)

We are also aware that there are different tactical and programmatic approaches at play in the fields of welfare, education, training and employment that are designed to react to the magnitude of the issues that confront the various authorities and providers as a result of the employment / unemployment crisis (e.g., refining and ramping up the DSFA-FÁS referral system, increasing the quantity of places in the existing education and training system, reducing course duration to maximise throughput, introducing employment subsidies for businesses with an export capacity, and so on).[7] However, at present it is clear that there is no co-ordinated employment or labour market *strategy* in place that is specifically designed to tackle the current severity and likely persistence of the employment / unemployment crisis that is described in some detail in this report.[8] Policy makers and providers are implementing initiatives as referenced but there is no overarching and agreed strategic purpose (end) to the initiatives, no authoritative overarching mechanisms designed to harmonise and maximise effort and return on investment, and no overarching authority tasked with orchestrating the combined effort with a view to strategically addressing what is a national crisis with regional and local dimensions and with far-reaching and potentially long-term negative effects[9].

Moreover, there never has been an employment and skills strategy specifically for the Dublin City Region. In that regard, it must be acknowledged that the major levers to effect employment and skills development policies predominantly lie in the national arena and that policy and planning in respect of employment and skills development have overwhelmingly focused on the national level.[10] Furthermore, while there is evidence of

[7] Some of the these specific responses include the Training Initiative Strategy, the Employer Based Redundant Apprentice Rotation Scheme, the Employment Subsidy Scheme (Temporary) and the ring-fencing of places at third level institutes for persons on the Live Register. Apart from these recent initiatives much of the education and training provision that is in place in respect of addressing the needs of unemployed people is based on programmes put in place over a decade ago and that were predicated on a radically different labour market situation from that currently prevailing.

[8] From its once predominantly military usage (derived from the Greek strategia meaning "generalship"), strategy has been adopted by the business community to describe, broadly, how to move from policy to tactics or how policy is effected. Taken together, strategy and tactics bridge the gap between ends and means. Strategy requires a clear understanding and articulation of the end to be secured and is a matter of policy (from the Greek politeia and polites - the state and the people) and of governance, not management. Achieving these strategic aims is primarily a matter of management not governance. Our understanding of the term 'strategy' relates to this high level planning and goal setting exercise.

[9] We note that there is an interdepartmental implementation committee for the implementation of the skills strategy chaired by the Minister of State at the Department of Education Science (Lifelong Learning) and an inter-departmental up-skilling co-ordination group chaired by the Department of Enterprise Trade and Employment. A High Level Group on Labour Market Issues was also established but has now been subsumed into the Cabinet Sub-Committee on Economic renewal. We are not aware of any overarching employment and skills strategy that is designed to guide the work of these groups although, as noted, there are many research and policy related reports of relevance to their work.

[10] That is not to say that there has been no discussion of regional skills needs. For example, the EGFSN produced a report on this issue titled *Skills at a Regional Level in Ireland* in 2006 and there are occasional references to regional issues in respect of skills development in the 2007 report of the EGFSN - *Tomorrow's Skills - Towards a National Skills Strategy*. However, the former report notes the complexity and unreliability of skills forecasting at regional level and concludes that: "In view of the small geographical size of Ireland it is likely that normal labour market adjustments across regions will, in time, partially or fully correct any imbalances… migration of population across regions and commuting flows between regions are mechanisms by which regional skill surpluses and deficits are ameliorated. Therefore,

substantial regional variation in terms of economic activity and employment structure, employment and skills development policies have largely ignored regional dynamics leaving such matters to what might be termed the second order policies of spatial and regional development.[11]

This lack of up to date labour market intelligence and the associated absence of strategic policy is compounded by the presence and likely persistence of uncertainties concerning national fiscal sustainability, difficulties in predicting if and when economic growth will occur and, crucially in the context of developing an employment and skills strategy that is future directed, the nature and employment content of future economic growth in Ireland and in the Dublin City Region.

Up to very recently, up-skilling the labour force was predicated on full employment, a shift to employment with higher qualification and skills requirements, and addressing the barriers facing the lower skilled and poorly qualified members of the labour force.[12] In line with that analysis the site for up-skilling increasingly focused on the workplace as well as more generally on raising the educational qualifications of persons entering the labour force through increased retention to Leaving Certificate level and increased participation in higher education. As is indicated below, to the extent that there has been a result from the implementation of existing national policy it is evident in the higher levels of qualification possessed by young persons entering the labour force and, in turn, within the labour force as a whole. This is particularly the case in the Dublin City Region in which 38.0% of the population has a third level qualification, 10 percentage points higher than in the rest of the country.

In the current context, however, it is actually questionable that we need more up-skilling; though that is not to say we shouldn't pay attention to skill development and fostering different skills. In fact, given the composition of the unemployed and the scarcity of

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an essential role for the State in addressing any regional skills deficits should be facilitating the operation of normal labour market adjustment mechanisms and the removal of obstacles arising from market and government failure." (xii) To the extent that this issue is also considered as an element of national strategy in respect of future skill needs the *Tomorrow's Skills* report notes the weakness of regional processes to address the issue: "The processes currently in place at regional and sectoral level for passing information between enterprise and training providers needs to be reviewed. Specifically at regional level, the role of key agencies (EI, FÁS and the IDA Ireland), providers in further education and higher education (VECs, institutes of technology, universities), and county and regional structures should be examined to establish how they can play a greater role in ensuring that skills needs are identified and communicated widely and in a timely manner. (p 100)

[11] For a discussion of the growth of regional disparities and of the issues arising see O'Leary, 2007.

[12] The key reference document is the report of the Expert Group on Future Skill Needs - *Tomorrow's Skills - Towards a National Skills Strategy*. The report had four key conclusions: (i) that more than 70% of our current workforce will still be in employment in 2020 and therefore learning in the workplace is important; (ii) as the economy increases its dependence on services and high technology manufacturing there will be a corresponding change in the skills needed; (iii) to compete internationally we need to upskill 500,000 people by at least one level on the national framework of qualifications over the period up to 2020, and of these 330,000 will be at or below leaving certificate levels or equivalent; and (iv) the barriers to participation in education and training are more pronounced for people with lower level skills.

employment opportunities, it is likely that increasing numbers of people will be working below their skills level.

In that context, a key question that needs to be answered is how up-skilling and lifelong learning should be supported in the current context? For example,

- who should the state support in the context of diminishing resources and with a view to maximising public return?
- what are the skill types that should be targeted with a view to preparing for the future? and,
- what is the optimum balance of contribution by the state, the employer, and the individual to the costs of skill development?

Now, in the context of the state's critical fiscal difficulties and the likely persistence of these difficulties over the medium term, the deep employment haemorrhage that in all likelihood will lead to an unemployment rate of about 15% in 2010, and the severe contraction of investment and consumption in the economy as a whole, the capacity of any of the stakeholders to support the lifelong learning agenda is seriously challenged. In that regard, an employment and skills strategy will need not alone to address 'what to do?' but, as critically, 'how to do it?' A critical issue in that regard is not just how to configure a regional dimension within a predominantly centralised system of policy planning but also how to enable the relevant stakeholders to identify and play new roles in policy formulation and delivery.

1.5 Conclusion

It is our considered view that taking effective action on unemployment and the parallel requisite challenge of growing employment will require the issue be designated as a national priority at the same level and at the same time as dealing with the banking and fiscal crises. The personal, social and economic consequences of unemployment in the current context will be borne in real time by real people and their families and will not be ameliorated by policies that are merely tactical or managerial (short-term). Nor will such consequences be ameliorated by policies that see the resolution of unemployment as dependent on either: (a) the positive labour market fall-out from the possible resolution of the banking and fiscal crises; or, (b) the positive fall-out from factors completely beyond the control of Irish policy-makers - such as estimates of the positive effects of resumptions of growth in other countries on domestic growth and employment.

Also, while some of the lessons of the 1980s are relevant - particularly the fact that the unemployment crisis was resolved largely by an unprecedented and largely unanticipated increase in the demand for labour rather than any specific measures taken to address unemployment and long-term unemployment - we are now in a radically different situation. As has often been said with positive connotations - *Ireland is one of the most globalised economies in the world*. Long-term shifts in the nature and location of economic activity globally, the as yet unresolved consequences of the international and national banking and credit crises, and the long-term structural changes underway in developed economies associated with advancing technological capacity, as well as growing concern and action regarding the effects of climate change, point to a future that is characterised by unpredictability and uncertainty.

The evident difficulties and failures of economic forecasting in the past fade into insignificance in the context of the challenges that arise in forecasting the future.[13] In that context, an effective employment and skills strategy will be integrally concerned with:

- building the fundamental competencies of individuals and businesses to adapt to rapid and possibly unforeseen change;
- ensuring that the workforce possesses both generic and well developed learning capabilities as well as specific skills and competencies; and
- delivering skills and competency development programmes that are based on market and individual demand and less on pre-existing capacity.

Cross-cutting these concerns will be recognition of the diversity of Ireland's labour force - and particularly the labour force in the DCR - and the need to ensure equal access to and quality outcomes from all levels of the education and training system.

In summary, the Employment and Skills Strategy for the Dublin City Region that is proposed in this report is developed in the context of a multi-dimensional crisis that, in our view, will worsen if strategically focused action is not taken to address all aspects of that crisis in respect of which employment / unemployment is a central concern. It is evident that the current employment / unemployment crisis is driven by a collapse in demand at all levels of the economy and not by any specific supply-side issues (i.e., there is no demand for the vast majority of would-be employees regardless of the cost of labour, of educational qualifications and/or previous work experience and there are no major discernible skills shortages). To address the collapse in demand for labour and to address the scale and depth of unemployment it is necessary to identify replacement jobs in growth sectors; however, due to economic volatility in global markets and the very particular volatility of the Irish economy, accurate forecasting is practically impossible other than to note that there is general agreement internationally that there are structural employment gains to be had in certain high-end sectors such as education, health care, ICT related services including digital media, pharmaceuticals and bio-technology.

Ireland and the DCR are well placed to benefit from some of these growth areas; however, the employment that will be generated assuming successful exploitation of opportunities in this regard will be largely at the higher end of the qualifications and

[13] It should be noted that part of the collateral fallout from the onset and rapid spread of the global recession has been a re-examination of the policy utility and accuracy of economic forecasting. Diverse sources now question its reliability on the grounds of the number and complexity of variables to be considered, the presence of discontinuities between the past, present and future, the exclusion of institutional and financial market considerations, and the exclusion of insights from behavioural economics in relation to how markets behave. The interested reader can consult Clements and Hendry (2004), Visco (2009), Krugman (2009), and Ackerlof and Shiller (2009) for a selection of critiques.

skills spectrum and for the most part will be out of reach of the vast majority of people currently unemployed. Moreover, the employment arising will be likely to be relatively limited in quantum terms when the current scale of unemployment is taken into account together with annual inflow to the labour force. Thus, while focusing on the strategic development of sectors with growth and export potential is a necessary component of a strategic response to growing employment, this alone will not be sufficient to address the issue. New and imaginative initiatives will be required to signpost a route back to full employment on a sustainable basis. This, in turn, will require not just addressing issues related to policy content - what should be done - but, as fundamentally, addressing policy implementation in terms of who delivers and how policies are effected and evaluated. For the DCR particularly it will require exploring how to marry the levers of national employment and labour market policy with policies and initiatives falling within the remit of the Local Authorities and other institutional players at regional level.

Taking into account the extent to which the Irish economy and particularly the regional economy of the DCR are embedded in a services-driven model and the fact that it is not possible to predict with any degree of accuracy the *specific skills* that will be required for *specific occupations* in the future, some of the critical issues that the strategy needs to address from the skills perspective are:

(i) how do we ensure that we have the skills to generate wealth and employment through active trading of our service base in a global economy?
(ii) how do we ensure that we have the skills base to attract a diverse range of foreign direct investment that offers direct and indirect employment opportunities at various skills levels; and,
(iii) how do we ensure that our skills base contributes to enhanced productivity and competitiveness in the non-traded economy (public and private).

1.6 Structure of the Report

Inclusive of this introduction the report comprises five chapters. In brief:

Chapter 2 provides an analysis of the economic base of the Dublin City Region noting the long-term restructuring evident in terms of the sustained decline in manufacturing and the rise of services. It details the population base of the region and summarises recent and likely future trends as they relate to the issue of employment development. The composition of the unemployed in terms of durations of unemployment and qualifications is explored and a synthesis of the challenges arising in respect of protecting and growing employment and addressing unemployment in the city region is presented.

Chapter 3 reflects on the growing significance of city regions (including Dublin) in the global economy and the potential role of the knowledge economy as an element of the policy response for the DCR. The capacity and capabilities of the education and training system in the city region are also referenced as they will be of critical importance in growing employment and promoting skills formation and development.

Chapter 4 reviews a wide range of policy literature and social partner perspectives to identify recent - and sometimes older - thinking in respect of key issues of relevance in developing an Employment and Skills Strategy for the DCR. In that regard we note that whereas it is useful to trawl the policy landscape in order to inform the proposed strategy, it is equally important to note that many of the old assumptions no longer hold creating *an imperative to strategise and to plan on the basis of the present new reality*.

Chapter 5 presents the Employment and Skills Strategy for the DCR. The proposed strategy has regional and national dimensions as well as specific reference to employment policy and policies to address unemployment. Skills formation and development are central features of the overall strategic response required.

CHAPTER 2

THE DUBLIN CITY REGION: POPULATION, EMPLOYMENT AND UNEMPLOYMENT

2.1 Introduction

This chapter begins with a brief note on the population of the DCR and summarises recent and likely future trends in this as they relate to issues of economic development, employment policy, and labour market policy. The emergence of return migration among recent immigrants - particularly from the Accession states - is noted as is the re-emergence of emigration among young Irish people. The structure of economic activity in the region is examined and the long-term restructuring evident in terms of the sustained decline in manufacturing and the rise of services is highlighted. This is evidenced in terms of compositional changes in output indicators such as regional Gross Value Added (GVA) and sectoral changes in the composition of employment. The nature and scale of recent changes in aggregate employment in the DCR as well as the strong sectoral components of change are examined. In doing this the reference period for the analyses presented is Quarter 3 2007 (Q3 2007) as both nationally and in the DCR employment reached a peak in that quarter and has continued to fall quarter-on-quarter since then. In analysing the trend in employment loss in the DCR attention is drawn to the fact that the aggregate number of jobs in the region is higher than the number of resident workers thus figures on employment loss in the region will underestimate the actual number of jobs lost that were based in the region. In parallel with the onset of rapid employment contraction has been an equally rapid rise in unemployment. This is examined and the composition of the unemployed in terms of unemployment duration and qualifications is explored. The likely re-emergence of long-term unemployment due to structural displacement of workers is noted. A synthesis of the challenges arising in respect of employment and unemployment is presented emphasising the importance of avoiding a “job weak” or even job less recovery and ensuring that employment and skills policy is firmly focused on securing a “job rich” recovery.

2.2 Notes on Population and Population Trends in the Dublin City Region

The population of the DCR first exceeded 1,000,000 in the 1981 Census and at that time it accounted for 29.1% of the national population. According to the 2006 Census, the population of the region was 1,187,176 at which time it accounted for 28.0% of the national population. While Dublin City composes approximately one-eighth of the region's area in geographical terms, with a population of 506,211 in 2006, it accounts for 42.6% of the population of the DCR.

Analysis of recent population trends shows that the population of the DCR continued to increase up to 2008 but that it experienced a small decrease (-6,300) in population between April 2008 and April 2009 (see Figure 2.1).[14] At national level the population continued to increase (+37,200) indicating that the DCR is unique in experiencing population decline since 2008.

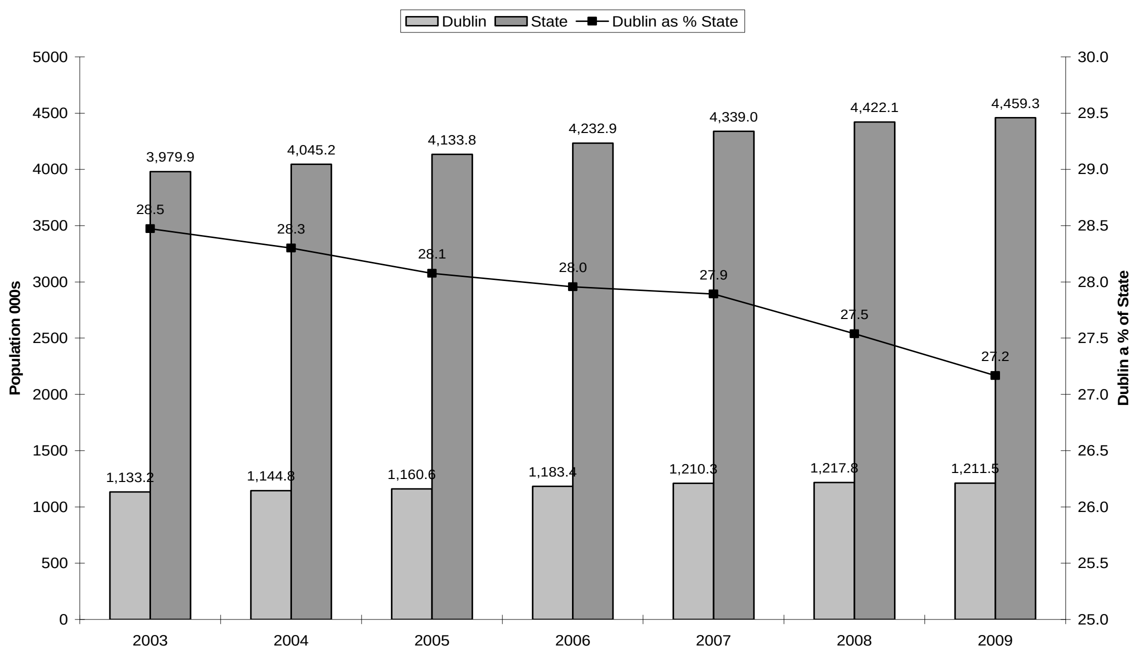

Figure 2.1 Population Trends in the Dublin City Region and Nationally April 2003 to April 2009

As can be seen from the detailed figures in Table 2.1 the main age group in which the population declined between April 2008 and April 2009 is the 15 to 29 year age group. The annual rate of decline in the population aged between 15 and 29 years in the DCR is -7.4% compared to -4.5% outside of Dublin. National figures on persons emigrating from Ireland show between April 2008 and April 2009 a total of 65,100 persons left the country and that two groups predominated - persons from the Accession States and Ireland. The former group numbering 30,100 accounts for 46.2% of persons leaving the country between April 08 and April 09 while Irish persons numbering 18,400 account for an additional 28.3%.

[14] The main source for the data on recent population trends is the CSO's release on *Population and Migration Estimates April 2009* (September, 2009).

Table 2.1
Population Estimates by Age Group for April 2009 and Absolute Changes in Population Since April 2008 (in 000's)

	DCR 09	Outside DCR 09	National 09	Change Since 2008 DCR	Change Since 2008 Outside DCR	Change Since 2008 National
0 – 14	234.9	702.8	937.7	8.2	17.2	25.4
15 – 19	69.0	209.6	278.6	-2.1	-3.2	-5.3
20 – 24	89.0	215.8	304.8	-13.7	-15.5	-29.2
25 – 29	141.9	271.5	413.4	-6.9	3.6	-3.3
30 – 34	115.6	255.8	371.4	2.3	2.2	4.5
35 – 39	97.1	250.9	348.0	1.1	4.8	5.9
40 – 44	80.5	232.0	312.5	-0.3	2.6	2.3
45 – 49	76.7	216.8	293.5	0.9	6.5	7.4
50 – 54	67.4	194.3	261.7	0.6	3.9	4.5
55 – 59	60.3	175.1	235.4	0.3	3.1	3.4
60 – 64	52.2	155.3	207.5	1.5	6.8	8.3
65 +	126.6	368.4	495.0	1.4	13.0	14.4
Total	1,211.5	3,247.8	4,459.3	-6.3	41.5	37.2

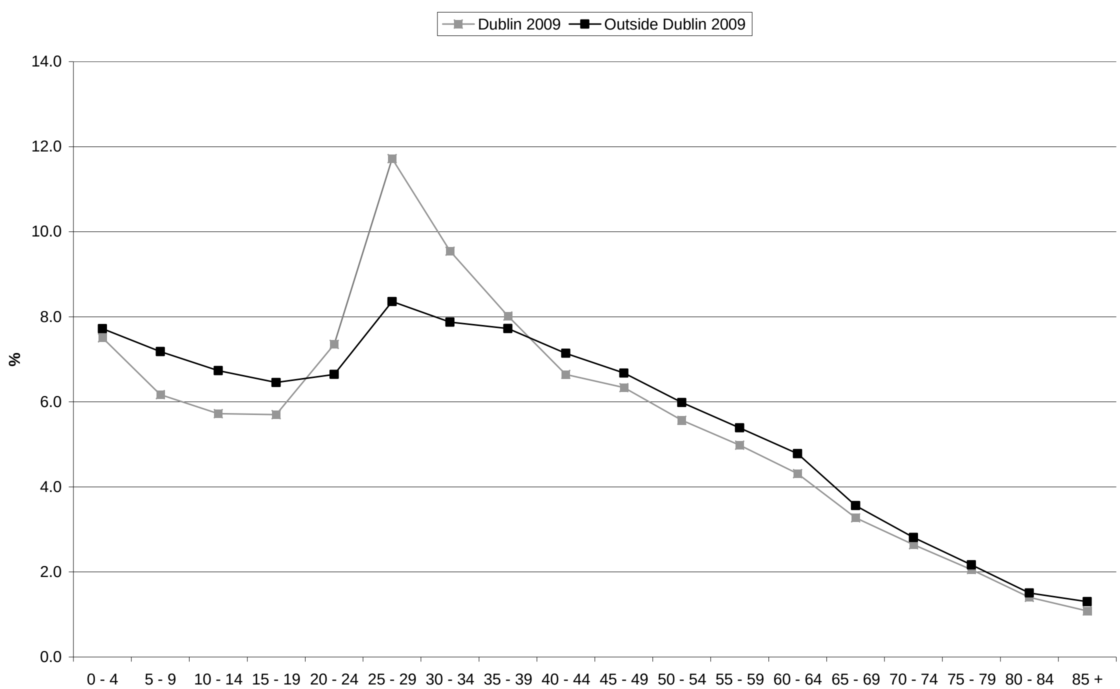

Figure 2.2 Age Profile of Population in Dublin City Region and Outside of the Region, April 2009

Over the past seven years there has also been a steady fall in DCR's share of the national population from 28.5% in 2003 to 27.2% in 2009 (see Figure 2.1). This reflects recent settlement patterns in the counties bordering the region, particularly Kildare, Meath and Wicklow. From a labour market perspective, it is important to note that the age structure of the region's population differs from that of the rest of the country. In particular, the DCR has a higher proportion of its population in the 20 to 39 year age range than the rest of the country (see Figure 2.2). This age group is characterised by very high labour force participation rates. For example, based on data from the QNHS for Q2 2009, the participation rate of 25 to 34 years olds, at 84.7%, is over 20 percentage points higher than the national rate (62.5%). As noted above, however, it is among this age group that there is recent evidence of out migration from the DCR.

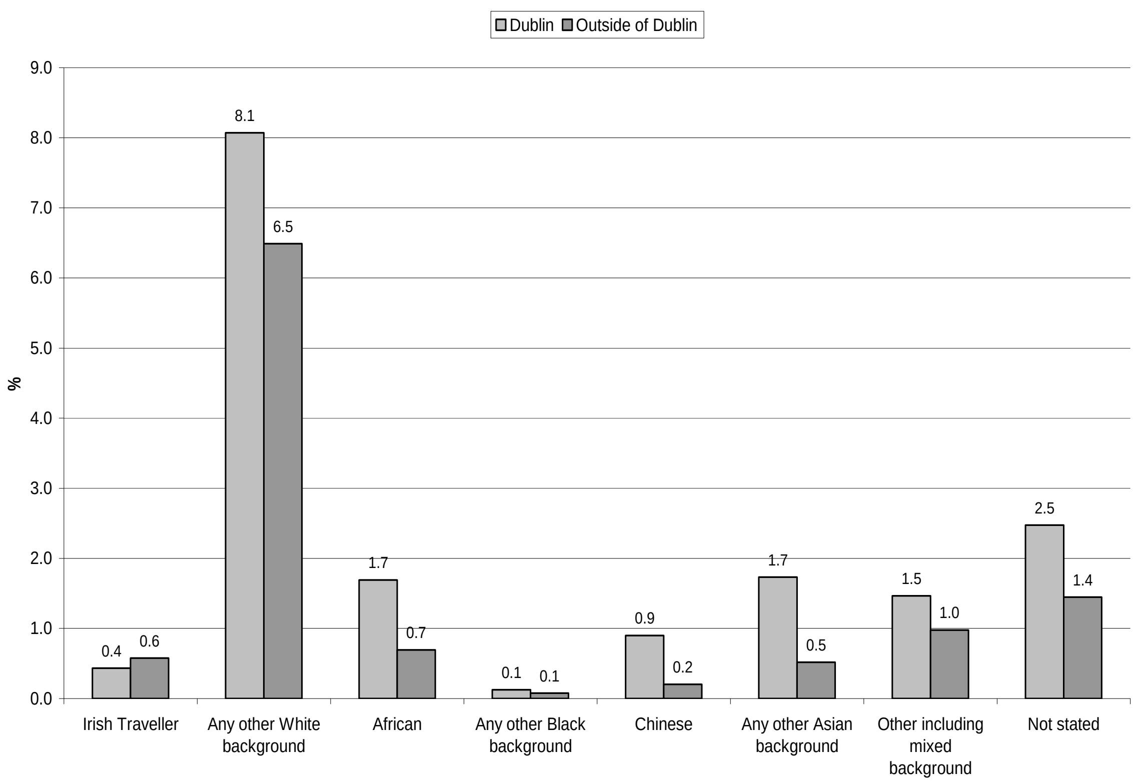

Figure 2.3: Proportion of the Population in the Dublin City Region and Outside of the Region from Ethnic Groups Other than White Irish

One of the notable features of population change in the DCR since the beginning of the decade has been the growing ethnic diversity of the population. In respect of all ethnic groups other than Irish Traveller, the region has a higher proportion in its population than is found outside of Dublin (see Figure 2.3). Based on Census 2006 figures, the ethnic background of 16.9% of the population of the city region is other than White Irish. The corresponding proportion for the rest of the country is 11.0%. The DCR is now ethnically diverse though it should be noted that a substantial component of this diversity arises from the high level of immigration from the EU Accession States that occurred following the enlargement of the EU in May 2004.

Table 2.2
Population Projections for 2016[15]

	M0F1		M2F1	
	Recent	**Traditional**	**Recent**	**Traditional**
Dublin City Region	1,164,000	1,246,000	1,345,000	1,434,000
Mid-East	606,000	585,000	656,000	634,000
GDA Total (DCR + Mid-East)	1,770,000	1,831,000	2,001,000	2,068,000
State	4,606,000	4,609,000	5,093,000	5,095,000
Dublin City Region as % of State	24.9	27.0	26.4	28.1

Projecting future population change is particularly difficult in current circumstances. Up to recently Ireland's population has been increasing faster than that of any other OECD country. The main drivers of recent population change have been natural increase and net immigration. Net immigration was particularly high during 2006 and 2007 but, as noted above, the most recent figures indicate a reversal of this trend in the DCR. Given the likely persistence of employment loss over the medium term, the recent return to net outward migration (emigration) in the DCR is likely to continue and has the potential to increase depending on the level of access to employment outside of Ireland. The rate of natural increase in the population has also been very high over the past number of years, increasing from 6.1% in 2000 to 10.6% in 2008 (rates are per 1,000 of population). Fertility has been an important component of natural increase rising from 14.3 births per 1,000 in 2000 to 17.0 in 2008. The Total Period Fertility Rate (TPFR) also reached a recent high of 2.1 in 2008 indicating an increase in the number of children per mother[16]. Over the medium term it is likely that the birth rate and TPFR will fall back to levels seen in the late 1990s as family planning decisions in this regard come to reflect the uncertain economic conditions.

[15] The population projections presented are based on various assumptions and scenarios regarding fertility and migration (external and internal). All are based on fertility F1 (i.e., Total Fertility Rate to remain at its 2006 level of 1.9 for the lifetime of the projections). Two migration assumptions, M1 and M2, are used in compiling the population projections at national level. Annual net inward migration in the period to 2041 was assumed to be 38,600 under M1 and 21,400 under M2. A zero net migration scenario M0 was also introduced to allow a full assessment of the impact of migration to be made. M2 and M0 are considered in the figures presented. Patterns on internal migration have particular significance for the Dublin City Region and are based on Recent (i.e., the pattern of inter-regional flows observed in the year to April 2006 is applied up to 2026) and Traditional (i.e., the 1996 pattern of inter-regional flows is applied in 2016 and kept constant thereafter, with the difference between the 2006 and 1996 patterns apportioned over the years between 2006 and 2016).

[16] The total period fertility rate, TPFR is derived from the age specific fertility rates in the current year. It represents the projected number of children a woman would have if she experienced current age specific fertility rates while progressing from age 15-49 years. A value of 2.1 is generally considered to be the level at which the population would replace itself in the long run, ignoring migration. In 2008, the TPFR for Ireland was 2.1. This is the first time since 1990 that it has reached this level. In 2007, the TPFR was 2.0.

Noting the above, the difficulties in projecting population growth for the DCR are further compounded by the fact that population growth for the region is also influenced by patterns of internal migration from counties outside of the region. A number of projections have been prepared by the CSO and these show the population of the DCR in 2016 ranging from a low of 1,164,000 to a high of 1,434,000 (see Table 2.2). On the basis of recent figures on net migration it is likely the projections at the lower end of population growth are more likely and the possibility of population decline in the medium term should be considered a strong possibility.

A return to high levels of emigration among young people and the emergence of return migration among recent immigrants from the Accession countries has some positive but also negative consequences for economic recovery in the DCR and nationally. The positives are mainly confined to a contribution to reduced expenditure on social welfare and associated benefits while the negative effects are more systemic and include further reductions in domestic demand (which is already falling rapidly even without population loss) and a further underlining of oversupply in the housing market (which was premised on what are now seen as clearly unsustainable levels of population growth and household formation). Moreover, should emigrants from the DCR be disproportionately drawn from among the more qualified, this would contribute to loss of skills that are more closely aligned to potential areas of structural employment growth.

2.3 Overview of the Economy and Employment in the Dublin City Region

Economic growth in the DCR was higher than that experienced nationally over the so called Celtic Tiger period. Gross value added (GVA) increased from €18 billion in 1995 to almost €57 billion in 2005 (see Table 2.3). Based on the most recent figures available for 2006, the region now accounts for almost 40% of national GVA and when the Mid East region is included this figure rises to almost 50%. These figures underscore the economic significance of the DCR in the national economy and the linkage between the economic performance of the region and overall national economic performance. However, it should be noted that, as GVA for the DCR includes the contribution of workers employed in the region but not living in the region, it is artificially inflated.

The rapid expansion of the service sector is the dominant feature of recent trends in GVA in the region. In 2006, market and non-market services accounted for approximately 80% of its economic activity, up from 69% in 1995. Among the reasons for the expansion of the service sector in the region are the growth in public service employment associated with state and local administration, significant growth in the internationally traded services sector (e.g., IFSC, Google), the effect of increased disposable income (the DCR has the highest per capita disposable income in country) on personal consumption of services and, as noted above, rapid population growth.

Table 2.3
Trends in Gross Value Added[17] and its Components for Dublin City Region, 1995 to 2006

	1995	2000	2005	2006	Increase 95-05	% Increase 95-05
Dublin City Region (DCR)	17,999	35,565	56,820	61,244	38,821	215.7
Mid East	4,062	7,524	12,537	13,484	8,475	208.6
Greater Dublin Area (GDA = DCR+Mid-East)	22,061	43,089	69,357	74,728	47,296	214.4
National	47,323	91,299	143,191	155,211	95,868	202.6
DCR as % of National	38.0	39.0	39.7	39.5		
GDA as a % of National	46.6	47.2	48.4	48.2		
Components DCR						
Agriculture, forestry and fishing	92	110	87	88	-5	-5.4
Manufacturing, building and construction	5,383	11,916	13,090	12,887	7,707	143.2
Market and non-market services	12,440	23,658	43,681	48,772	31,241	251.1
Total DCR (Sum of Components)	17,915	35,684	56,858	61,747	38,943	217.4
Components DCR						
Agriculture, forestry and fishing	0.5	0.3	0.2	0.1		
Manufacturing, building and construction	30.0	33.4	23.0	20.9		
Market and non-market services	69.4	66.3	76.8	79.0		
Total Dublin City Region	100.0	100.0	100.0	100.0		

Data compiled from latest figures from CSO *County Incomes and Regional GDP* (February, 2009).

[17] Gross Value Added (GVA) at *basic prices* is a measure of the value of the goods and services produced in a region (less the materials and services used which come from outside the region) priced at the value which the producers received minus any taxes payable and plus any subsidies receivable as a consequence of their production or sale. It is similar to Gross National Product (GDP) and in this regard it shares some of the deficiencies of GDP as a measure of output as it includes the possibility of transfer pricing inflating the value of output.

Table 2.4
Occupational Structure of Labour Force in Dublin City Region and Outside of the Region by Gender for 2002 and 2006

	Persons		Men		Women	
	2002	**2006**	2002	**2006**	2002	**2006**
Dublin City Region						
Farming, fishing and forestry workers	0.4	0.3	0.6	0.5	0.1	0.2
Manufacturing workers	9.1	8.1	13.6	12.6	3.5	2.6
Building and construction workers	5.1	5.8	8.8	10.1	0.5	0.6
Clerical, managing and government workers	23.3	22.4	15.9	15.5	32.6	30.9
Communication and transport workers	6.6	6.2	10.5	9.8	1.7	1.7
Sales and commerce workers	15.4	15.8	14.5	14.6	16.6	17.4
Professional, technical and health workers	18.5	18.2	16.6	16.1	20.9	20.7
Services workers	9.0	10.1	7.2	7.6	11.2	13.2
Other workers (incl. not stated)	12.6	13.0	12.4	13.1	12.8	12.7
All occupations	100.0	100.0	100.0	100.0	100.0	100.0
Outside of Dublin City Region						
Farming, fishing and forestry workers	7.7	5.9	11.7	9.2	1.4	1.3
Manufacturing workers	14.2	13.4	18.9	19.0	7.1	5.3
Building and construction workers	8.8	10.1	14.4	16.9	0.3	0.5
Clerical, managing and government workers	15.5	15.5	8.8	8.8	25.7	25.0
Communication and transport workers	5.4	5.2	8.1	8.0	1.2	1.3
Sales and commerce workers	12.6	12.7	10.4	10.1	16.0	16.5
Professional, technical and health workers	15.6	15.7	11.2	11.4	22.3	22.0
Services workers	9.9	11.1	6.4	6.5	15.2	17.6
Other workers (incl. not stated)	10.4	10.3	10.1	10.1	10.8	10.5
All occupations	100	100	100	100	100	100

The occupational structure of the labour force in the region reflects the high volume of activity in the service sector (see Table 2.4 for details and Figure 2.4 for summary). Compared to all regions outside of the DCR, the region has a negligible proportion of farming, fishing and forestry workers, a lower proportion of workers engaged in manufacturing and construction, and a substantially higher proportion of service workers. In the DCR, almost one in nine (85.7%) persons in the labour force in 2006 was a service worker. Significantly, given the growth in labour force participation rates among women over the recent past, 96.6% of women in the labour force in the region in 2006 were service workers.

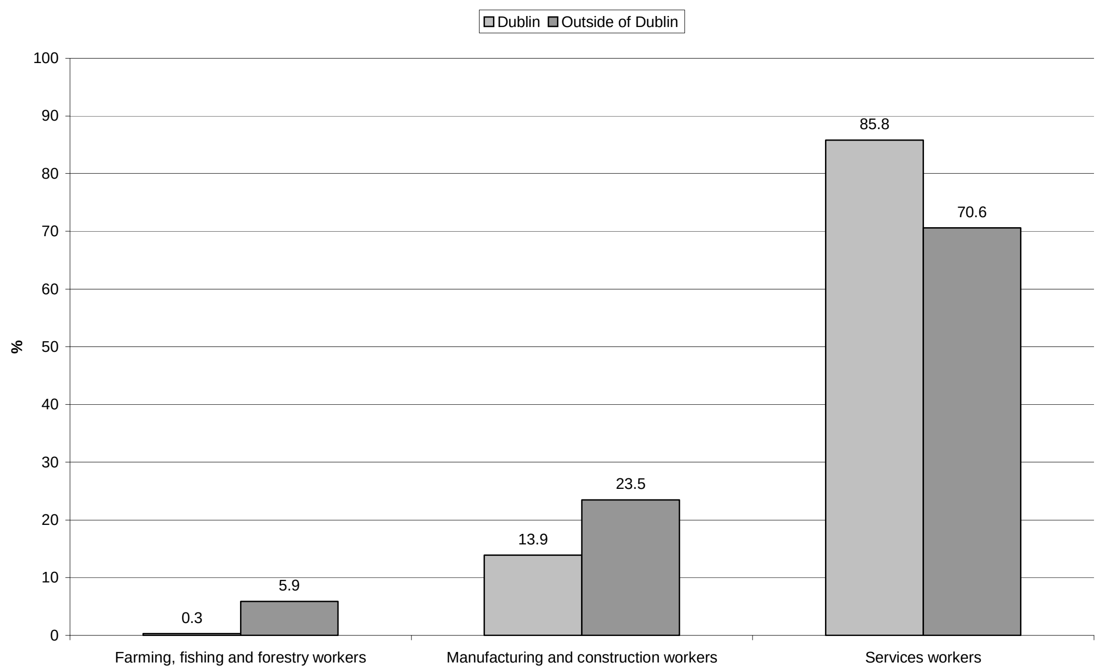

Figure 2.4: Occupational Structure of Labour Force in the Dublin City Region and Outside of the Region (figures derived from Census, 2006)

In assessing the employment profile of the DCR it is important to note that total employment (total number of jobs) in the region is greater that the total number of persons in employment (workers resident) in the region.[18] Table 2.5 - which uses data from Census 2002 as well as the 2002 Employment Study of the Dublin Transportation Office - shows that in the region as a whole the number of jobs exceeds the number of workers and that all of this is due to the higher number of jobs than workers in Dublin

[18] From an employment perspective it should be noted that regional employment (and unemployment levels) are based on place of residence and not on the location of employment. As the number of jobs in the Dublin City Region exceeds the number employed residing within the region, this partially explains the more rapid rise in unemployment in areas outside of the region compared to Dublin City Region noted later in this chapter.

City. In 2002, 61.1% of all jobs in the DCR were located in Dublin City. One consequence of this is the high levels of commuting into the city centre environs.

Table 2.5
Jobs Geographically Located in Dublin City Region and Workers Resident in Dublin City Region (2002)

	Jobs Located in:	Workers Resident in:	Jobs Ratio
Dublin City	382,784	224,300	1.71
Dun Laoghaire - Rathdown	72,086	81,930	0.88
Fingal	76,535	91,699	0.84
South Dublin	95,383	110,101	0.87
Dublin City Region	626,788	508,030	1.23

Table 2.6
Total Number of Jobs by Sector in Dublin City and Residential Location of Persons Employed in these Jobs

	Jobs Located in Dublin City	Workers Resident in and working in Dublin City	Workers from Outside Dublin City	% Workers from Outside Dublin City
Agriculture	581	407	174	29.9
Manufacturing	40,925	29,743	11,182	27.3
Construction	17,173	11,616	5,557	32.4
Wholesale and retail trade	66,416	51,744	14,672	22.1
Hotels and restaurants	22,820	19,960	2,860	12.5
Transport, storage and communications	26,612	19,202	13,002	27.8
Banking and financial services	48,496	35,494	13,002	26.8
Real estate, renting and business services	68,822	53,971	14,851	21.6
Public administration and defence	37,002	25,542	11,460	31.0
Education	34,608	27,433	7,175	20.7
Health and social work	53,539	41,745	11,794	22.0
Other social and personal services	22,011	17,857	4,154	18.9
Other	3,828	3,254	574	15.0
All	422,833	337,968	104,865	23.7

Recently published data from the 2006 Census (i.e., *A Profile of the Working Population of Large Towns*, April 2009) enable an analysis of total jobs and the sectoral composition of jobs located in Dublin City as well of the residential locations of workers undertaking these jobs (see Table 2.6). In 2006, the total number of jobs in Dublin City was 422,833. Of these, 76.3% were filled by workers residing in Dublin City. Workers commuting into the Dublin City filled the remaining one quarter (23.7%) of jobs.

The sectoral composition of jobs located in Dublin City underlines the high proportion (86.1%) of jobs in Dublin City that are in the service sector and the substantial proportion of these jobs that are in the public sector (i.e., 34.4%). The latter proportion is based on the total number of jobs in the public administration and defence, education, health and social work sectors expressed as a proportion of all service employment (125,149/364,154).[19] The private sectors with high numbers of jobs in Dublin City are - in order of size - real estate, renting and business services (68,822), wholesale and retail trade (66,416), and banking and financial services (48,496).

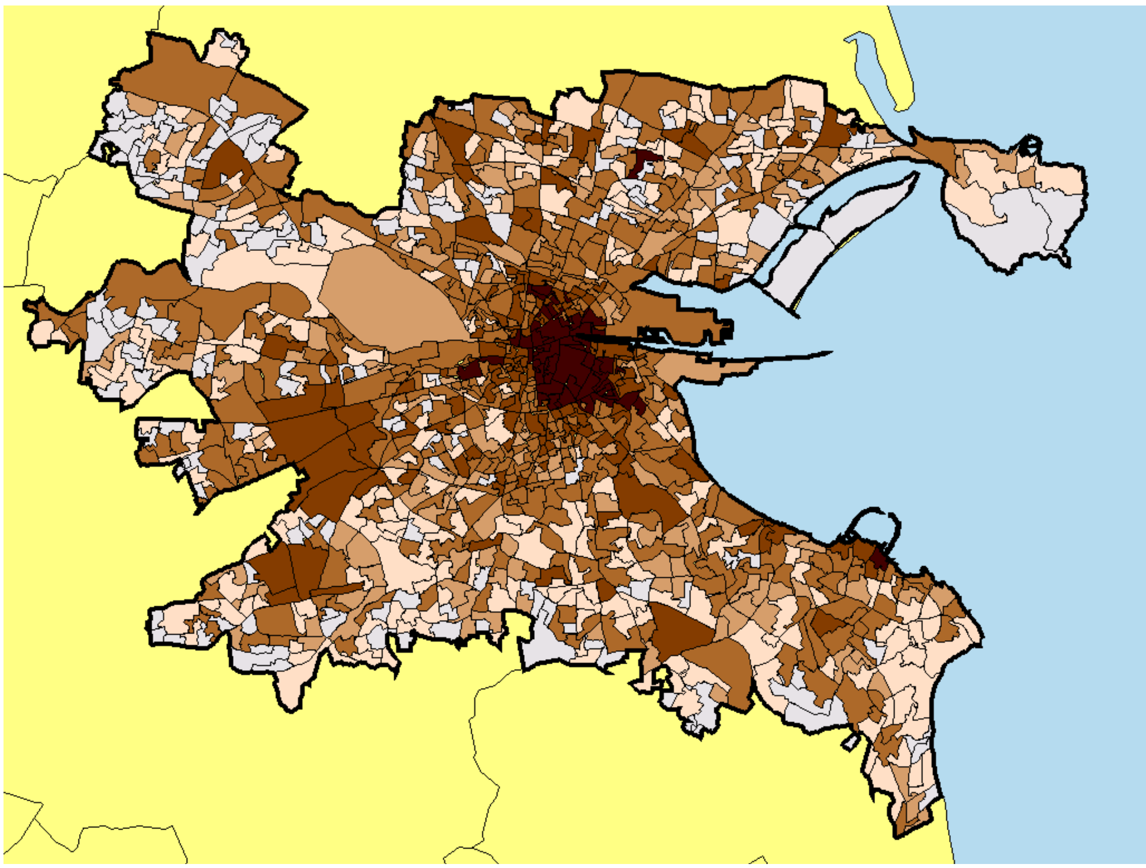

Figure 2.5 Distribution of Jobs per Square Kilometre in Dublin City (Source CSO, *A Profile of the Working Population of Large Towns*, 2009)

While the concentration of jobs in Dublin City is highest in the city centre area (see Figure 2.5) there is a fairly wide distribution of jobs across the Dublin City area as a

[19] The total number of number of workers in these three sectors is used as a proxy for total public sector employment here and in later sections of this chapter.

whole. Detailed data from the CSO on the spatial distribution of employment in Dublin City show that two sectors are concentrated in the city centre region: public administration and defence, and banking and financial services. Both of these sectors also have high proportions of workers commuting to employment (see Table 2.6).

2.4 Regional Productivity and Workforce Qualifications

By 2006 GVA for the DCR had reached €56.8 billion, up from just less than €36 billion about six years previously. When the trend in GVA is analysed in terms of GVA per employed person an indication of the productivity of workers in the region is obtained. What is striking in this regard is that, at €103,104 per employed person, productivity in the DCR is substantially higher than in all regions outside of the DCR. Specifically, GVA per employed person outside of the DCR, at €65,849 in 2006, is just 63.9% of GVA per employed person in the DCR.

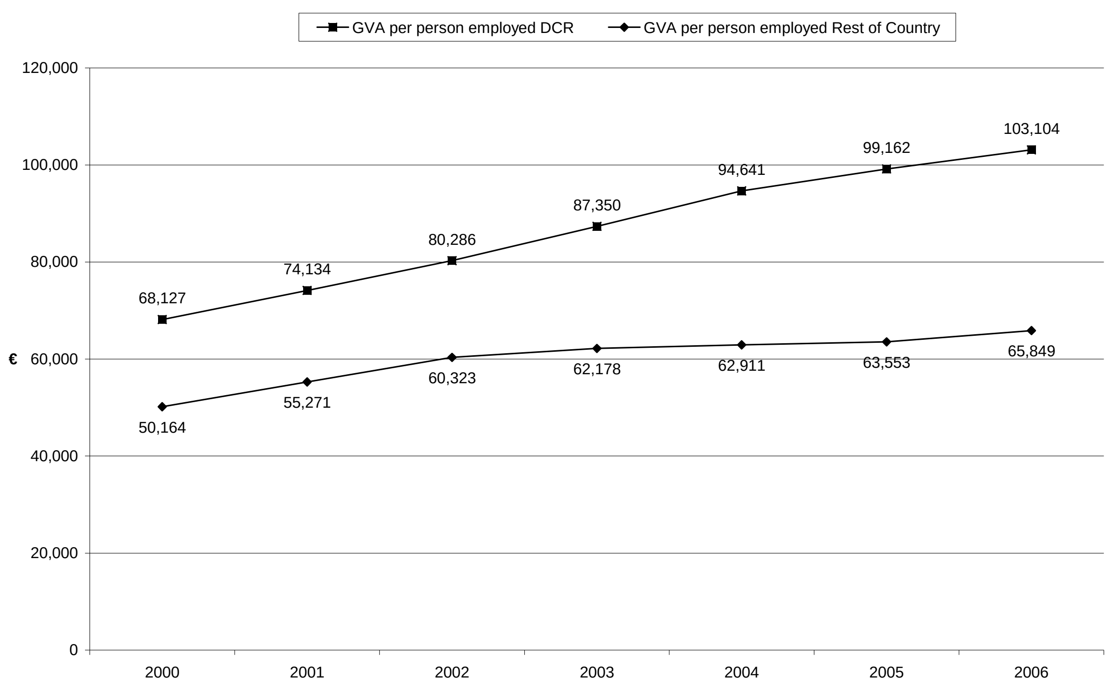

Figure 2.6 Trend in GVA per Person Employed in the Dublin City Region and the Rest of the Country 2000 to 2006

When analysed over the most recent six years for which data are available it is also clear that productivity increased in Dublin at a substantially higher rate than in the rest of the country (see Figure 2.6). The actual percentage increase in the DCR, at 51.3% between 2000 and 2006, is 20 percentage points higher than that found in the rest of the country (i.e., 31.3%). Two factors can be identified as contributing to this: the rapid growth of the service sector and particularly the internationally traded service sector in the DCR and the qualifications of the workforce in the region. The rapid growth in the service sector component of GVA found in the DCR has been noted above. Here we look at the possible contribution of educational qualifications to regional productivity.

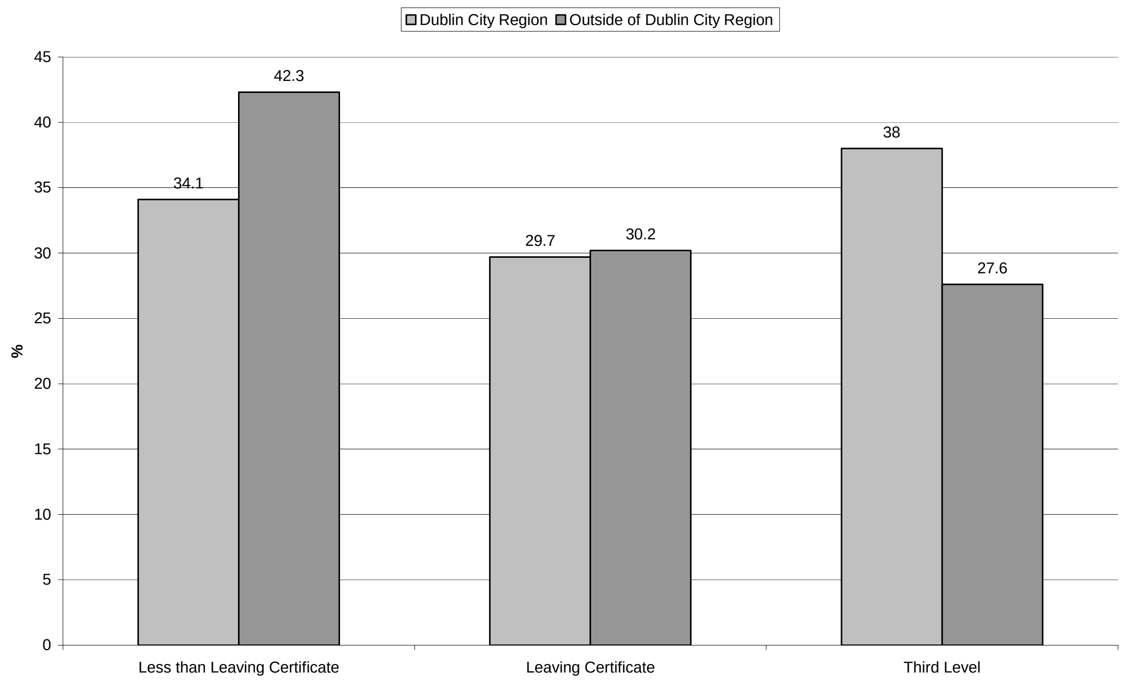

Figure 2.7 Educational Qualifications of Persons who have Completed Education in the Dublin City Region and Outside of Dublin 2006

The educational qualifications of the population have been increasing consistently over the past number of years such that in the second quarter of 2008, 29% of all persons aged 15 to 64 years in Ireland had a third level qualification. The proportion of people with a third level qualification increased rapidly over the years since Q2 2002 when the comparable level was just over one fifth (22%).

Figures for the DCR are only available in respect of 2006 (see Figure 2.7). They show that the proportion of the population in Dublin with a third level qualification, at 38.0%, is 10 percentage points higher than in the rest of the country. Also, the DCR has a substantially lower proportion of its population with less than Leaving Certificate qualifications than is found in the rest of the country. Recent figures from the HEA also highlight the concentration of graduate employment in the DCR (HEA, 2009) in that 46.7% and 51.9% of all ordinary and honours degree graduates acquiring their qualifications in 2007 were employed in the DCR in April 2008.

2.5 Recent Trends and Likely Future Developments in Employment and Unemployment in the Dublin City Region

2.5.1 Employment and Unemployment

The main figures concerning labour market trends in the DCR and outside of it are presented Tables 2.7 and 2.8 and summarised in Figure 2.8.

Table 2.7
Trend in Employment, Unemployment and Labour Force from Quarter 3 2007 to Quarter 2 2009

	Dublin City Region (000s)			Outside of Dublin City Region (000s)		
	Employed	Unem-ployed	Labour Force	Employed	Unem-ployed	Labour Force
Q3 2007	626.9	29.7	656.6	1,522.9	73.6	1,596.5
Q2 2009	561.7	64.6	626.3	1,376.8	200.0	1,576.8
Change since Q3 2007	-65.2	34.9	-30.3	-146.1	126.4	-19.7
% Change since Q3 2007	-10.4%	117.5%	-4.6%	-9.6%	171.7%	-1.2%

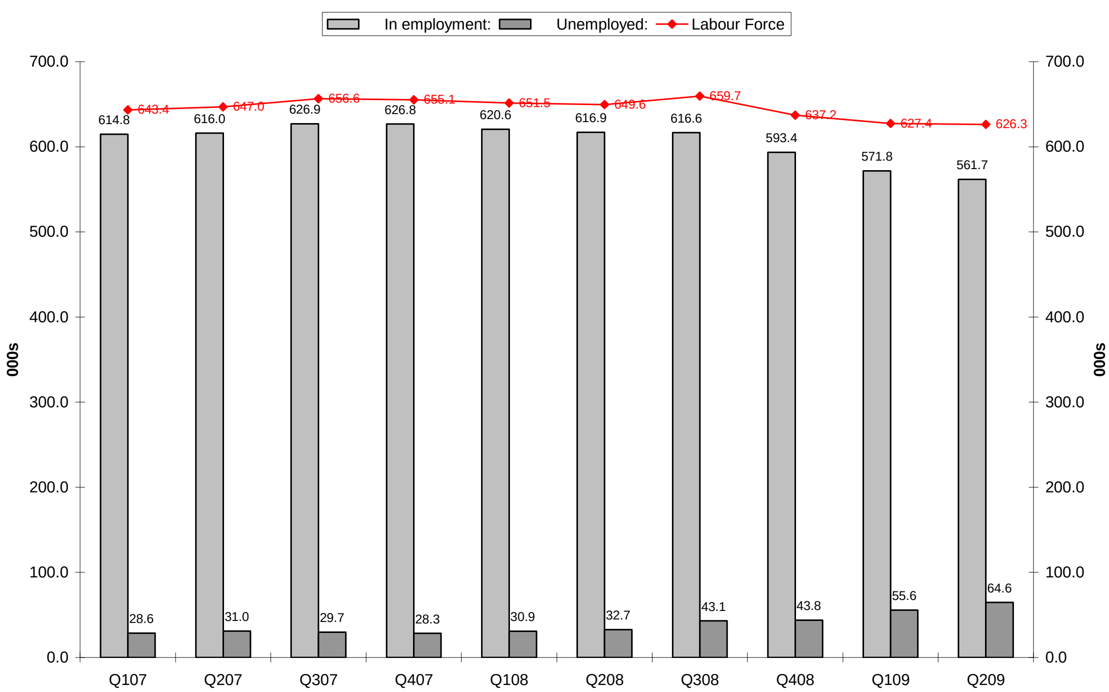

Figure 2.8 Trend in Employment, Unemployment and the Labour Force in the Dublin City Region and Outside of the Region Quarter 3 2007 to Quarter 2 2009

When labour market trends in the DCR between Q3 2007 to Q2 2009 are examined what is of note is that while the overall proportionate decrease in employment was greater than that found outside of the region (-10.4% and -9.6% respectively), unemployment in the DCR rose by a lower proportion than outside (117.5% and 171.7% respectively), and the rate of labour force contraction in the DCR was over three times that observed outside the region (-4.6 and -1.2% respectively). This trend in unemployment in the DCR is also evident in the Live Register figures presented later.

Between Q3 2007 and Q2 2009 employment levels decreased quarter on quarter and the total net loss of employment in the DCR was 65,200. However, as in the country as a whole, this net loss figure comprises a loss of 71,900 full-time jobs and an increase of 6,700 part-time jobs (see Table 2.9). Over the period this corresponds to a 13.9% decrease in full-time employment and a 6.2% increase in part-time employment. Thus, in overall terms, not only have employment levels been declining but all of this is reflected in losses of full-time employment.

Table 2.8
Trend in Full-time and Part-time Employment by Gender in the Dublin City Region from Quarter 3 2007 to Quarter 2 2009

Dublin	**Q3 2007**	**Q2 2009**	**Change**	**% Change**
All Employment	626.9	561.7	-65.2	-10.4
Full-time employment	518	446.1	-71.9	**-13.9**
Part-time employment	108.9	115.6	6.7	6.2
Men				
All Employment	341.9	295.6	-46.3	-13.5
Full-time employment	316.8	266.1	-50.7	**-16.0**
Part-time employment	25.1	29.5	4.4	17.5
Women				
All Employment	285	266.1	-18.9	-6.6
Full-time employment	201.2	180.1	-21.1	**-10.5**
Part-time employment	83.9	86.1	2.2	2.6

When the figures on full-time and part-time employment are disaggregated by gender it is clear that the loss of full-time employment was disproportionately greater among men than women. Also, while starting from a substantially lower base, part-time employment increased disproportionately among men. Of the increase of 6,700 in part-time jobs over the period, two thirds (65.8%) is accounted for by men.

As discussed earlier, there are more jobs in the DCR than workers filling these jobs residing in the region. Thus, the figures on employment loss presented in Tables 2.7 and

2.8 - which are based on the residential location of workers rather than where the job is located - should be taken as an indicator of the total loss of jobs geographically located in the DCR. The higher proportionate increase in the number of unemployed persons residing outside of the DCR is also consistent with a higher level of 'total' job loss in the DCR as an estimated one in five of these jobs would be held by workers who live outside of the region. Taking this into account suggests that the net loss of jobs in the DCR between late 2007 and mid 2009 is of the order of 71,500 jobs. As is shown below, as much as 50% of this job loss is likely to be structural in the sense that it will not be automatically replaced in the context of any future upturn in economic growth.

On the basis of current trends (e.g., loss of migrant workers and loss of young people), and particularly given the important role of levels of personal consumption in supporting employment in Ireland and particularly in the DCR, aggregate employment is likely to continue to decline - or at best stabilise - over the short-term (throughout 2010 and 2011 and into 2012) and consequently unemployment levels will continue to rise and deepen as more people become long-term unemployed. Unpalatable as this scenario is, to base policy initiatives on assumptions other that this is unrealistic. However, as shown below, the sectoral pattern of recent employment change shows that while there have been substantial employment losses in certain sectors, employment in some sectors has continued to increase.

2.5.2 Recent Sectoral Changes

A number of reports examining developments in the labour market as well as assessing future skills needs have been published during the past year (e.g., *National Skills Bulletin 2009* by the Skills and Labour Market Research Unit in FÁS, June 2009). While there is useful analysis of the underlying evolution of skill requirements in these reports and in their projections of the likely pattern of skills supply and demand over the short and medium terms, all recent skills / occupational forecasting reports use data on sectoral and occupational changes up to the end of 2008. In that regard, they do not take into account the significant developments that have taken place over the current year - particularly during Q1 2009 - and consequently they underestimate the severity of the employment shock and the extent of economic restructuring that is now occurring at a national level as well as in the DCR.

Aggregate changes in employment levels are the result of the difference between job gains and job losses. During expansionary periods job gains in the economy exceed job losses resulting in overall employment growth with the reverse applying during a recessionary period. From the figures presented in the previous section, since Q3 2007 it is evident that job losses have exceeded job gains in the national economy and in the DCR. Based on the results of the Forfás employment survey for 2008, year on year job gains (full-time) in agency assisted companies were 21,302 while job losses amounted to -30,240 resulting in a net employment decline of -8,938 in 2008 corresponding to an overall decline of -2.9% in full-time employment. The corresponding decline in the DCR was -2.0%. The rate of full-time job loss over 2007 to 2008 among Irish owned companies located in the DCR - at -3.0% - was higher than that experienced by foreign owned companies (-1.2%) located in the region.

Table 2.9
Sectoral Employment in Quarter 2 2009 and Sectoral Change Since Q3 2007 for Dublin City Region and Outside of the Region

	Dublin City Region (DCR) Q209	Outside of DCR Q209	% Change DCR Q307 to Q209	% Change Outside of DCR Q307 to Q209
Agriculture, Forestry and Fishing	1.0	96.2	-23.1	-12.9
Industry	50.4	207.9	-24.6	-12.9
Construction	31.9	123.5	-43.8	-41.6
Wholesale and Retail Trade, Repair of motor vehicles and motorcycles	78.7	199.0	-11.7	-8.6
Transportation and Storage	34.8	59.8	-2.5	5.8
Accommodation and Food Services	31.6	88.2	-14.6	-12.5
Information and Communication	34.8	38.7	-1.1	23.6
Financial Insurance and Real Estate Activities	55.7	53.0	1.3	5.8
Professional, Scientific Activities	41.4	61.2	-13.2	-7.6
Administrative and Support Service Activities	22.6	43.3	-28.9	-14.9
Public Administration	33.1	74.6	-3.8	2.2
Education	44.2	106.2	19.8	10.9
Health and Social Work Activities	67.9	159.9	1.2	6.2
Other Activities	32.8	64.9	3.0	-5.7
All sectors	561.9	1,376.4	-10.5	-9.6

Embedded in the aggregate difference between job gains and jobs loss are sectoral shifts. Again using Forfás figures, the national trend in employment changes in Forfás assisted companies is instructive in the context of developing an understanding of current economic restructuring. The key points are as follows:

- with the exception of medical devices (which registered an increase if 1.1%) employment in all other 16 sub-sectors of manufacturing industry declined between 2007 and 2008;
- among the eight services sub-sectors examined, employment declined in just two (publishing, broadcasting and telecommunications; and computer facilities management) and expanded in six. The six experiencing employment gains over

2007 to 2008 were: computer programming; computer consultancy; other information technology services; financial services; business services; and other services. The net employment change in services was positive over 2007 to 2008 with employment gains of 3,170 as against employment losses of 499.

Data from the QNHS enable a disaggregation of employment gains and employment losses relevant to understanding employment restructuring in the DCR over the past two years. The relevant sectoral data are presented in Table 2.9 and the main trend for the region is presented in Figure 2.9.

In both absolute and proportionate terms, job losses in construction (-24,900) but particularly in industry (-16,400) were significant in the DCR compared to the rest of the country. In these two sectors combined 41,300 jobs were lost between late 2007 and mid 2009. While the job losses in construction are clearly the fall-out from the collapse of the property bubble, the losses in manufacturing are substantial but continue a long-term loss of industrial / manufacturing employment in the DCR. The proportionate decrease in manufacturing employment in the DCR over the period examined - at -24.6% - was double that found outside of Dublin (-12.9%).

Over 10,000 jobs were lost in the wholesale and retail sector in the city region between quarter 3 2007 and quarter 2 2009 with over 9,000 being lost in administrative and business support services (e.g., rental and leasing; travel agencies, tour and ticketing operations; security services, building and estate management, office administration and business support activities). Job loss in the wholesale and retail sector reflects the strong effect of declining domestic / personal consumption while losses in administrative and support services are likely to be the result of cost containment measures in businesses.

Compared to the aforementioned sectors there were more moderate losses in the accommodation and food services sector and in the professional, scientific and technical sector (this includes legal and accounting services, management and business consulting, architectural and engineering services, scientific research, as well as advertising and PR services) though in both sectors the respective figures were 5,400 and 6,300. Losses in the accommodation and food services sector reflect the combined effects of the strong downturn in the tourism industry (e.g., inward trips to Ireland were down 9.1% in the year to 2009) combined with decreased personal consumption. The mix of professional and technical services included in the professional, scientific and technical sector includes many businesses that would have exposure to contraction in the construction sector and property market (e.g., architectural services and legal services) while advertising services would similarly be exposed to these as well as cost containment measures by businesses more generally.

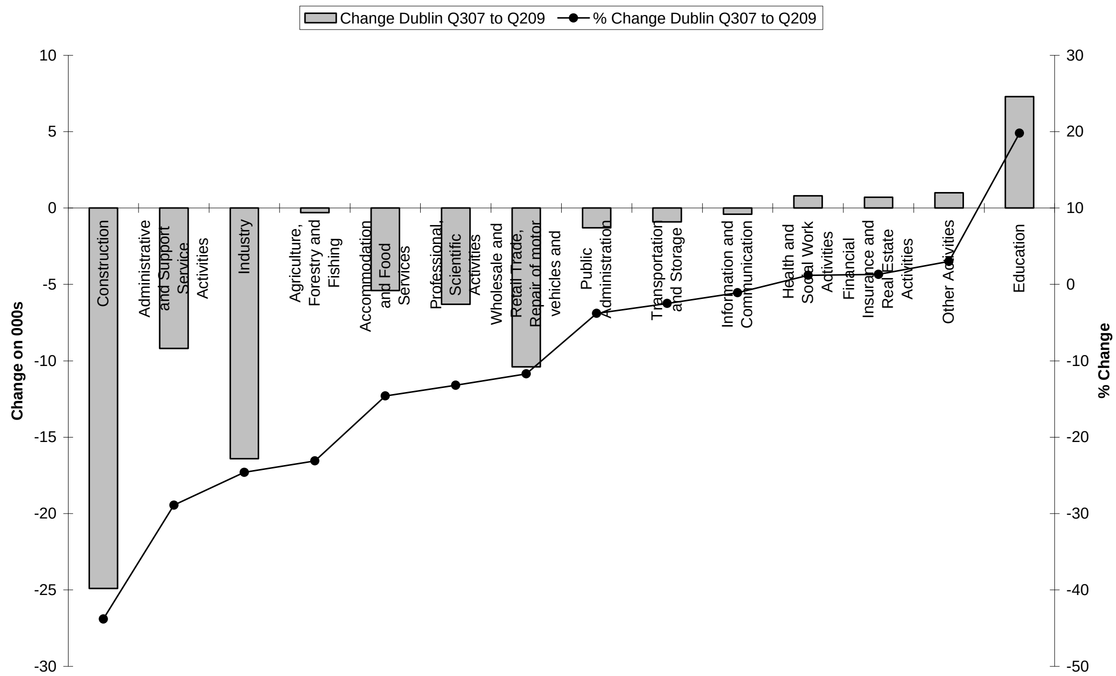

Figure 2.9 Employment Losses and Gaines by Sector in Dublin City Region (Q3 2007 to Q2 2009)

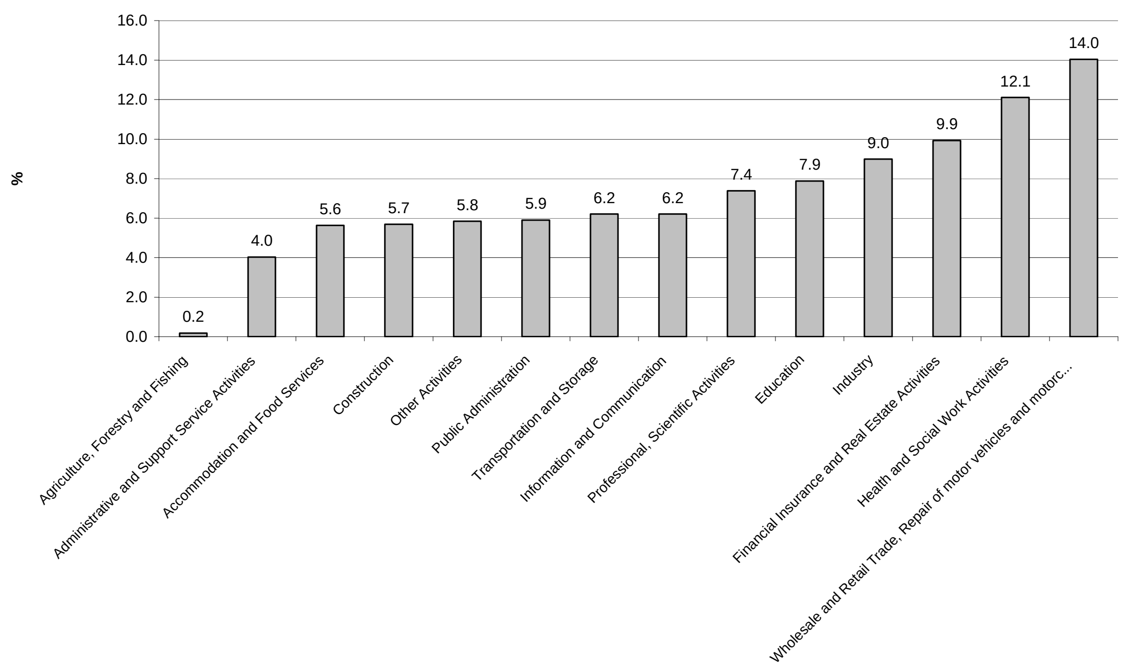

Figure 2.10 Share of Employment by Sector in Dublin City Region (Q2 2009)

In the context of the above, it is notable that a number of sectors experienced minimal employment losses including public administration (-1,900), transport and storage (-900), and information and communication services (-400). The latter sector includes publishing, film, video and music production, broadcasting activities, telecommunication as well as computer programming and consulting services. Also, in each of these sectors the employment losses were small in percentage terms (see Figure 2.9)

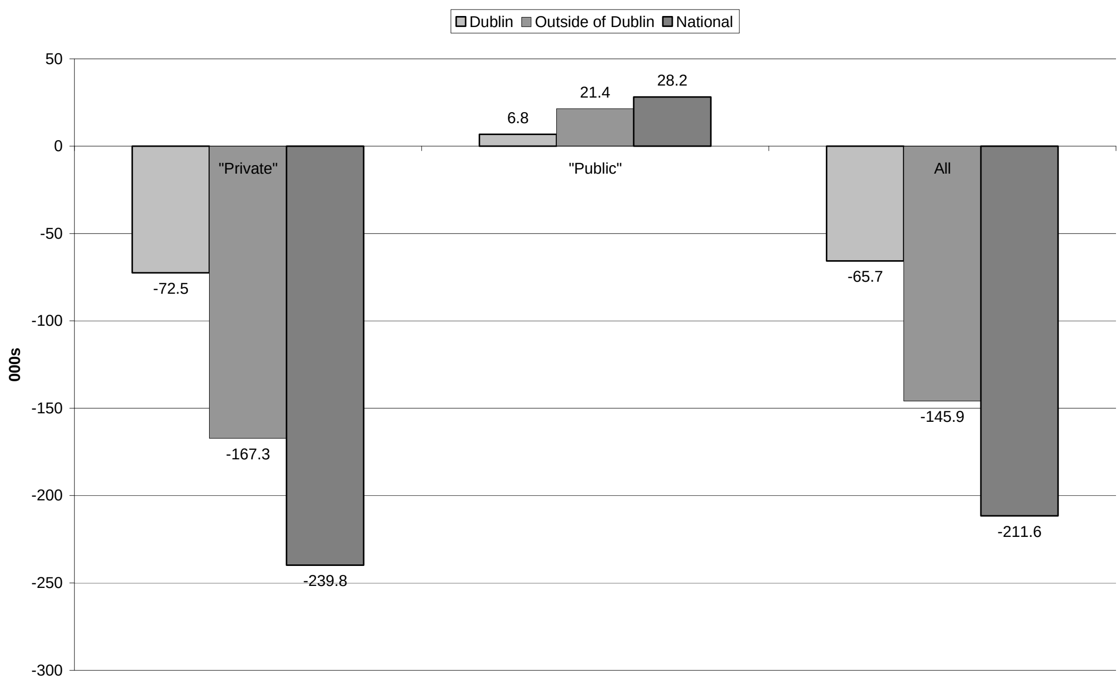

Figure 2.11 Changes in Employment in the "Private" and "Public Sectors" between Q3 2007 and Q2 2009

Despite the overall substantial and continuing fall in aggregate employment in DCR, employment in three sectors increased. The sectors that experienced job gains include education, health and social services, and financial and real estate services. The major gains were in education and it is likely that in the case of the financial and real estate sector the gains were confined to the sub-sector dealing with financial advice and insurance. What is also of note in this regard is that if job gains and job losses are broadly disaggregated by those occurring in the public and private sectors then the job losses occurring in the DCR were entirely in the private sector while the job gains were confined to the public sector (see Figures 2.9 and 2.11)

The overall pattern of sectoral employment change evident from the above analysis suggests that particularly high employment losses were experienced in what have been termed procyclical sectors with construction being a case in point and in structural losses sectors with manufacturing being a case in point (see Box 3.1). However, it is also likely that a certain component of recent employment loss in the construction sector is "structural" in the sense that it only existed due to the property bubble and not to meet an underlying need in construction. This component of construction will not re-emerge in any future upturn. The employment losses in the accommodation and food sector as well as business services sector also suggest that these are procyclical sectors. The pattern found in respect of the public administration, transport and storage, and information and communication sectors suggests that these have the characteristics of countercyclical sectors while the education and health sectors are strongly in the structural gains sectors.

Box 2.1
Typology of Sectors in the Context of Business Cycles

Procyclical sectors: sectors that show faster net employment growth rates than the total workforce during expansions but slower net employment growth (or faster relative net employment declines) during contractions. These sectors will see more jobs created during expansions and more jobs lost during contractions relative to the economy as a whole. As a result, procyclical sectors are likely to have a relatively stable share of total employment in the long run over multiple business cycles.

Countercyclical sectors: sectors that show slower net employment growth rates than the total workforce during expansions but faster net employment growth (or slower relative net employment declines) during contractions. Countercyclical sectors will generate fewer jobs during expansions than the total economy, but will also lose fewer during recessions. These sectors generally provide for stable and secure employment, but also do not grow significantly as a share of the total labour market over several cycles.

Structural-gains sectors: sectors that show faster net employment growth rates than the total workforce during expansions and faster net employment growth (or slower relative net employment declines) during contractions. Structural-gains sectors create a lot of jobs during expansions and shed relatively few of them during contractions. As a result, these sectors will expand their total share of employment in the economy over multiple business cycles.

Structural-losses sectors: sectors that show slower net employment growth rates than the total workforce during expansions and slower net employment growth (or faster relative net employment declines) during contractions. Structural-loss sectors create relatively few new jobs during expansions and often shed many more during recessions than the economy as a whole. These sectors gradually decline in employment importance in the economy.

Source: Kirkegaard, 2009, p. 5

Overall, the outcome of recent and likely on-going changes in employment in the city region underlines the substantial and potentially growing role of employment in the service sector in the DCR. The figures presented also highlight that jobs in construction and manufacturing declined substantially and that the only growth sectors were education, health and social services, and financial and real estate activities. To a considerable extent employment in the former two sectors is public employment.

Given the significance of the service sector in the city region as a source of employment it is important to identify the characteristics of the sector. There are a number of approaches to segmenting the service sector in the literature. These typically distinguish between market and non-market services, traded and non-traded services, and producer and consumer services (see NESF, 1995). For present purposes it is useful to classify services into the following categories:

1 non-market services / public services provided by the state and local administration;
2 market services that are not traded: these can be further subdivided into consumer services and business services; and,
3 market services that are internationally traded.

Recently, considerable attention has been paid to the internationally traded services sector as a potential source of employment growth. Noted features of the sector in Ireland (and largely in the DCR) are the substantial and growing contribution of services to overall exports and the dominant position of ICT related and insurance / financial services in Ireland's overall service exports (see Forfás 2008 – *Catching the Wave – Services Strategy Group Background Report*). Suffice it to note here that over the medium term likely trends in the services categories identified above can be summarised as follows:

- **Non-market Services:** Due to the scale of the current economic and fiscal crises the range of services and the number of persons employed in services provided by the state and local administration are likely to contract over the short term - that is 2010 to 2013. Also, there is likely to be considerable emphasis on increasing productivity in all services provided by the state and local administration. An important component of non-market services in Ireland are services provided by third parties under contract to Government Departments and statutory organisations (these include employment services such as the Local Employment Services, social care services particularly for people with disabilities and older people provided by organisations in the third sector, and local development services such as provided by Partnership Companies). Employment levels in these services are also likely to contract - or a best not increase - in the short-term.
- **Market Services that are not Traded:** These services encompass a very wide range of businesses ranging from personal services (e.g., hairdressing, fitness), retail services, repair services, food and beverage outlets, legal and business services, education, health, recreational, and cultural services. Activity and employment in most of these services are subject to overall economic performance and, given the very high proportion of GNP accounted for by personal consumption in Ireland (60%), trends in personal consumption are of particular relevance. There has been a substantial decrease in the latter over the first six months of 2009 and this trend is likely to continue over the short-term, even if the rate of decrease is not as severe as that seen in the first quarter of 2009. In the short-term this will impinge negatively on employment in market services that are not traded. As many of these will also be small businesses this is also likely to contribute to an increase in the number of businesses that will cease trading in this sector.
- **Market Services that are Internationally Traded:** Based on data provided in Forfás (2009) the contribution of services to total Irish exports doubled from 21% in 2000 to 43% in 2007. In the latter year, ICT related services accounted for

29% of total services exports, closely followed by insurance and financial services at 25%. While it is likely that internationally traded services will continue to increase as a proportion of total exports, global demand will be influential in determining the extent to which services exports increase over the short term. Given the concentration of companies engaged in internationally traded services in the DCR the performance of this sector will be of considerable significance for employment in the short, medium and long term. Currently, it is estimated that every 100 jobs in internationally traded firms support an additional 99 service jobs outside of the sub-sector (the corresponding figure for manufacturing firms is 74).

2.5.3 Note on Recent National Level Changes in Occupations and Qualifications

Data on the occupations and qualifications of the employed labour force at national level are broadly consistent with the pattern of sectoral change described above (see Figures 2.12 and 2.13). These two figures show that during a period of exceptionally rapid employment decline:

- occupations experiencing an increase in employment were mainly in the professional and non-professional personal services areas (and these are particularly likely to be in education and health and social care sectors) while occupations experiencing significant losses were in craft, operator, and sales related occupations (and these are likely to be in the construction, manufacturing and retail sales sectors); and,
- the number of persons in employment with third level qualifications increased while the number of persons in employment with lower levels of educational qualifications decreased. In terms of absolute numbers it is clear that over 120,000 job losses were in respect of people with primary or at most lower secondary qualifications.

Among the notable effects of these changes is that the educational qualifications of the employed workforce have increased and that the experience of employment loss has been disproportionately experienced by workers with lower secondary qualifications or no qualifications although, as preciously noted, there is much greater heterogeneity amongst the unemployed in terms of educational qualifications and ethnic background than was the case during the 1980s and early 1990s.

Looking forward, while it is both possible and necessary to identify certain types of employment and associated sectors where there will be an inevitable demand for particular skills and qualifications (e.g. information technology, bio and genetic science, digital media, financial services, alternative / green technologies etc.) it is likely that the level of employment supported by those sectors will not be particularly significant in the context of: (i) the overall level of labour supply in the DCR; and, (ii) the characteristics of those currently unemployed and those who will be made redundant as the recession and government policy designed to tackle the dire fiscal situation both play out.

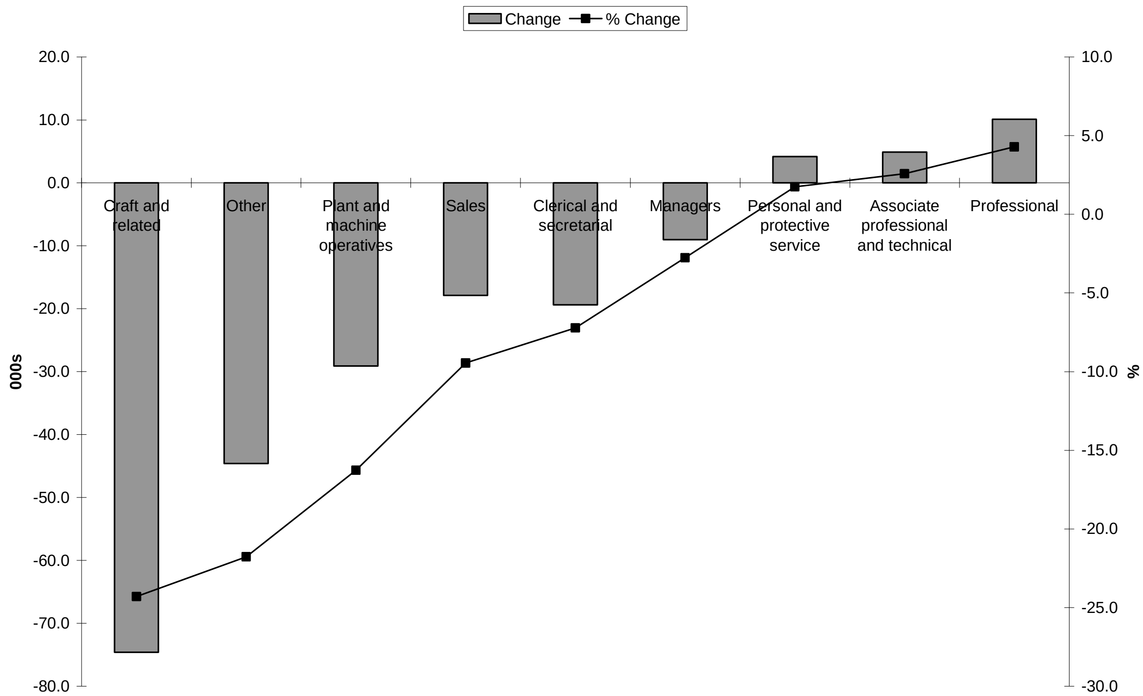

Figure 2.12 Occupational Changes between Q3 2007 and Q1 2009

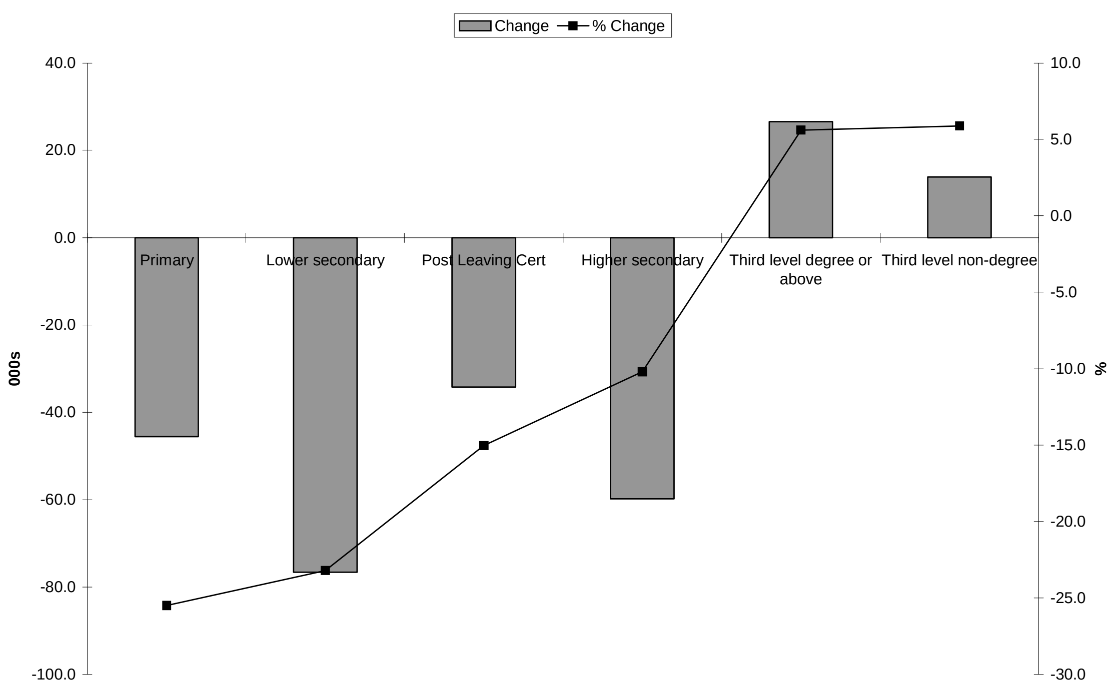

Figure 2.13 Changes in the Educational Levels of Persons in Employment Aged 15 to 64 Years (Q3 2007 to Q1 2009)

As previously mentioned, it is difficult to identify with certainty the specific sectors that will emerge as major sources of employment in the future and ones that will have the capacity to absorb the current and ongoing haemorrhage in employment that has occurred over the last 12 months but more particularly over the first six months of 2009. It is also the case that there are now no labour shortages and few skills shortages.

2.5.4 Unemployment and Long-term Unemployment

Data from the QNHS show that unemployment in the DCR increased by 117.5% between Q3 2007 and Q2 2009. With 64,600 persons unemployed in Q2 2009 the unemployment rate in the DCR reached 10.3%. As noted previously, these figures should be interpreted with a degree of caution as the full extent of employment loss in the DCR is not reflected in the unemployment figures for the region. One of the main reasons for this is that many people who have lost jobs that were geographically located in the DCR will not have been residing there and hence they will not appear in the QNHS unemployment figures for the region. This also applies to Live Register figures. Noting this, the number of persons on the Live Register in DCR passed the 100,000 figure in June 2009 and stood at 99,940 in October, down from a peak of 106,157 in August.

It should be noted that almost all of the monthly decrease in the Live Register during September and October of 2009 was due to a decrease in the number of recipients of Jobseekers Benefit. The monthly decrease in the number claiming this insurance based payment could be due to: (i) people getting jobs and signing-off (to a limited extent); (ii) a sharp fall-off in redundancies and hence the number of new people signing on for Jobseekers Benefit (limited evidence for this); (iii) an increased take up of places on education and training programmes due to time of year (likely to be of some influence); or, (iv) the exhaustion of entitlement to Jobseekers Benefit and non-entitlement to Jobseekers Allowance which is a means tested payment (there appears to be a lot of this). Recent figures provided to FÁS by the DSFA indicate that as much as 60% of the recent decline in the number of persons on the Live Register may be accounted for by loss of entitlement following exhaustion of entitlement to Jobseekers Benefit (FÁS Quarterly Labour Market Commentary, Autumn 2009). As there is limited evidence of change in the number of recipients of Jobseekers Allowance this would point to increases in the duration of claims for this payment. If so, we have an undercurrent of rising long-term unemployment. As noted by the OECD in their review of Ireland's labour market policies in 2008 - *A critical issue for Ireland's social and economic future is whether the labour market will experience a full cyclical recovery or return to the persistently depressed conditions of the 1980s and 1990s*" (*Activation Policies in Ireland* - 2008). On this matter the evidence from previous recessions - to the extent that it is relevant to the present - demonstrates that the increase in unemployment during a recession does not automatically decrease with a return of growth and that a considerable proportion of the increase in unemployment is structural (see Lee 1990 and Strobl and Walsh, 1996 in the case of Ireland).

Based on data from the 1970s and 1980s, Lee (1990) estimated that "46% of any increase in measured unemployment will become permanent in the absence of any new positive shock to the labour market." (p. 45). Could this be the case today or could it be worse? Evidence that the current recession is precipitating high levels of structural unemployment is provided in the recently published OECD Working Paper *How do Institutions Affect Structural Unemployment in Times of Crisis* (November, 2009). The authors conclude that the adverse effects of banking crises on structural unemployment are no different from other economic downturns and that the fiscal crisis will severely affect growth perspectives over the coming years. Moreover, they conclude that ".. *in past economic downturns the increase in cyclical unemployment has frequently led to higher structural unemployment, as defined as the unemployment rate consistent with price stability, through persistence or hysteresis effects. ... Crises are found to have, on average, a significant positive impact on the level of structural unemployment. The maximum impact is found to vary with the severity of the economic downturn. It could reach 1.5 percentage points after five years in the case of very deep economic downturns"* ..(p. 5). As the severity of the economic recession in Ireland as measured by the fall in GDP from peak to trough is amongst the most severe of all OECD countries one can expect that - in the absence of effective intervention - at least 50% of the recent increase in unemployment will persist over the next five years.

Table 2.10
Structure of Unemployment in Dublin City Region by Age (April, 2009)

	All durations	Under 1 year	1 year and over	3 years and over	% 1 year and over
Under 20 years	3,955	3,582	373	0	10.4
20 - 24 years	15,231	12,788	2,443	529	19.1
25 - 34 years	31,676	27,005	4,671	1,587	17.3
35 – 44 years	18,861	14,790	4,071	1,593	27.5
45 – 54 years	12,688	9,456	3,232	1,610	34.2
55 – 59 years	5,127	3,596	1,531	734	42.6
60 – 64 years	4,318	2,969	1,349	489	45.4
All ages	91,856	74,186	17,670	6,542	23.8

From the analysis of Live Register figures for April 2009 presented in Table 2.10 it can be seen that just less than one in four (23.8%) persons on the Live Register in the DCR are currently long-term unemployed. Moreover, the proportion of persons who are long-term unemployed increases linearly with age. While the current rate of long-term unemployment based on Live Register figures in the region is less than half that experienced during the late 1980s, there is a strong possibility that, as noted above, it will increase rapidly over the coming months.

Unlike the situation prevailing in the 1980s and early 1990s, unemployment is no longer predominantly confined to persons with low levels of educational qualifications and skills (see Figure 2.14). Based on the most recently available QNHS figures for Q2 2009 over one in five (21.7%) unemployed persons had a third level degree with almost half of these having an honours degree or higher qualification. If persons with a Post Leaving Certificate qualification are included the proportion of the unemployed with at least post second level qualification reaches 37.1%.

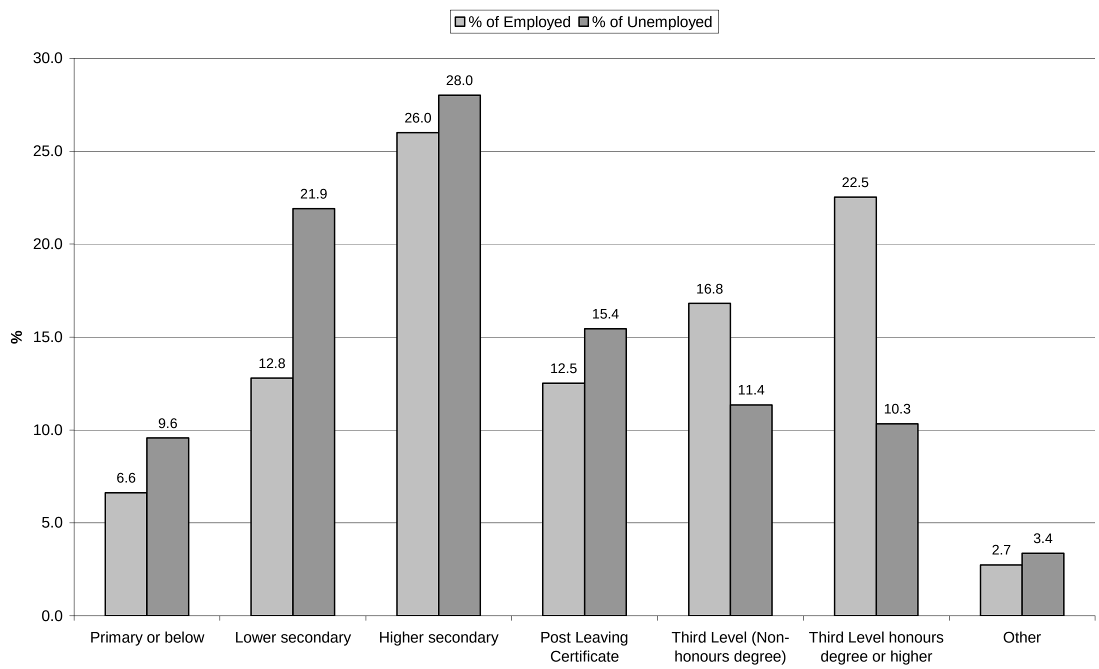

Figure 2.14 Educational Qualifications among the Employed and Unemployed (Q2 2009, QNHS Figures)

The current situation in respect of unemployment is that the unemployed are a heterogeneous group in terms of qualifications. However, given the overlap between age and qualifications (the young in general are more qualified) it is among the older and less qualified unemployed that the risk of long-term unemployment is highest. Thus, in policy terms, scarce resources should be directed toward those most in need of support to upgrade their qualifications and skills. Balanced against this, however, is evidence that youth unemployment rates are higher than adult unemployment rates and that the adverse effects of unemployment experience during ones early labour market career are carried forward. An important implication of the heterogeneity of the unemployed is that the policy response to unemployment needs to be differentiated to ensure that interventions and supports are designed to meet the specific needs of particular groups among the unemployed. In general terms, this points to the greater relevance of education and training interventions for the less qualified and workers dislocated by structural change and more employment focused measures for the now substantial proportion of the unemployed with third level qualifications.

2.6 Synthesis of Issues

First, to highlight a few key findings:

- following a period of continuous increase, the population of the DCR declined in 2009 (while the population outside of the region increased). Moreover, persons in the 20 to 29 year age group accounted for the bulk of the population decline in the region. There is now evidence of emigration among young Irish people and of return migration among recent immigrants from the Accession states. Given the components of recent population change it is likely that in the DCR there will be an increase in demand for childcare and primary level education over the medium term. If, as is likely, emigration is confined to persons in the age range 20 to 29 years there will also be a loss of consumption capacity in the city region together with an increase in the age dependency ratio. To an extent that is difficult to estimate, the loss of persons in the 20 to 29 year age group will include well qualified young people, particularly as the destination countries of these emigrants will be seeking more qualified workers. In this scenario, key skills may be lost from the DCR making policies focused on the retention of qualified and skilled workers of particular relevance to securing the future economic development of the region.

- over the period between Q3 2007 and Q2 2009 the loss of employment geographically located in the DCR - at an estimated 71,500 jobs - is higher than the number of people residing in the region who lost their employment (i.e., 65,200). The DCR is not just experiencing a high level of employment loss but the pre-existing trend in the decline in manufacturing employment has been exacerbated over the past two years and Dublin is now experiencing restructuring with a growing dependence on service employment. It is important to emphasise the diversity of employment in the service sector and of the internal dynamics at play within the sector as a whole. Much service sector employment is relatively low skilled, labour intensive, low paid, and dependent on cyclical trends (e.g., sales and personal services). A considerable proportion - approximately 25% to 30% - is either employment in the public sector or directly supported by public expenditure. The smallest component of the service sector in employment terms is the internationally traded services sector. While the precise proportion of employment in the service sector accounted for by the internationally traded services sector is difficult to estimate, it should be noted that each job in this sector supports one additional job outside of the sector. An important implication of these figures is that a substantial component of employment loss in the manufacturing and construction sectors in the region is likely to be structural. Also, given high numbers of people that were previously employed in cyclically dependent sectors, the level of recovery will need to be substantial as well s “job rich” if many of these are to find employment; and,

- within the DCR there are now approximately 100,000 persons unemployed based on Live Register figures for October 2009. Recent trends in the sectoral and occupational composition of employment change show that it is the lower qualified and less skilled who have been disproportionately affected by job loss. These former workers are now most at risk of long-term unemployment. While not yet at levels seen in the late 1980s, long-term unemployment is now beginning to increase and currently - on a Live Register basis - one in four persons unemployed in the DCR are long-term unemployed. Evidence from previous crises show that there is a strong tendency for high levels of unemployment and particularly long-term unemployment to persist following shocks to the labour market. Significantly, and as developed in Chapter 5, the current policy package addressing unemployment and long-term unemployment is largely based on that which took shape over the late 1980s and early 1990s and its relevance to the current situation is at least questionable as the composition of the unemployed is substantially different from then and areas of employment growth are particularly difficult to forecast with any degree of accuracy even in the short-term.

Overall, in terms of population, employment, and unemployment the DCR has experienced a rapid and negative turnaround over the past two years, but particularly during the past year. Population growth has turned from positive to negative, employment has fallen substantially - particularly in construction and manufacturing - though the effects of recession are now being more widely felt in procyclical sectors such as accommodation and food services, retail services, and businesses services - and unemployment has increased. The figures we have for 2009 are a starting point for policy and show that the immediate context for action is one in which the labour market in the region is currently in crisis. Even in the context of a return to modest levels of economic growth - the amount and timing of which is the subject of much speculation - it is likely that as result of the combination of the overhang of fiscal austerity, continued depressed levels of personal consumption, and structural dislocation of a substantial component of the unemployed, that unemployment and long-term unemployment will continue to rise over the coming years. This gives rise to a particular challenge in terms of the need to contain the adverse personal, family and social consequences of unemployment (and particularly long-term unemployment) while simultaneously identifying and putting in place effective policies to grow employment. The potential role of the knowledge economy as an element of the policy response for the DCR is examined in the following chapter.

CHAPTER 3

THE DUBLIN CITY REGION: IRELAND'S ONLY COMPARABLE METROPOLITAN CITY

3.1 Introduction

This chapter briefly reviews a select range of work that emphasises the growing significance of city regions in the global economy. We then make reference to a series of reports and documents that are of specific relevance to the economic and social development of the DCR itself and to the development of an employment and skills strategy. By way of backdrop, we also provide a brief overview of the education and training system in the city region as the capacity and capabilities of that system will be of critical importance in addressing the employment and skills issues that we now face.

3.2 The Rise of the City Region: Creativity, Diversity, Innovation and Concentration

There is an extensive body of literature that elaborates on the increasing importance of city regions in the global economy and, in particular, the capacity of successful cities and regions to attract flows of creative and talented people who are capable of adding significantly to the innovation capacity of city regions and, in turn, to the general economic well-being and quality of life of citizens (what is referred to in the literature as the agglomeration effect).

It is beyond the scope of this report to cover the vast array of literature that deals with these issues from a range of perspectives (e.g. social, spatial/geographic, economic, cultural); however, there are key messages in the literature that are important to note in the context of developing an Employment and Skills Strategy for the DCR and some of these are identified, in brief, below.

Notwithstanding that it is based on the pre-recession global economy, *The New Wealth of Cities: City Dynamics and the Fifth Wave* (Montgomery, 2007) argues that we are on the brink of a new wave of wealth creation, with creative industries at its heart. Montgomery shows how economy, culture and design are interwoven in the dynamics of the city and argues that we have entered a fifth cycle of capitalist development based on new industries including: biotechnology; pharmaceuticals; waste recycling and alternative forms of energy generation; software; mobile communications; and digital technology. That argument is reflected in the most recent publication of the Expert Group on Future

Skills Needs (*Skills in Creativity, Design and Innovation*, 2009) and in other commentary referenced below that forecasts economic and employment growth in particular sectors within which innovation and associated high level technical skills are of particular importance.

In an article written for The Atlantic Monthly (October, 2005)[20] the US economist Richard Florida argues that whereas globalisation and the impact of technology has radically altered the economic landscape and playing field, it hasn't levelled it. Instead, in terms of what he refers to as "sheer economic horsepower and cutting-edge innovation" (p. 48) very few regions truly matter and those that do tend to have concentrations of creative and innovative people who cluster in certain places not only on the basis of broad quality of life issues but also on the basis of "productivity advantages, economies of scale, and knowledge spillovers such density brings" (p. 50). In other words, these regions offer an attractive environment (e.g., education, transport, housing, culture) within which innovation can flourish and cross-fertilisation of ideas and approaches can 'naturally' occur.

The authors of *The University and the Creative Sector* (Florida, Gates, Knudsen and Stolarick, 2006) emphasise the strong links between diversity, tolerance and the competitiveness of cities:

> *Economic growth in the Creative Economy is driven by 3T's: Technology, Talent and Tolerance….. But technology and talent have been mainly seen as stocks that accumulate in regions or nations. In reality both technology and talent are flows. The ability to capture these flows requires understanding the third T, tolerance, the openness of a place to new ideas and new people. Places increase their ability to capture these flows by being open to the widest range of people across categories of ethnicity, race, national origin, age, social class and sexual orientation.*

That assertion is echoed in a wide range of literature concerning the optimal general environment for innovation as well as literature concerning the importance of diversity at the level of the individual organisation, for example: *The Business Case for Diversity - Good Practices in the Workplace* (EC, 2005); *The Business Impact of Equality and Diversity - The International Evidence* (Equality Authority, 2007); and the recent report from GLEN, which was published in response to the Economic Action Plan for the DCR, *International Competitiveness and the New Economy: The Role of Diversity and Equality* (GLEN, 2009).

Reinforcing but taking the above point further, the recently published *The Spirit Level: Why More Equal Societies Almost Always Do Better* (Wilkinson and Pickett, 2009) argues that the best predictor of how countries rank across a wide range of indicators of general population wellbeing (e.g., in life expectancy, infant mortality, obesity levels,

[20] Titled ***The World is Spiky*** and accessible at www.creativeclass.com/rfcgdb/articles/other-2005-The World is Spiky.pdf

crime rates, literacy scores and even the amount of rubbish that gets recycled) is not the differences in wealth between them but the differences in wealth within them. Coming from a not dissimilar angle, in the *Report by the Commission on the Measurement of Economic Performance and Social Progress* (Stiglitz *et al*, 2009) - commissioned by the President of the French Republic, Nicholas Sarkozy - the authors suggest that it is possible that the current crisis took many of those in power or in policy making positions by surprise because they were focusing on the wrong statistical indicators. In that regard we require better metrics and "a shift from a "production-oriented" measurement system to one focused on the well-being of current and future generations, i.e. toward broader measures of social progress" (p. 10). They argue further that measures of people's well-being should be put in a context of sustainability. The multi-dimensional perspective of wealth and well-being should simultaneously take into account the following (pp 14-15):

1. Material living standards (income, consumption and wealth);
2. Health
3. Education
4. Personal activities including work;
5. Political voice and governance;
6. Social connections and relationships;
7. Environment (present and future conditions); and
8. Insecurity, of an economic as well as a physical nature.

Funded under the EU's Sixth Framework Programme, the Accommodating Creative Knowledge - Competitiveness of European Metropolitan Regions within the Enlarged Union project (ACRE[21]) aims to assess the impact of the emerging 'creative class' and the rise of the 'creative industries' on the competitiveness of EU metropolitan regions. The central research question that is being addressed by the project is: what are the conditions for creating or stimulating 'creative knowledge regions' in the context of the enlarged European Union? In *Accommodating Creative Knowledge A Literature Review from a European Perspective* (ACRE, 2007) the authors refer to various theories regarding the optimal conditions for regional creativity and note that a significant component of the literature suggests that:

> *Local environments that manage to connect the local 'buzz' to the global 'pipelines' might be the most innovative and economically successful in the long run* (Bathelt *et al*. 2004; Storper & Venables 2004; Simmie *et al*. 2002; Simmie 2005)" (p. 8)

The US Economist Michael Porter initially developed the 'cluster concept' as an analytical framework to assist in assessing the external conditions that impact on firm competitiveness at the national level (Porter, 1990). He then applied the clustering lens to an analysis of competitiveness at sub-national levels. His work emphasises the

[21] The project takes a comparative approach across a number of metropolitan regions that include: Amsterdam, Barcelona, Birmingham, Budapest, Dublin, Helsinki, Leipzig, Milan, Munich, Poznan, Riga, Sofia and Toulouse – see http://acre.socsci.uva.nl/index.html

importance of context and geographic location to the success of regions. He defines clusters as "critical masses - in one place - of unusual competitive success in particular fields" (Porter 1998, p. 77). More specifically he states:

> *Clusters are geographic concentrations of interconnected companies and institutions in a particular field. Clusters encompass an array of linked industries and other entities important to competition* (Porter 1998, p. 78).

Among the 'other entities' Porter mentions are suppliers of specialised inputs and infrastructure, customers, manufacturers of complementary products, companies related by skills, technology or common inputs, governmental and knowledge institutions, and trade associations.

In *The Determinants of National Innovative Capacity* (Furman, Porter & Stern, 2002) the authors evaluate the sources of differences among countries in the production of what they refer to as visible innovative output (e.g., patents and technological innovation) using a framework based on the concept of national innovative capacity (i.e., a country's economic and political ability to produce and commercialise a flow of new technologies over the long term). Their research results suggest that public policy plays an important role in shaping a country's national innovative capacity through the provision of resources for R&D but also through other policy choices that involve investment in human capital, the development of innovation incentives, development of clusters and the creation of quality linkages within the economic system designed to exploit ideas and talent. They refer to the high level of investment and policy innovation by leading economies such as Japan, Sweden, Finland and Germany that have encouraged human capital investment in science and engineering (e.g., by establishing and investing resources in technical universities) as well as greater competition on the basis of innovation (e.g., through the adoption of R&D tax credits and the gradual opening of markets to international competition).

Bradley and Kennelly (2008) note Porter's contention that "enduring competitive advantages in a global economy lie increasingly in local things…[and that advantage] lies in *difference* such as special places, shared values and a sense of national identity" (p. 4). In that regard they argue that whereas "knowledge is global, innovation is emphatically local" and that "countries and regions that can successfully combine the benefits of global markets with local relationships based on quality, sense of place and tradition are likely to prosper" (pp. 12-13).

NESC (2008) argues that "whatever the contribution national economic policy made to growth in Ireland's regions in the past, what happens - or fails to happen - at the level of the regions in the coming years will increasingly account for the success of the national economy in the first place" (p. 177). In that regard "our understanding of development and satisfactory dynamism at the regional level should be based more on regional assets, capabilities and strategies and hinge less on national averages" (p. 178).

Drawing on Ciccone (2001) the report emphasises the contribution of agglomeration effects to enhanced productivity. These effects, according to Ciccone arise for a variety of reasons that include:

- **Innovation**: New technologies are adopted and exchanged more rapidly in places of dense economic activity. Technological diffusion across different firms is achieved through different channels, for example, greater opportunities for person-to-person interactions in a variety of settings and hiring key workers from competitors;
- **Specialisation**: The large volume of business in places of dense economic activity renders a large variety of specialised business services profitable. These specialised services make firms more productive; and,
- **Competition**: The provision of business services is more competitive in places of dense economic activity, as the large volume of business attracts more service firms and results in pressure on profit margins.

The report also refers to other conditions that are likely to be present in a dynamic learning region although noting that the presence of any one or all of these conditions does not guarantee economic success. They include effectiveness in raising the skills and educational attainment of the workforce but, more importantly, the frequency and fruitfulness of interaction among skilled people or what the European Commission refers to as open process innovation that involves non-linear co-operation and cross-fertilisation. The NESC (2008) notes that there is "significant evidence that this type of interaction lies at the heart of the innovation process and that it occurs maximally in regions which have attained critical thresholds in scale, diversity, attractiveness and governance" (p. 180).

3.3 Dublin City Region: Ireland's Only Comparable Metropolitan City

The particular place occupied by the DCR in the Irish economy has been outlined in some detail in Chapter 2. In this section we refer to a range of recent reports that bring a focus to the DCR as a social and economic entity that comprises Ireland's only comparable metropolitan city region.

The *Employment and Skills Strategy for the Dublin City Region* developed in this report is preceded by *Developing an Enterprise Strategy for the Dublin City Region* (Fitzsimons, 2009) and the *Dublin Economic Development Plan* that was published in July 2009 on behalf of the four local authority managers. Both of the latter documents highlight the importance of the DCR to the overall economic well being of the country in attracting talent and investment, stimulating national growth, and enhancing competitiveness. That view is broadly supported by the National Competitiveness Council (NCC) in its report *Our Cities: Drivers of our National Competitiveness* (2009). The NCC finds, *inter alia*, that the "development of an enterprising city is influenced by a sectoral mix of firms weighted towards high value industries, the availability of a skilled workforce and competitive costs of doing business" (p. 5). It also notes that competitive cities are both attractive and inclusive. In that regard the report recognises the DCR as Ireland's only city of international scale (although it is a small city by international standards) and that its "continued success is critical for the performance of the entire economy" (p. 7) as it occupies a pivotal role in terms of national growth and prosperity. The NCC warns against the dilution of Dublin's competitiveness as it provides a gateway to international markets for other cities and regions in the country.

The *Economic Development Action Plan for the Dublin City Region* (2009) sets out the key priorities for developing the region as an internationally competitive city region. The plan aims to position the DCR as a hub in the European knowledge economy through a network of thriving sectoral and spatial clusters that will attract creative talent and investment. The Plan is in tune with the aspirations of Government policy as articulated through the 'Smart Economy' and emphasises the importance of human capital (the knowledge, skills and creativity of people) in delivering innovation in processes, products and services. At the launch of the Plan the Lord Mayor of Dublin called for visionary leadership to deliver Dublin's agenda and said that:

> *It will be our capacity to innovate, network, communicate and be entrepreneurial that will grow Dublin's exports in internationally traded goods and services in the short term…In the long term, we need to develop specialisms and distinctive strengths to build our international competitive advantage*.

Among the initiatives set out in the *Economic Development Action Plan* that are of contextual relevance to the Employment and Skills Strategy are plans to:

- Develop the Creative Dublin Alliance (CDA)[22] to pioneer a number of economic/city region initiatives:
- Generate a brand for the region that is based on its distinctive identity, its unique achievements and its competitive advantage as an international city region;
- Develop key economic corridors on the South, North and West of the City Region and to facilitate their development through the county development planning process;
- Compile quarterly city indicators that benchmark the City Region's performance against international city regions;
- Lobby on a regional basis for the delivery of identified major infrastructural projects that are critical to the economic success of the City Region;
- Ensure delivery of priority projects and initiatives such as Transport 21 projects (e.g. Metro North and Interconnector) and the roll out of Next Generation Broadband;
- Develop Intellectual Enterprise Zones led by South Dublin County Council in partnership with the Department of Social and Family Affairs and FÁS targeting

[22] The CDA is a collaboration between Local Government, Business/Industry and Third/Fourth Level sectors in the Dublin City Region.

newly unemployed people who have the potential to become entrepreneurs with the right supports and networks; and,

- Support the delivery of local Cultural Strategies and Dublin's Creative Industries as they are essential to economic vitality.

Against a backdrop of rising unemployment and the continuing economic recession, the Lord Mayor of Dublin (Cllr. Emer Costello) has established a *Commission on Employment* that involves wide-ranging consultation with all stakeholders with a view to linking in with and further promoting existing actions and strategies and with a view to informing the policies of the new Dublin City Development Plan (2011-2016) and contributing to the work of the Strategic Policy Committees[23].

The *Economic Development Action Plan* and the Lord Mayor's *Commission on Employment* are indicative of the expanding focus of the local authorities in the DCR and of a growing consciousness of the importance of the region to the economy of the country as whole. The *Economic Development Action Plan* emphasises that cities and associated planning and development policies are increasingly critical factors in economic development, employment growth and prosperity. It states that "there is a need for planning to be responsive to changing economic circumstances and to balance complex sets of economic, environmental or social goals" as "planning mediates all investment and can either amplify or restrict the flow of public benefits" (p. 20). As such, core economic principles will be imbedded "in the planning and development system, while ensuring appropriate location and development quality, which are vital to both quality of life and sustainable development" (p. 20).

In that regard the City and County Development Plans that are currently being drafted by the four local authorities are significant from an employment perspective and provide a real opportunity for the local authorities to ensure a positive, pro-active and quality approach to planning and development. The *Economic Development Action Plan* proposes the following 10 criteria to aid assessments of strategic planning and development opportunities:

1. Do the density, scale and quality of the development optimise the consolidation of the City Region?
2. Is there significant regeneration benefit within the area, and/or the potential for follow-on future development?
3. Does the development maximise the economic return on public investment in infrastructure?
4. Will the development support an existing or create a new tourist attraction within the City Region?

[23] As part of the dissemination efforts that accompanied the development of this strategy report we presented to the Commission and found that it is taking a holistic approach to addressing the issues in its focus. In that regard the Lord Mayor's Commission is looking at education and training issues as well as less remarked upon aspects of the city's social and economic life such as the influence of cultural and creative industries as well as the promotion of Dublin as an international education centre.

5. Does the development support the development of agglomeration economies and clustering?
6. Does the development contribute to the achievement of other strategic objectives for the City Region such as enterprise and employment creation?
7. Does it contribute positively to the image and identity of a Creative City Region?
8. Does it contribute to an enhancement of quality of life?
9. Does it lead to increased market competition in the area?
10. Does it contribute to or increase the competitiveness of the City Region?

Taken together with the data presented in the previous chapter, which emphasises the unique structure of the economy in the DCR and the particular reliance of the economy of the region on the services sector (in terms of output and employment), these criteria provide a real opportunity to ensure that the City and County Development Planning process is responsive to the unique requirements of the economic development of and employment growth in the DCR. The process can also seek to take advantage of the fairly unique context that pertains in the region (such as the relatively large amount of derelict buildings - particularly within the city itself - and the drop in land prices associated with the collapse in the property market) to drive the development of the DCR taking into account issues of density, intensity, proximity and convenience that can serve to make the region a more attractive place in which to live and to do business. Achieving that synergy can, in turn, facilitate the type of clustering and agglomeration economies that are central issues facing the region.

International Competitiveness and the New Economy: The Role of Diversity and Equality (GLEN, 2009) was published in response to Dublin City Council's Economic Development Strategy and Action Plan. It suggests that Ireland has no option but to compete in the advanced sectors of the knowledge economy in respect of which the nurturing of diversity and equality is of growing importance in a range of policy areas that include: urban planning and development; supporting the innovative workplace; attainment and participation in education; and policies relating to the international mobility of tourists, business visitors, workers, and students. Referring to work undertaken by The British Council in a collaborative project with City Governments in Europe, a consistent theme amongst the participating cities is their desire to attract and retain people that contribute to both the labour force as well as the overall quality of life and wider attractiveness of the city for international firms, events and investors (p. 7). The report also quotes from The University and the Creative Sector (Florida, Gates, Knudsen and Stolarick, 2006) as follows:

> *Innovation and economic growth accrue to those places that can best mobilise humans' innate creative capabilities from the broadest and most diverse segments of the population, harness indigenous talent and attract it from the outside*.

NESC (2008) says there is "considerable potential for Dublin to have a larger population with a higher quality of life if the benefits of higher density are carefully brought on stream to replace the costs of urban sprawl" (p. 195) making it easier to further develop knowledge-intensive services and manufacturing and a greener regional economy. In line with the OECD's view that Dublin must continue to be an engine of national economic growth the challenges that need to be addressed to achieve this include: increased housing densities; producing step changes in the quality of public transport; rapidly bringing Dublin airport's new terminal and road improvements on-stream; improving water services infrastructure; and enhancing social cohesion and social inclusion policies. Failure to address these and other issues "would not see benefits displaced to other regions within Ireland but to metro-regions elsewhere in Europe to which the businesses, young professionals and migrant workers currently attracted to Dublin are more likely to move" (p. 195). In that regard the NESC also stresses the need to invest in and build on the strengths of the Dublin region so that other regions can develop complementary relationships with it[24].

Developing a Knowledge City Region (Dublin Chamber of Commerce, 2008) states that competition for investment and employment in high value added activities is no longer between countries *per se*, but between city regions. In that regard the Dublin Chamber believes that among Irish cities the City Region has unique potential in terms of resources, skills, people and infrastructure to develop a knowledge-based city region capable of competing on the global stage, which in turn will stimulate national growth and demonstrate Ireland's commitment and capacity to deliver on innovation and investment.

The key findings of the *Ideopolis: Knowledge City Region: Dublin Case Study* carried out foe the Work Foundation (Williams and Redmond, 2007) include the following (p. 23):

- The success of Dublin and Ireland's moves towards a full employment knowledge economy over the period 1990 to the present has been based upon sector specialisation and appropriate strong supporting measures;
- The growth in new economy sectors such as financial services and IT has cushioned the decline of traditional manufacturing;
- In Dublin the new employment in such high growth sectors combined with urban regeneration measures have contributed to a substantial urban expansion;
- Infrastructure provision has lagged behind economic development trends;
- The spatial pattern of development is widely dispersed in the Dublin region giving rise to concerns as to environmental sustainability and transportation issues; and,
- There is evidence of the success of the cluster type approach to the development of new business sectors such as International Financial Services. This success may be attributed to the particular features of the integrated policies involved in the development of the IFSC.

[24] The consolidation of the region as a metropolitan region in the global economy "should lead to metrics that are unique by Irish standards, but a fair assessment of its performance and what it needs should be based on comparison with other European metro-regions, not – for example – Cork or Limerick. In a similar way, dynamic and balanced growth in the regions should be assessed primarily against standards they generate themselves of what is deemed attainable and compatible with their distinctive characters, while their gateways should be benchmarked against successful international cities of a scale to which they can realistically aspire" (p. 197)

The report also outlines key issues for the future that include the following (p. 24):

- International competitive pressures are very strong for Irish business as its cost base is no longer attractive compared to emerging economies in Central Europe and Asia;
- This competitive pressure which had previously affected traditional manufacturing is now being experienced in the higher end sectors of the knowledge economy including Financial Services and IT;
- The change towards a Knowledge City in Dublin is recognised as central to all relevant policy makers and economic interests;
- A major increase in research, development and innovation will be necessary to sustain current levels of economic activity and this step-change will need to be recognised by policy-makers, and by local planning authorities; and,
- The medium-term challenges will include new strategies for competitive positioning including economic survival.

The Nordubco Report, North Dublin Industrial Trends and Employment Analysis 2009-2020: Assessing the region’s skills and infrastructural needs (O’Byrne & van Egeraat, 2009) reflects on the changing employment requirements in North Dublin with a particular emphasis on the Transport & Logistics and Pharmaceuticals sectors. The research identifies a number of skills issues that will affect the future competitiveness of the two sectors that include a need for:

- skills in supply chain management, notably forecasting, stock control and warehouse management all of which are underpinned by a requirement for ICT skills in the Transport & Logistics sector;
- third-level educated staff with a background in process R&D and biotechnology for the Pharmaceutical sector.

Echoing Future Skill Needs in Europe: Medium-term Forecast (CEDEFOP, 2008), which is also referred to in Chapter 4, the Nordubco report notes the potential for increasing polarisation between the two sectors in terms of the skills levels within them (relatively low level skill requirements for the former and third and fourth level qualifications for the latter). The report contends that this level of diverse need will require flexible and agile education and training measures and will require close collaboration among all levels of education providers, industry and the relevant public and private stakeholders, in developing appropriate education and training responses.

A number of Dublin-specific reports have been produced by the EU-supported ACRE project that is already referred to above. *Location Factors of Creative Knowledge Companies in the Dublin Region: The Managers’ View* (ACRE, 2007) investigates the relative role of ‘hard’ (e.g., the quality of public services, local taxation policy, and transport infrastructure) and ‘soft’ factors (e.g., attractive housing, amenities and leisure facilities; the atmosphere or 'buzz' of a city; the level of tolerance in the city) for the location decision making of creative knowledge companies. The analysis (based on qualitative interviews with various stakeholders) is located in three ‘creative knowledge sectors': (i) business and management consultancy activities; (ii) motion picture and video and radio and television activities; and (iii) computer games and electronic publishing activities.

On the whole, the 'hard' location factors were found to have influenced decisions to locate more so than 'soft' factors although, broadly speaking, the 'soft' factors played a more important role in the location decisions of foreign companies than for indigenous companies. In general there was some dissatisfaction with certain 'hard' factors in relation to Dublin, such as the quality of the transport system (the public transport system in particular) and the quality of the broadband system (particularly for SMEs). On the other hand companies were satisfied with the availability of a highly qualified and diversified labour pool. The report concludes that whereas 'hard' factors are the core building blocks around which Dublin's attractiveness as a creative knowledge economy location is likely to be based into the future, 'soft' factors are also important and, as such, there needs to be investment in the city's core infrastructure but also in its 'living infrastructure'.

The Creative Knowledge Economy in Dublin: Understanding the Attractiveness of the Metropolitan Region for Creative Knowledge Workers (ACRE, 2008) investigates the attitudes and experiences of creative knowledge workers living and working in the Dublin region (234 workers in creative knowledge industries were surveyed) regarding certain 'soft' and 'hard' aspects of their environment. In the main, survey respondents were satisfied with both 'soft' and 'hard' factors of their working environment. The report finds that Dublin is becoming more tolerant, that most of the creative industry workers surveyed are satisfied with 'soft' factors such as their sense of achievement at work, the scope for innovation in the workplace, and the level of influence individuals have in directing their work.

On the other one hand one of the most important themes to emerge from the survey was the high levels of dissatisfaction concerning issues such as: the cost of living in the city and most notably, the cost of basic services; the inadequacy of key public services, particularly transport (including public transport, cycle lanes and general connectivity) and health services; traffic congestion and general levels of pollution. The report concludes that there are reasons to be concerned with key aspects of Dublin as a city in which to live, particularly in terms of its ability to attract and retain future generations of creative knowledge workers.

Many of the issues raised in the ACRE research were highlighted in the March 2006 submission by the Dublin Regional Authority to the National Development Plan 2007 - 2013. The submission states that the region "has been a major driver of growth for the Irish economy in recent years and has also become a real node of global economic development" (p. 41); however, the city "is facing increasingly strong competition from cities with deeper skills bases and better infrastructure" (p. 41). As such, there is a need to maintain public investment to ensure that the Metropolitan Region is in a position to continue to grow and prosper in the coming years. Productive capacity will also have to increase requiring a sustained expansion of the labour force and population noting that this expansion will, in turn, put the region's infrastructure (from healthcare, to education, transport, housing, the environment, childcare) under immense strain. The submission suggests that the strategic priorities of the region could best be met through operational programmes designed to address:

- **Physical Infrastructure**: including transport, urban development, housing, communications, environmental services, and community development etc.
- **Human Resources**: including social inclusion measures, educational inclusion measure, training and re-skilling, integration of migrants, childcare provision etc.; and
- **Competitiveness**: including enterprise supports, tourism, urban development, rural development, ICT infrastructure development, broadband access, R&D development, etc.

The submission concludes with the statement that "What is good for Dublin is good for the economy" (p. 43) and warns that under-investment in the region will see jobs move abroad. It states that the region needs a coherent strategy reflecting its unique position in and contribution to the national economy. In that regard, it is consistent with the view prevalent in the literature and in policy formation that the DCR occupies a unique space in the Irish economy and an increasing awareness that the health of that economy is vitally important in symbolic and practical terms to the overall economic wellbeing of the country.

3.4 The Higher and Further Education and Training System

3.4.1 The Higher and Further Education and Training System at National Level

In the editorial (*Investing and Innovating in Education for Recovery)* to *Education at a Glance 2009* (OECD, 2009) the Director for Education at the OECD states that:

> *As far-reaching as the labour market impacts of the crisis are, the potential social consequences may last even longer. Educational attainment seems to be positively associated with such social outcomes as better health, political interest and interpersonal trust and this is bound to feature in public policy discussions about spending priorities. Education can therefore be a powerful lever to moderate the social consequences too* (p. 12)

Among the key findings of the report across the OECD countries of particular relevance here are the following:

- the number of individuals that have attained tertiary education has increased, on average, by 4.5% each year since 1998, and by 7% per year or more in Ireland, Poland, Portugal, Spain, and Turkey.
- the number of individuals available for work with below secondary education decreased between 1998 and 2006 in all countries with the exception of Germany, Japan, Mexico, Poland, Turkey and the United States;

- there has been a dramatic expansion in the level of early childhood education across the OECD countries although Ireland fared less favourably in this regard;
- opportunities for continuing education and training are often designed to make up for deficiencies in initial education, but the evidence suggests that those with strong initial qualifications benefit from participation to a greater extent than those least qualified, such that these opportunities often do not reach those who need them most;
- if the demand for education and qualifications continues to rise as labour market prospects weaken, the gaps in educational attainment between the younger and older adult cohorts are likely to widen further exposing older, often less qualified, adults to chronic long-term unemployment;
- Ireland is amongst only six countries where the level of student enrolment at third level increased by more than 20 percentage points between 2000 and 2006 that did not increase its expenditure proportionately (the others being Hungary and Iceland and the OECD partner countries Brazil, Chile and Israel); and,
- in order to improve effectiveness and efficiency in education there is a need for performance appraisal mechanisms but these are lacking in many cases. Ireland is cited as having a relatively weak system in this regard.

Taken in the round it is possible to interpret the findings of *Education at a Glance* as an indication of the centrality of the development of human capital to overall competitiveness. The research also indicates that whereas Ireland has performed relatively well in terms of output (e.g., numbers with third level qualifications) it has performed less well in terms of quality assurance and overall investment. Of particular interest is the relatively poor performance in initial education especially when this is coupled with the relative inefficiency and ineffectiveness of compensatory measures in later life for those who emerge from the school system with low level qualifications.

Monitoring Ireland's Skills Supply: Trends in Education/Training Outputs (FÁS/EGFSN, 2008) emphasises the output levels achieved at tertiary level noting that in 2006 a total of 16,005 people graduated at levels 6/7 of the NFQ, 25,518 graduated at level 8 and 13,566 graduated at levels 9/10. Most of the level 6/7 graduates tended to continue on in education and training whereas the majority of level 8 graduates entered employment within nine months of graduating. The report refers to the OECD's *Education at a Glance 2007* to show that Ireland's graduate output at certificate/diploma and ordinary degree levels in 2005 was 23.6 per cent, which is well above the OECD average of 8.9 per cent. Combined output at honours and masters degree levels stood at 38.2 per cent, which was just above the OECD average of 36.4 per cent. Finally, graduate output for advanced research programmes was 1.2 per cent, which is just below the OECD average of 1.3 per cent[25].

Notwithstanding the achievements of the third level sector in particular in meeting the burgeoning demand for places and dramatically increasing output over the last ten years

[25] Of the 138,000 postgraduate awards, 970 were for doctoral degrees, the highest number ever awarded in the state.

as noted above, the sector faces particular challenges in the context of supporting a modern knowledge-driven economy. These challenges are put succinctly in the concluding remarks of the CEO of the Irish Universities Association in an address to the Irish Universities Association on the subject of Creativity and Higher Education[26] where he notes that the Universities must:

- fully support diversity;
- ensure that the overall culture is conducive to creativity and that the aspiration to be "world class" is not allowed to foster a culture that is inimical to risk taking and the associated inevitability of occasional failure;
- think in a more structured way about multi-disciplinarity and in particular, the relationship between the humanities and the sciences, and how convergence in many areas of technology and business can be reflected in University teaching and research;
- harness creativity for innovation and equip researchers with the tools necessary to be creative *and* innovative; and
- resource creativity in education and thinking about how educating for creativity and innovation can be integrated into potentially many different facets of University education. (Costello, 2007)

3.4.2 The Higher and Further Education and Training System in the Dublin City Region

The DCR has a substantial and well developed infrastructure of higher education and further education and training providers (see Table 3.1). As can be seen a broad distinction is made between Higher Education and Further Education and Training and between Public and Private providers of both of these. While data on the growth of private sector providers is lacking it would appear that there has been an increase in their number over the past decade with this in part reflecting employer and individual consumer demand. The sustainability of this sector in the short-term is an issue for consideration.

An as yet unpublished Forfás report provisionally titled *Regional Competitive Agendas - East Region* provides useful detail on the composition, capacity and capability of the third level sector in the Dublin Region and draws attention to various strengths in that regard including the TCD/UCD Innovation Alliance that was launched in March 2009. The Innovation Alliance will work with the education sector, the State and its agencies and with business and the venture capital community in an attempt to develop a world-class ecosystem for innovation that aims to drive enterprise development and the creation of sustainable high value employment[27]. The Alliance envisages building a world-class

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[26] www.iua.ie/publications/documents/publications/2007/CreativityLecture.pdf.

[27] The recent improvement in the rankings of both Trinity (from 49th in 2008 to 43rd in 2009) and UCD (from 108th in 2008 to 89th in 2009) in The Times Higher Education rankings is particularly positive in terms of the capacity of those institutions to achieve their collaborative objectives.

enterprise corridor between TCD and UCD that will be home for up to 300 new enterprises, with advanced technology centres to support indigenous industry.

Table 3.1
Main Elements of the Education and Training System Infrastructure

	Public	Private
Higher Education - Universities, Third Level Colleges, and Institutes of Technology	3 Universities, 6 Third Level Colleges, 4 Institutes of Technology, National College of Art & Design	Estimated 24 to 28 private Providers of which some are substantial (e.g., Griffith College, National College of Ireland, and Dublin Business School)
Further Education and Training	25 to 30 Colleges of Further Education run by VECs[28] 5 Main FÁS[29] Training Centres Fáilte Ireland Training Centre Unquantified provision of community based and Partnership Company provided training	Large number of private providers - for example 73 providers of ICT related training listed in county Dublin (e.g., Irish Times, Pitman, Eden, New Horizons)

Table 3.2
Student Capacity and Commercially Relevant Research
in Eight Third Level Institutes in the Dublin City Region

Third Level Institution	Student Capacity		Commercially Relevant Research
	Full-time	Part-time	
Trinity College Dublin	13,000	2,000	TCD has established three major research institutes including CRANN (CSET), Trinity College Institute of Neuroscience and the Trinity Long Room Hub (Research Institution for Arts and Humanities). Other significant and commercially relevant research ventures include amongst others the Centre for Telecoms and Value Chain Research, the Centre for Bio-Engineering and the Immunology Research Centre (IRC).

[28] A full listing of all PLC providers in the region together with a full listing of courses provided can be found at http://www.education.ie/servlet/blobservlet/fe_plccourses.htm?language=EN. A wide variety of courses are available ranging from marketing to computer science, fashion design to hairdressing, film production to preliminary engineering.

[29] FÁS provides apprenticeship training in-house as well as a wide range of Specific Skill Training (e.g. hairdressing, welding etc.). It also provides online training options and outsources training to private companies for various disciplines (e.g. programming, CAD etc.) and to community based organisations. The new Work Placement Programme is designed to provide 6 months' work experience for 2,000 unemployed people who have been getting Jobseeker's Allowance for the last 6 months (1,000 places for graduates and a further 1,000 places for unemployed people, with 250 of these places reserved for those aged under 25). The Short Time Working Training Programme provides 2 days training a week for employees who are on systematic short-time working for 3 days a week and getting a social welfare payment for the 2 days they are not working. There are 277 places available.

			TCD is also centrally involved in a number of national research consortia including the following: National Digital Research Centre; National Institute for Bioprocessing Research and Training; and Molecular Medicine Ireland (MMI)
University College Dublin	17,000	4,100	UCD's research community is made up of 1000 faculty members, 1000 post doctoral researchers and about 2,000 PhD students. During 2007/08, UCD was awarded 484 research contracts worth €114.7 million. It's key research institutes include: Conway Institute for Bimolecular and Biomedical Research; The Geary Institute; The Urban Institute of Ireland; The Humanities Institute of Ireland; Complex and Adaptive Systems Laboratory (CASL); Institute of Food and Health; John Hume Institute for Global Irish Studies; and the Charles Institute UCD is also involved in a number of high profile collaborative research programmes both with other HEIs, and with industry partners that include: CLARITY; Centre for Synthesis and Chemical Biology; Centre for BioNanoInteractions; Clique; UCD Clinical Research Centre; Molecular Medicine Ireland; Technology Research for Independent Living; Institute of Biomedical Informatics; The National Digital Research Centre; Irish Drug Delivery Network
Dublin City University	7,400	1,600	Under it's most recent strategic plan DCU's research focus has been framed around the following strategic themes: Business and Innovation; Internationalisation, Culturalism, Social Development; Science, Discovery and Technological Innovation; Information Technology and the Knowledge Society; Education and Learning; and Life Sciences and Health in Society DCU also has four national research centres as follows: The National Centre for Plasma Science and Technology; National Centre for Sensor Research; Research Institute for Networks and Communications Engineering; and National Institute for Cellular Biotechnology. DCU is also involved in partnership a number of Large Scale Research Initiatives that include the Biomedical Diagnostic Institute; the Centre for Next Generation Localisation; the Centre for Bioanalytical Science; and CLARITY.
Royal College of Surgeons	1,500	-	RCSI facilitates and develops research programmes in the areas of: Neuroscience; Cancer Cell Biology and Genetics; Vascular Biology; Imaging and Molecular Medicine; Population Health; Bio-Engineering; Infection; and Immunity. RCSI has also recently established the Dublin Brain Bank.
Dublin Institute of Technology (see note below table)	11,330	10,000	DIT has over 1,000 full-time academics all working in applied fields. There are 25 research centres operating under the umbrella of 6 core research themes. Projects range from the laboratory (e.g. improving the efficiency of photovoltaic/solar panel cells in cloudy environments) to the world we live in (e.g. providing the empirical proof of the benefits of the smoking ban for staff in public bars, acting as the basis for other smoking bans worldwide). DIT's applications approach to research was highlighted in November 2009 through achieving four of the ten All-Ireland awards for licensing technologies to companies. The main centres within each of the themes are: The Digital Media Centre (in Creative Arts & Media), The Environmental Health Sciences Institute (in Food & Health Sciences); The Dublin Energy Lab (in Sustainability); Tourism Research Centre (in

			Business & Social Economic Development), and The Centre for Research in Surface Technologies (in New Materials and Technologies).
Institute of Technology, Blanchards-town	1,150	650	The Institute has identified the areas of Business and Humanities and, Informatics and Engineering as the key areas of research and has been successful in attracting funding from a number of sources including the Technological Sector Postgraduate R&D Skills Training Programme, the Enterprise Ireland Innovation Partnership Scheme, the Embark Initiative and the HEA.
Institute of Technology, Tallaght	2,200	1,500	A key part of the Institute's research strategy is the establishment of Institute Research Centres (IRCs). The Institute defines these as sustainable research groups capable of attracting outside funding, partaking in external research collaborations and raising the profile of ITT.
Dun Laoghaire Institute of Art, Design & Technology (IADT)	1,780	120	The Institute has a particular emphasis on creative arts and media with the National Film School (NFS) located on campus. IADT also offers programmes in entrepreneurship / business, arts management, psychology / cyberpsychology, computing and digital media technology. Convergence of the arts, technology and enterprise is encouraged. IADT has identified the following as their priority research areas: Creative Arts ; Media; Digital Media; Entrepreneurship; Learning Sciences; and Assistive Technologies The Institute also collaborates with other organisations such as Digital Hub, the Digital Media Forum, Screen Training Ireland, the National Broadcasting Sector (RTE, TG4, TV3), the Arts council, the Irish Internet Association and the Irish Software Association. IADT is also involved in the National Digital Research Centre (NDRC) with DCU, TCD and UCD.

Note: The information in relation to the DIT is an update on the information in the draft Forfás report. It was provided to us directly by DIT following a reading of the Final Draft of the Strategy document. Part-time students at the DIT include those taking evening courses and music classes as well as apprentices and others on short courses.

The draft Forfás report indicates that in 2005 business expenditure on R&D in the Dublin region comprised 41.8% of all such expenditure in the state and investment in R&D through Higher Level Education in the Dublin region comprised 50.0% of all such investment in the state. The report provides details of the significant type and quantum of research and R&D support in the Eastern Region as a whole. The most important source in that regard is Science Foundation Ireland (SFI) funding and the report notes that all five of the SFI supported Centres for Science Engineering and Technology (CSETs[30]) in the Eastern region are located in the DCR as are eight of the nine Strategic Research Clusters[31]. As part of its Research Frontiers Programme (supporting high-quality, novel exploratory research in the third-level sector in fields embracing the Bio Sciences, Chemistry, Earth Sciences, Mathematics and Computer Science, Physics and

[30] These CSETs are SFI's most significant investments (up to €25 million over a 5 year period) and are designed to support internationally leading research activities that connect academic and industrial researchers.

[31] The SRCs help to link scientists and engineers in partnerships across academia and industry to address research questions, foster the development of new and existing Irish-based technology companies, and grow partnerships with industry.

Engineering) SFI supports 419 researchers based in the East and this accounts for 70% of the 597 projects funded since 2005. The Forfás report provides a significant level of detail on commercially relevant research in the various universities and colleges as summarised in Table 3.2 above.

A key issue arising, however, is how well integrated the research efforts are with the needs and dynamics of the local economy and how well managed they are in terms of the targeted output and outcomes. In that regard the MIT Professor, Richard K. Lester[32] argues that universities can contribute to local innovation processes in a variety of important ways notwithstanding the predominance of current interaction premised on what he refers to as technology transfer (patenting and licensing intellectual property). He suggests that universities can also:

- act as magnets to attract new human, knowledge, and financial resources;
- help to adapt knowledge originating elsewhere to local conditions;
- help to integrate previously separate areas of technological activity;
- help to unlock and redirect knowledge that is already present in a region but not being put to productive use;
- act as public spaces that allow for dialogue and cross-fertilisation of ideas concerning the future direction of technologies and markets.

A key finding is that the role of universities in local innovation processes depends on what kind of economic transformation is occurring in the local economy and, as such, the 'one-size-fits-all' approach to economic development pursued by many universities (with the focus as above on patenting, licensing, and new business formation) needs to replaced with a more comprehensive and differentiated view of role of universities. He concludes that universities should seek to align their own contributions with what is actually happening in the local economy.

3.5 Conclusion

In this chapter we sketched the growing consensus at international level concerning the importance of city regions as economic hubs that can become facilitators of innovation and promoters of leading edge creative industries and the knowledge economy. Increasingly, we are seeing not just competition between countries for employment but competition between regions. Corresponding to this is a focus on city regions not solely as locations with accumulated stocks of technology and talent but as centres that attract technology and talent. Successful regions are successful because they have the environments and policies to not only grow technology and talent but also to attract technology and talent. In line with this we also considered the growing body of literature at national and regional levels that stresses the importance of the DCR in the Irish context and its contribution to national economic wellbeing - particularly in terms of its

[32] See *Universities, Innovation, and the Competitiveness of Local Economies: Summary Report from the Local Innovation Project - Phase I (*Lester, 2005).

contribution in the areas of the knowledge economy and the broader area of internationally traded services. The literature suggests that the DCR should be supported in its development and that any false dichotomy between the wellbeing of the region and other regions in the country should be eschewed. Rather the issue is creating a positive dynamic between a prosperous city region and the other regions of the country.

In practical terms the literature also shows that a range of factors are significant in facilitating the development of successful city regions, particularly in respect of the types of supports required to underpin a sustainable knowledge economy at regional level. These factors include what have been referred to as ‘hard’ (e.g., quality of labour supply, quality of public services, local taxation policy, and transport infrastructure) and ‘soft’ factors (e.g., attractive housing, amenities and leisure facilities, security, and the atmosphere or 'buzz' of a city). Cross-cutting these factors are tolerance and equality. Realising a vision of the DCR as a dynamic national hub fostering sustainable employment and a high quality of life requires the attention of policies and policy-makers not just in the specific domain of employment and skills but also of policies and policy-makers in a wide range of areas including transport, housing, amenities, arts and culture, environment, health, and energy. In short, there is a dynamic between fostering a working city and a fostering a living city. Achieving coherence between the national and regional elements of policy and associated institutional structures that impact on these diverse areas is thus a key issue in this regard.

We also briefly outlined the capacity of the higher education sector as well as the further education and training system and indicated that there is substantial capacity in the overall system (e.g., the three universities and the four institutes of technology in the city region had an output of 22,423 graduates in 2007 / 2008[33]) as well as significant investment in cutting edge research and development. Challenges arise, however, in ensuring that the evident quantitative capacity of the system is accompanied by qualitative capacity and, in particular, the capacity to support innovation, problem-solving, and entrepreneurship across all areas of economic activity. We also noted that there is scope for widening the role that the university sector plays in supporting the social and economic development of the DCR through pursuing policies that focus not solely on generating knowledge but also on ensuring that such knowledge is accessible to new and expanding businesses and people in work as well as out of work. That said, the rapid fall in employment levels and the associated rise in unemployment and the heterogeneity of the unemployed as detailed in Chapter 2 now present substantial challenges in terms of the quantum and diversity of need in terms of up-skilling and ongoing engagement in education and training and the level and types of the employment opportunities that will be required to absorb the number and diversity of people in the

[33] Total output is comprised of 1,690 in Education / Education Science, 3,129 in Humanities & Arts (of which 287 in foreign languages), 7,617 in Social Sciences, Business and Law (of which 1,556 in Combined Business & Administration and 1,479 in Management & Administration), 2,579 in Sciences (of which 91 in Mathematics & 876 in Computer Science), 2,447 in Engineering, Manufacturing and Construction (of which 325 in Electronics and Automation), 420 in Agriculture & Veterinary, 3,850 in Health & Welfare, and 651 in Services.

labour force now seeking employment. In that regard there are short term issues arising in respect of:

- identifying the mix of qualifications, competencies and skills required to underpin innovation, entrepreneurship and the generation of sustainable employment;
- ensuring access to higher education and further education and training for the unemployed and specific groups within the unemployed, both in terms of quantity of places and quality of courses;
- expanding the sites of learning and skill acquisition from predominantly centre based facilities to other sites including the workplace as well as increasing e-learning opportunities;
- allocating the required levels of public and private finance to underpin high quality skills training for the number of employed and unemployed workers requiring skill development;
- deciding how training should be provided and funded - balance of contributions from individual, employers, and state; and,
- addressing rigidities in publicly provided training and considering the role of market led training provision in respect of specific skills.

These and other issues will be addressed in Chapter 5 of this report in which the proposed Employment and Skills Strategy is set out. Before moving on to address those issues however, Chapter 4 explores the broad employment and skills policy context that also informs the recommendations arrived at.

CHAPTER 4

EMPLOYMENT AND SKILLS: POLICIES AND PERSPECTIVES

4.1 Introduction

In this chapter we review a wide range of policy literature and social partner perspectives to identify recent - and sometime older - thinking in respect of key issues of relevance in developing an Employment and Skills Strategy for the DCR. The issues are dealt with under a number of headings that are pertinent to the components of the proposed strategy presented in the final chapter of the report. We preface the chapter with a brief overview of three recent policy reports that explicitly seek to engage with developing a vision and a strategy for dealing with the current crisis at national level.

4.2 The Irish Economy - What Next?

The Irish Economy in the Early 21st Century (NESC, 2008) sets out two overarching policy priorities as follows:

- the need to fine tune some of the strategic investments in the National Development Plan (2007-2013) and the social partnership agreement *Towards 2016;* and,
- the need to manage a difficult transition for the economy.

The report notes the rise of the services sector of the economy as a whole and suggests that as incomes rise "there is no discernible limit to the growth in demand for services or to the ingenuity with which new needs can be met" (p. xxx). Given the level to which the Irish economy is embedded in service delivery the report stresses the relationship between the employment level in services generally and the strength of the traded sector (i.e., non-traded services - including public services - are dependent on the wealth generating traded sector). That said, the NESC also recognises the crucial role played by domestic demand in maintaining a high level of employment across the economy. Some of the policy implications / issues arising include the following:

- potential to further exploit key traded services such as the ones mentioned above and others such as tourism and education;
- potential to broaden the base of service exporters based on the experience gained in delivering services in the domestic market;

- need to enhance productivity in service provision in internationally traded services, but also in domestic market services and public service;
- need for public policy to recognise that innovation in services can result from processes that differ from innovation in manufacturing (e.g. in terms of factors such as user involvement and feedback, speed in taking opportunities, and advanced telecommunications);
- need for innovation in public services and the wider not-for-profit sector (e.g. planning, environment, social cohesion etc.); and,
- need to improve ‘soft’ or people-handling skills alongside ‘hard’ skills and qualifications and requiring the educational system to impart skills to support the new economy.

The report also recognises the continued importance of manufacturing while noting fundamental change in the manner in which globalisation is profoundly affecting that sector (e.g., tasks within the supply chains are being traded internationally rather than completed products). The more labour intensive manufacturing tasks (e.g., production itself) are being shifted to lower cost locations although higher value added tasks such as R&D, design, logistics, marketing, after sales service and corporate financial functions are being retained in the more developed economies. However, referring to the Expert Group on the Future of Manufacturing, the NESC expresses concern regarding rising costs (energy, waste-management, local authority and professional services) that are threatening the competitiveness of Irish manufacturing. The report also stresses the need to develop the export capacity of the indigenous manufacturing base through enhanced focus in applied R&D and new product development and in sales and marketing. It concludes that the future success of high-tech manufacturing requires a supply of people qualified in engineering and science in particular but also enhanced skills at all levels.

The report emphasises the key and ongoing contribution of Ireland’s human capital to its economic and social future. This will require an integrated development of Ireland’s education, training and welfare systems. In that regard the Council endorses the ambition set out in the National Skills Strategy Research Report - *Tomorrow’s Skills* - and what it refers to as the pivotal significance of two perspectives as follows:

- the cumulative nature of educational success; and,
- the centrality of skills for life to social and economic development.

Of particular relevance here is the emphasis on the need for *coordinated action by a range of actors including employers, training and education providers, unions, professional associations, regional bodies and the community and voluntary sector*.

Ireland’s Five-Part Crisis: An Integrated National Response (NESC, 2009) calls for an integrated response to the current crisis, one that engages the ability and energy of the people. According to the NESC, the crisis has five interlinked parts (banking, fiscal, economic, social and reputational) that pose real challenges to many existing theories and models at both national and international levels. These crises require sustained and integrated responses and the NESC stresses that a series of what it terms *partial and sequential measures will not provide an adequate response*.

Specifically in relation to cost competitiveness the report emphasises the need for the economy to return to an export driven model rather than one fuelled by domestic demand. It sees this as requiring a downward adjustment in Ireland's price level and cost structure that will, in turn, require policy makers and stakeholders to take into account and resolve certain overlapping and competing factors (e.g., employment and unemployment, exchange rates with the UK, the level of domestic demand, the state of the public finances and social solidarity).

In relation to the issue of social solidarity the report calls, *inter alia*, for a range of practical measures to be taken that include *reform of the education, training and welfare systems to ensure that they maximise support to those who have lost their jobs and those who are seeking employment for the first time*. In that regard the NESC says that we must create '21st century' equivalents of the labour market programmes that were developed in recent decades and the establishment of Jobs and Skills Summit at which all relevant stakeholders would identify and implement a set of measures and programmes that are designed to deliver high quality, market relevant training and education programmes:

> *In particular, how jobless people access opportunities for retraining and further education should be immediately reviewed. The ambitions and analysis of the National Skills Strategy should be the fundamental framework for this review*. (p. 56)

The Council says that *employment retention should be the first priority*. Where unemployment occurs, supports and interventions should be swift and should prioritise support for job seekers with weak formal educational attainment. It stresses the need for *market relevant provision rather than an expansion of provision that happens to be within the portfolio of current providers* and it also references the need for individual choice in opting for provision that is available. From an employment perspective, the NESC also suggests that the nature of the crisis in employment/unemployment provides opportunities that include possibilities in terms of, for example construction and regeneration of social housing and building sustainable communities, through provision of social and cultural facilities.

Next Steps in Addressing Ireland's Five-Part Crisis: Combining Retrenchment with Reform (NESC, 2009) suggests that a more integrated approach to the five part crisis can be achieved by combining ideas and action at three levels:

- a vision of the kind of society and economy that Ireland wishes to become in the decades ahead, and towards which responses to the crisis will help us move;
- knowledge and ideas on aspects of economic and social development to ensure that crisis measures do not unwittingly damage economic recovery, innovation, future skills and capabilities, economic participation and social cohesion; and,

- practical policy development, compromise and problem solving, based on the experience and capabilities of a wide range of organisations and people. (p. viii).

The Council also suggests (p. 23) that future policy responses or measures should as far as possible be: Economic/cyclical (i.e., contribute to the revival of economic activity and employment); Developmental (i.e., strengthen the foundations of Ireland's economic and social development); Fair; and Sustainable (i.e., consistent throughout the crisis, yielding a sustainable public finance approach)

4.3 Employment and Skills: Policies and Perspectives

As previously noted, there has been no White Paper on the development of the workforce since the ***White Paper on Human Resource Development*** (1997). That White Paper sought to shift the focus from "old-style programme-led interventions to a new emphasis on achieving objective-driven solutions to the real, and changing, needs of our people and businesses" (p.11). Of particular relevance from the perspective of the employment and skills strategy in question here, the White Paper recognised that economic growth and employment expansion are necessary but not sufficient conditions to significantly reduce unemployment (p. 132) - this historical observation rings true in the current context.

While many of the basic principles and some of the observations of that 1997 White Paper are still relevant today (e.g., the contribution of human capital to economic growth and the requirement for an as yet to be achieved shift from a programme-driven vocational education and training system to an objective-driven system), the dynamic of the Irish and the global economies has shifted to such an extent that the understanding and assumptions that underpin the paper are seriously outdated. Hugely significant developments such as the consequences of the ongoing enlargement of the EU and the increasing economic importance of countries such as Brazil, Russia, India and China (BRICs) have shifted the axis of European and global economic focus and activity. Other, more domestically-focused phenomena such as the extraordinary period of economic growth experienced between 1997 and 2007 as well as evolving dominance of the services sector in the Irish economy have also left the employment and economic landscape so changed since 1997 as to be almost unrecognisable.

It can equally be argued that the extent and pace of ongoing global economic restructuring and the effects of the current shocks to the system have rendered much of the more recent policy formulation and planning in relation to employment and skills less relevant at best and, at worst, redundant. That is because the underlying assumptions that informed those policies (e.g., in relation to population growth, the availability of employment and the level of anticipated economic growth) are now shown to be erroneous. As such, while it is useful to trawl the policy landscape in order to inform the proposed strategy it is equally important to note that because of the seismic shift in the global and, as a consequence, in the Irish economies many of the old assumptions no longer hold creating *an imperative to strategise and to plan on the basis of the new* *reality*. In the sub-sections below we provide a brief overview of the key points raised in the literature concerning employment and skills in the Irish context.

4.3.1 Employment Protection and Employment Generation

Building Ireland's Smart Economy: A Framework for Sustainable Economic Renewal (2008) is the most recent statement of Government's vision for the next phase of Ireland's economic development. The Smart Economy envisaged is predicated on combining the successful elements of the enterprise economy and the innovation or 'ideas' economy while promoting a high-quality environment, improving energy security and promoting social cohesion. A key feature is building the innovation or 'ideas' component of the economy through our human capital and a second key feature is the greening of the economy and the development of green enterprise. The five Action Areas of the Framework are:

1. Meeting the Short-term Challenge – Securing the Enterprise Economy and Restoring Competitiveness;
2. Building the Ideas Economy – Creating 'The Innovation Island';
3. Enhancing the Environment and Securing Energy Supplies;
4. Investing in Critical Infrastructure;
5. Providing Efficient and Effective Public Services and Smart Regulation.

Specifically in relation to Action Area 2, key actions include: investment in innovation (up to €500 million in a venture fund, known as 'Innovation Fund – Ireland', to support early stage R&D-intensive SMEs); incentives for the multinational sector to intensify innovative, high-value activity and technological convergence to help towards the provision of quality jobs; favourable taxation measures to support entrepreneurship, business start-ups and employment creation; and fast-track visa arrangements for key researchers and highly skilled staff and their spouses. Other actions envisaged include positioning Ireland as a location of choice in the International Education market as well a number of (unspecified) initiatives to support life-long learning, restructuring of the higher education system to enhance system-wide performance and the introduction of flexible learning initiatives that can be targeted at up-skilling people in the workforce. Also included is a commitment to enhance ICT use in schools, pursuit of the objective of equipping second-level schools with 100Mb per second broadband connectivity and the expansion of summer schools in science and engineering.

The Forfás report, ***Sharing Our Future: Ireland 2025 (Forfas, 2009)*** provides a long-term assessment of what is required to develop a competitive sustainable enterprise sector in the face of 11 global forces of change that it claims will have significant impact on Ireland (i.e., demographics; technology innovation and entrepreneurship; education and skills; social values and quality of life; globalisation; infrastructure; governance and regulation; energy supply and security; climate change; natural resources and conflict). Recommendations towards achieving a sustainable competitive enterprise sector and export-led growth and recovery include, *inter alia*, the need to:

- Build on our advantages in areas such as life sciences, ICT services, financial services, agri-food and also to focus on new and emerging sectors such as biomedical, digital media and clean technologies;
- Encourage the development of enterprise and entrepreneurship consistently across the full range of agencies and government departments that work with enterprises;
- Continued investment in strategic infrastructure and telecommunications development to address bottlenecks, improve connectedness and enable investment and job creation in the new digital sectors;
- Using R&D and innovation both to grow exports of goods and services and improve our health and education systems;
- Prioritising skills and human capital development to ensure that our people can secure well paid employment in the knowledge economy of the future;
- Providing the environment needed for enterprise growth and development in new and emerging high productivity sectors.

ICTU's Job Creation and Protection Plan, ***Maximising the Numbers at Work and Up-skilling for Future Opportunities*** (ICTU, 2009a) makes a call for a €1 billion Job Creation and Protection Plan that would see an 'all of government' approach to the goal of tackling the unemployment crisis. In the press release accompanying the document, Congress Assistant General Secretary is quoted as follows:

> *Government has delayed far too long. The jobs crisis is of the same magnitude and same dimensions as the banking crisis - it requires the same urgency, focus and attention.*

The plan calls for the creation of a Social Innovation Fund to support a wide range of initiatives and schemes designed to meet social need while allowing unemployed people put their skills to work. The overriding goals of the plan are to:

- keep people 'attached to the workforce';
- avoid sharp income drops; and
- ensure workforce skills do not become degraded through sustained periods of unemployment.

It envisages changes to existing employment and redundancy law, tax law, and the social welfare code to remove barriers to work and training. It also envisages making the education system more directly attuned to the jobs crisis. Job Rotation is amongst the initiatives it recommends to allow people in work to participate in training, while people out of work benefit from staying within and in touch with the workforce. It also cautions that future skills shortages may emerge on the basis that no new apprentices are currently entering the system given the demise of the construction sector.

The plan suggests that redundancy should be considered only as a last option. Employers should explore all alternatives with employees and where workers agree to options such as short time working, the social welfare system should support this by providing payment to compensate for the 'off time'. In turn, workers would agree to engage in

training and should be provided with financial support where this is required. Alternatives to redundancy such as short time, part-time working, job sharing, e-working, career break/leave schemes combined with job rotation schemes should be considered.
It also emphasises the need to ensure ongoing employability and calls on employers to provide training for workers. The plan references other EU jurisdictions where legislation requires employers to support employee learning through paid learning leave and/or a requirement to spend a minimum percentage of annual payroll on training and it calls for legislation in Ireland oblige employers to provide support and access to personal skill enhancement training and guidance.

Jobs of the future feature in an address made by a member of the ICTU Executive Council during a seminar on ***The Potential for Green Economy Jobs*** (June 2009). The Council member said that if Ireland follows Germany's example in its pursuit of the Green Agenda it could generate about 110,000 new, green jobs by 2030. Having become energy independent Ireland could emulate countries such as Denmark and even become "a net exporter of electricity," although this will require close co-ordination of what is referred to the pioneering work being undertaken by state companies in the development of renewable energy and new eco-based products and services.

In its ***Internationally Traded Services Report*** (IBEC, 2009), IBEC stresses that the sector will be central to Ireland's economic recovery, and that government policy needs to adjust to reflect this. Despite the economic downturn Ireland is still one of the strongest exporters of services in the world[34] (e.g. computer related, business and financial services) and the report says there is need to further exploit this advantage through improving our approach to areas such as environmental services, education/e-learning and digital media/creative industries.

One of the key recommendations in the report focuses on the need to extend national innovation policies to support services at the same level as manufacturing (e.g., through R&D incentives and supporting deeper linkages between business and educational institutions in the area of services research). As well as supporting established export driven services sectors the report recommends support for the diversification of the export base to maximise opportunities in emerging areas such as e-learning/education, environment /clean technology and digital media and creative industries.

The report also recommends the establishment of a high-level collaborative group involving government, state agencies, business and the research community to ensure that progress is made towards better supporting trade in services and to oversee the ongoing development of internationally traded services in the Irish economy.

Jobs of the future also featured in a presentation made by the Chairman of Sustainable Energy Ireland (SEI) in June 2008 (**Job Creation and Renewable Energy**) where he notes that in 2005 Ireland had the third lowest percentage GDP and employment in

[34] The value of Irish exports of services increased from €21.7 billion in 2000 (27% of all foreign sales in that year) to €67.6 billion in 2008 (45% of total Irish exports in 2008).

renewable energies in the EU. However, he also stressed the significant job potential in renewable energies and said that if the right strategic and investment steps are taken, Ireland could be in a position to benefit from about 270,000 of the 3.4 million new jobs that will be created in the sector throughout the EU by 2030. Investment in wind energy will, he suggests, create jobs in R&D, manufacturing, construction, logistics, operation and maintenance, exports and IT. A move towards a more sustainable built environment would generate employment in R&D, retrofitting, development and manufacture of materials. Sustainable transport investment would likewise generate employment in R&D, infrastructural development, components manufacturing and IT.

In certain EU countries, most notably the Netherlands and Germany, there has been a particular focus on avoiding redundancy and unemployment through initiatives such as work sharing, flexible working and short-time working. In a statement by the **German Minister of Finance** to the IMF (October, 2009), the Minister said:

> *The consequences of the recession are clearly apparent on the labour market. However the decrease in employment and increase in unemployment must still be considered moderate on the whole, bearing in mind how far the economy has plummeted. Up to now, the large-scale expansion of short-time work and flexible work time arrangements which are wide-spread in German manufacturing have dampened the effects of economic weakness on employment. Given that the economy is tending towards recovery, these mechanisms may successfully perform their intended bridging function.*

An Article in the **Financial Times** (FT, October 28th, 2009) notes that across Europe "state-sponsored short-time working schemes – in which people work fewer hours while the government tops up their pay – plus employment protection laws and cultural factors mean that some of the largest European economies have curbed the social costs of the severe recession. And by shoring up domestic demand they have arguably helped their own economies recover as well as contribute to global stabilisation. In so doing, they have also raised the question of whether systems that provide a generous cushion at times of crisis and preserve productive capacity, which had come to be seen as sluggish and inefficient, are really so bad"

The OECD believes that short-time working allows companies to retain workers they might find hard to re-recruit later although the OECD also notes that such approaches can be successful only in the shorter term. In its **Employment Outlook 2009** the OECD notes the relatively low rate of unemployment in Germany referring to "the massive use of the short-time work scheme" that has cushioned the impact of the economic downturn on unemployment by engaging more than 1.4 million workers in the scheme (which allows for a maximum period of participation of 24 months) with an average reduction of one third of working hours thereby keeping an estimated half a million persons off the live register equivalent in Germany.

The report warns, however, that such schemes could become an obstacle to sustained recovery by propping up declining firms and making it harder for expanding ones to hire new workers and, as such, they need to be well targeted and short-term. On the other hand the FT article referred to above quotes a trade-union backed researcher in Germany who points out that “even when on short-time working, employees are still free to switch to jobs with better prospects” and the boost to domestic demand that is provided through short-time working makes it a particularly valuable approach.

The OECD also notes that some countries try to avoid supporting jobs that are no longer competitive by imposing certain conditions on firms that apply for short-time subsidies (e.g., in The Netherlands employers participating in the new short-time work scheme must return half of the benefit paid to the employee if the employee loses his/her job during or in the three months following short-time work).

4.3.2 Some Perspectives on what Needs to be Done to Tackle Unemployment and Long-term Unemployment

In comparing Ireland with other OECD countries as part of the 2009 edition of its ***Employment Outlook*** series the OECD finds that despite signs that the recession is slowing, “the short-term labour market outlook remains grim”. The report notes that past experience has shown that job creation lags output early in a recovery and predicts that the unemployment rate could reach 15% by the end of 2010 if the putative recovery fails to gain momentum. Critically, the report notes that “these massive challenges need to be confronted in a context of significant fiscal tightening and relatively weak automatic stabilisers”. The OECD analysis indicates that temporary and part-time workers, migrants and low-skilled workers have borne the brunt of rising unemployment and that employment among the low-skilled fell almost twice as fast as total employment (over the year to the first quarter of 2009). By July 2009 more than 1 in 4 under 25’s found themselves unemployed.

To avoid a return to the high and persistent unemployment of the 1980s and early 1990s, the OECD identifies the provision of effective employment services to ensure that the most vulnerable job seekers do not lose contact with the labour market and drift into inactivity. It recommends that Ireland should re-invigorate past efforts to develop effective back-to-work policies in order to avoid large-scale unemployment and long term unemployment. *Noting the increase in the in-take capacity of employment services and the expansion of educational and training options for the unemployed that has occurred during 2009 the report states that the increase in funding available for active labour market policies has been modest compared with the massive rise in unemployment. This has resulted in a lower level of investment per job-seeker that may not be adequate in the face of the recession to prevent the emergence of a long-term unemployment crisis.*

The **OECD’s *Review of Activation Policies in Ireland*** (Grubb, Singh & Tergeist, 2009) sets out the extent of the state’s resources engaged in activation measures noting that the principal provider of placement services is FÁS (Employment Services) but also notes other aspects to the service provided by the Local Employment Service (LES), by Department of Social and Family Affairs Facilitators and through the Services to the Unemployed activities that operate through the Partnership Companies funded under the

Local Development Social Inclusion Programme. The report notes that the number of staff in FÁS Employment Services and the LES relative to the number of wage and salary earners in the economy is low by Western European standards and that funding in this area (including benefit administration) as a percentage of GDP is also below average[35] - as such, intensification of activation measures would require a refocusing of existing resources and possibly an increase in them.

The review also comments on the relatively high numbers of people in receipt of welfare payments throughout the last decade despite the availability of employment. This group is comprised of lone parents, people in receipt of Illness Benefit (IB), and people with disabilities in receipt of Disability Allowance. The OECD review notes that those recipients of support "receive benefits without a formal requirement to be available for work, arrangements which are increasingly out of line with international practice" (p. 6) and conclude that these numbers need to be "drastically reduced" (p. 130). In what is in effect a veiled criticism of the capacity and capabilities however of the existing placement system (principally FÁS Employment Services) and possibly the further education and training system report adds (p. 6):

> *This is a political choice but caution may also be fostered by a tendency for the implementation of administrative reforms within DSFA to be slow and <u>doubts about whether other institutions are able to adequately support these additional client groups into employment</u>* (our emphasis).

The first general conclusion of the review is that "activation requirements for the unemployed should be greatly intensified" (p. 129) with an increase of face-to-face contact between placement staff and unemployed people although this would require an increase in employment service staffing numbers and a "shift towards a more *coercive* approach, which currently has few active advocates within the social partnership process" (p. 130). The review stresses that Ireland should not prevaricate in this regard, that it needs to act now to promote "greater public understanding of the underlying issues so that sufficient support and consensus around effective measures can arise" (p. 130).

The review also recommends the integration of the placement function with the unemployment benefit administration function involving in the first instance the "DSFA devolving at least most of its client contact functions for the unemployed… to a network of much-expanded employment service offices" or, failing that, the use of a common IT system by DSFA and FAS Employment Services for recording and recovering counselling information. The review continues:

> *It is also true that if FÁS-ES, LES and LDSIP employment services were integrated into a single service focused on activation, with activities closely co-ordinated with those of DSFA, the frequency of compulsory placement-*

[35] The report urges a certain degree of caution in interpreting this finding as the level of placement service staffing depends on which institutions are counted under this heading, and public expenditure is higher as a share of GNP than it is as a share of GDP.

> *focused contacts with the registered unemployed could be significantly increased* (p. 132)

Finally, in relation to Active Labour Market Programmes the review recommends (p. 138) that:

- *Ireland's levels of spending on vocational training measures for the unemployed should be maintained.*
- *The existing Community Employment (CE) programme should not be expanded greatly, even if unemployment increases as a result of the weaker economic conditions, partly because it was not downsized enough during the years of low unemployment.*
- *Two different models could be considered for job-creation programmes, i.e. Australia's Work for the Dole, and an expansion of subsidised employment for highly disadvantaged groups but subject to a strict requirement that wage subsidisation remains partial, with the rest of wage costs being covered by commercial operations, along the lines of Finland's Social Enterprises.*

In ***What should be done about rising unemployment in the OECD*?** (Bell & Blanchflower, 2009) the authors argue that the causes of unemployment during the current recession have their origins in a collapse in demand rather than as a result of labour market friction in the form of institutional inflexibilities i.e., the current rise in unemployment has little to do with "supply-side explanations of unemployment such as the prevalence of trade unions, wage flexibility, the generosity of unemployment benefits or job protection" (p. 2). The authors note their concern that apparent emergence from recession may be fuelled entirely by public stimulus (such as in the US, France and the UK) and that once this is consumed or withdrawn the private sector will be in no position to take up the slack and the various economies will decline again. In that regard they refer to the analysis of American economist Nouriel Roubini who argued the risk of a 'double dip' recession in the Financial Times on 23rd August 2009 fuelled, *inter alia*, by the continuing fall in employment in the US and elsewhere, the yet to be realised extent of the solvency crisis, the need for governments and consumers to cut spending and the attendant constraints on companies in hiring workers in the face of diminished demand.

The authors demonstrate that young people have been hardest hit by unemployment in every OECD country (unemployment amongst under-25s in the EU27 running at 19.7 per cent) and other groups such as those with the lowest level skills as well as minorities and immigrants are also badly hit by unemployment. They list the consequences of unemployment to include: lost output and diminished human capital; stress, unhappiness and increased susceptibility to a range of illness and ailments; hopelessness as long-term unemployment encroaches; and increased crime, especially property crime.

They stress the need to seriously address youth unemployment as youth unemployment tends to have ongoing effects on those who experience it, including further periods of unemployment, relatively bad health, relatively lower wages and job satisfaction. In order to do so they recommend the following policy responses. Firstly to maintain or increase aggregate demand and avoid withdrawing publicly funded fiscal impetus too soon as this will result in an employment collapse. Secondly assistance could be targeted on the young. They argue (and have previously demonstrated e.g., Bell and Blanchflower, 2008) that ALMPs are not particularly effective and that “there is little evidence to support large scale, active labour market programs (*sic*) to help the young or any other group” (p. 22) and that in a recession placement rates will be likely to plummet and deliver return on investment.

On the other hand they say there may be some logic in the provision of subsidies to private sector firms to hire young people so as to avoid the unemployment effect referred to above. They further suggest that public sector organisations could hire young people on contract (for say two years), paying them the equivalent of the benefits they would have received in any event – a form of subsidised training. They also suggest consideration of removing the minimum wage for under 25s for a period of time.

4.3.3 Skills Formation and Development

References to lifelong learning are a constant theme in many discussions of skill formation and development. Before looking at some recent domestic and EU policies and perspectives it is useful to start by noting the approach to this as articulated in the most recent White Paper on Adult Education in Ireland published in 2000. In setting out the rationale and context for the development of adult education in Ireland, ***Learning for Life: White Paper on Adult Education*** (July 2000) notes that the state adopts lifelong learning as the governing principle of educational policy and recognises the workplace as a learning site and where there should be commitment to the ongoing development and empowerment of all employees. ***The Report of the Taskforce on Lifelong Learning*** (2002) endorses the European Commission’s definition of lifelong learning (“all learning activity undertaken throughout life, with the aim of improving knowledge, skills and competencies within a personal, civic, social and/or employment-related perspective”) and concludes that, in order to realise its cradle to grave aspiration for lifelong learning, a number of things will have to happen to include, for example:

- a significant systemic shift within the education, training and certification systems and in the enterprise sector along with attitudinal change on the part of individuals and society in general; and,
- long-term commitment on the part of government and citizens.

Specifically in relation to basic skills the Taskforce found that despite debate about the detail of what constitutes a basic skill there is general agreement that, at a minimum, basic skills include: reading; writing; listening; speaking; mathematics/numeracy for everyday life; and, increasingly, the ability to use computers. The report also states that, taking a more expansive view, “problem solving, managing information and learning to learn can also be seen as essential to a Lifelong Learning portfolio of basic skills” (p. 23).

The Recent Domestic Policy Discussion Regarding Skills and Qualifications is Substantial and Wide Ranging -

The report of the Enterprise Strategy Group, ***Ahead of the Curve*** (2004), states that it is estimated that 80% of the global workforce of 2015 is already in the labour force and that changes in technology and business processes will render the skills of many of that cohort obsolete by that time thereby implying a need for continual learning. As a result, lifelong skills development will become progressively more important. The report notes that:

- approximately 30% of the Irish workforce (c.570,000 people) have not obtained Leaving Certificate level education and are likely to experience difficulties in accessing further education;
- the participation rate of adults in higher education is low (estimated at the time of the report to be 6%) and that Ireland is unlikely to meet the 25% participation rate target by 2015 as set by the Commission on the Points System in 1999.

The NESF's ***Creating a More Inclusive Labour Market*** (2006) asserts that ongoing "efforts to promote lifelong learning [in Ireland] are not working sufficiently well" (p. xvii) leaving us behind leading European states such as Sweden, Denmark and Finland. It calls for a broadening of the skill levels of all workers, with a particular emphasis on low-skilled workers, through an expansion of certified and NQAI accredited part-time, flexible options. Importantly, the report suggests that the "quality of training provision and outcomes needs to be sufficiently high to attract participation and match the skills needed by business" (p. xviii). The report also remarks that there is "no agreed national consensus on a formula for the sharing of costs of workplace training" (p. xviii) and that this is a key challenge for government and the social partners notwithstanding the general consensus to spend more on the up-skilling of lower skilled workers.

Referring to the National Workplace Strategy (NCPP, 2005), the ***First Report of the National Workplace Strategy High Level Implementation Group*** (2006) emphasises the nine critical characteristics that will be required of Irish workplaces to sustain and deliver increased competitiveness. Irish workplaces will need to be: agile; customer oriented; knowledge intensive; networked; high productive; responsive to employees' needs; involved and participatory; continually learning; and proactively diverse. The report also emphasises the need for the education and training system to flex to meet the needs of workers and what are referred to as cross-cutting approaches are advocated. The report makes specific reference to the need to address basic literacy, numeracy and IT skills.

The Human Capital chapter of the ***National Development Plan (NDP) 2007-2013*** (2007) stresses the need to introduce formalised approaches to lifelong learning with priority interventions for low-skilled workers in order to foster the continual acquisition of the knowledge, skills and competencies required to meet the demands of an economic environment of constant change. The Plan notes that the private sector will always play the greatest role in the training of those in employment but that the public sector has a particular role to play in supporting training where there is evidence of market failure such as for the low and unskilled and for those working in the SME sector.

Tomorrow's Skills: Towards a National Skills Strategy (EGFSN, 2007), describes Ireland's skills profile and provides a strategic vision and specific objectives for Ireland's future skills requirements. It recommends that by 2020, 93 per cent of the Irish labour force should have qualifications at, or above, leaving certificate level and 48 per cent should have a third or fourth level qualification. The report notes that "generic, transferable skills, such as literacy, numeracy, IT and people skills, will be increasingly valued" (p.5).

In order to meet the projected skill requirements the report emphasises that it will be necessary to up-skill 70,000 people from levels 1 and 2 of the National Framework of Qualifications (NFQ) to Level 3 and to similarly up-skill 260,000 people from level 4 to level 5 and a further 170,000 people to levels 6 and 7 at a total projected cost of €153 million per annum (p.13). The report recognises the particular difficulties associated with engaging those at the lower levels of the spectrum for a variety of reasons including low levels of literacy and lack of employer support or difficulties in securing release from production lines and other forms of work (p.13).

Acknowledging the inadequacy of current provision and programming when viewed from the perspective of the task in question, the report recommends that *an implementation mechanism should be established under the auspices of the Department of Enterprise, Trade and Employment and the Department of Education and Science with a view to strategically guiding and shaping the efforts of relevant providers* (e.g. universities, institutes of technology, Vocational Education Committees, FÁS, Skillsnet). The report also stresses the need to imbed and prioritise basic skills such as literacy, numeracy and the use of technology in all publicly funded education and training provision.

The ***All Island Skills Study*** (EGFSN / NISEG, 2008) states that skills "are widely accepted as the key 'raw material' in the modern knowledge-based economy" (p. 12). In that regard *the requirement for formal qualifications is important but so too is the role of core and generic skills that facilitate flexibility and responsiveness*. The analysis of labour market trends on an all-island basis found that that the following key developments have influenced skills demand:

- The rapid expansion of the services sector including, for example, financial and business services where an additional 209,000 people were employed on an all-island basis over the course of the decade to 2008 (380,000k employed at that stage);
- Construction, which at that stage employed around 325,000 people on an all-island basis increased by 8 per cent over the course of the decade to 2008;
- Wholesale & Retail employment where wealth and population growth in particular drove demand and employment in the sector up to 400,000 on an all island basis, which included a 50 per cent increase over the decade to 2008 in the South;
- Public administration, education, health and social services saw an employment increase of 216,000 bring the all-island total to 725,000 people.

The research undertaken also demonstrated growth in professional occupations and craft and related trade occupations as well as a steady rise in general service and retail occupations and a decline in plant and machine operative occupations. It also found that the number of employed persons with below lower secondary (ISCED 1+2) qualifications fell from 1 in 3 jobs at the beginning of the decade to one in fours jobs at the time of the study being in line with the decline in employment in traditionally low-skilled sectors (e.g., agriculture and certain manufacturing sub-sectors such as textiles) and the fall in the number of working-age persons with low education attainment levels. However, the most significant trend in employment by skill level it found is the rapid growth in employed persons with higher third-level graduate qualifications (ISCED level 5+6). Compared to 1999, the study found an additional 340,000 more graduates in employment in the all-island economy and that employed persons with third-level qualifications make up one third of all of employed persons.

The report concludes that over the next decade the main sectors of employment growth are expected to be financial and business services, public services, other market services and wholesale and retail. It also concludes that professional and managerial occupations will grow most strongly with more moderate growth in demand for lower skilled occupations. These trends will be likely to have the following impact on skills demand:

- In this jurisdiction, the share of employees educated to the highest skill level (ISCED 5+6) is forecast to rise from 32 per cent to 41 per cent by 2015;
- The share of employees with lower educational attainment will decline.

In the Preface to the ***Statement on Education and Training*** (NCC, 2009), the Chairman notes that the current crises intensify the case for reforms and change. He states that education is at the centre of the policy imperative to improve competitiveness and that the:

> "*qualities, skills and capacities of our people in their roles in the workplace and in wider society are essential to underpinning our national capacity to achieve sustainable increases in employment, incomes and living standards*."

In the report itself the NCC takes a wide ranging view of the subject and provides analysis and makes recommendations across a range of headings as follows:

- *Key skills for the future*: generic and soft skills, language skills, ICT literacy as well as maths, science, technology and engineering;
- *Targeting disadvantage and raising outcomes*: development of pre-primary, addressing underperformance and integration and language support;
- *Improving the delivery of education*: focus on student performance, teacher training, international assessments and enhancing leadership within schools;
- *Enhancing higher education*: setting a clear vision, balancing autonomy and accountability, sustainable funding and value for money, linking third and fourth levels, higher education and competitiveness and higher education as a services export;

- *Further education and training*: aligning courses with skill needs, building a culture of lifelong learning, adult literacy and realising the skills of migrant workers.

In relation to key skills for the future the report recommends that curricula and assessment mechanisms should *promote the development of critical thinking, self-directed learning, communication and influencing skills, team working and should embed entrepreneurship and innovation at all levels*. It is critical of the rote learning orientation of the current system which contributes little to developing these skills. It also advocates that foreign language skills become more aligned with key trading partners and states that the implementation of the Strategy for ICT in Schools is vital and should be realised through provision of required hardware and greater integration of the curriculum and ICTs. The report also emphasises the need to recruit qualified mathematics teachers and to ensure their ongoing professional development and that consideration should be given to increasing the amount of time dedicated to studying science and mathematics in schools.

In order to target disadvantage the report recommends, *inter alia*, the long term development of a *quality formal pre-primary education system* in Ireland. To improve the quality of delivery within schools the report recommends, for example, a focus on student achievement taking into account the quality of instruction, curricular reform, ongoing training for teachers. In order to enhance higher education so that it makes an optimum contribution to the development of an innovation intensive economy the report states that it is critical to continue to improve the quality and relevance of the education that students receive, while expanding access and participation further. It also states that Ireland needs a proactive and consistent policy framework to promote Irish institutions abroad and to attract international students[36].

In relation to further education and training, which are part of the central focus of the employment and skills strategy in question here, the report notes that what it refers to as 'the shelf life' (p. 37) of skills is becoming shorter and that the Irish education and training system must increasingly cater for the needs of those already in the workforce and promote a culture of lifelong learning. Key recommendations include the following:

- Investment in further education and training courses targeted in areas where skills shortages are forecast and in sectors where potential exists for future employment growth. Equally, publicly funded education and training must be appropriate for the needs of individuals and enterprise development and the report suggests that implementation of the National Skills Strategy (NSS) is critical in this regard;
- There is a need for a pro-active up-skilling plan for workers in the construction sector who lack formal qualifications and those that have had their apprenticeship terminated mid-programme;

[36] The recent significant improvement of the standing of UCD and Trinity College in the world rankings is a particularly positive development in that regard.

- A balance must now be struck between repositioning the skills of the newly unemployed, with the longer-term objective of up-skilling the entire workforce as set out in the NSS;
- The provision of workplace based training, which is fitted around working hours, needs to be actively promoted.

The ***National Skills Bulletin 2009*** (FÁS/EGFSN, 2009) provides some useful analysis of labour market trends although unfortunately it does not take into account the dramatic shifts in employment/unemployment that occurred in the first quarter of 2009 in particular rendering at least some of the analysis less useful than it might otherwise have been.

In relation to education and skills, the report confirms that the education profile of the workforce in 2008 continued to improve with 38% of the employed holding third level qualifications and a shrinking percentage having lower than secondary education (24%). The research also shows that most green cards issued went to nurses, software engineers, computer programmers/analysts, qualified accountants and accounting technicians and marketing managers indicating that Ireland was importing rather than producing an adequate number of skilled personnel during the boom years.

The report suggests that skills shortages persisted in 2008 for IT professionals (e.g. computer systems managers, IT professionals with business and managerial skills, programmers in specific software, networking experts, IT security experts and so on) and that an "increase in the demand for hybrid technologies is likely in the future as interdisciplinary activities expand in importance" (p. 7) such as in the case of business and IT, finance and IT and biotechnology / nanotechnology and IT. Shortages also persisted for some science-related areas such as pharmaceuticals, medical devices and diagnostics and biotechnology.

The report emphasises that the development of the Smart Economy and particularly the pursuit of renewable energy will be key to future growth and that the demand for inter-disciplinary skills at both technician and professional levels will be strong. It also forecasts demand for engineers associated with the renewable energy sector and with innovations in certain manufacturing sub-sectors such as food processing and medical devices. Likewise there will be ongoing need for marketing managers "with product and market expertise and/or foreign language proficiency" (p. 8) and certain medical professionals (general practitioners, dentists, veterinary surgeons, as well as registered general nurses and certain specialised nurses). In the financial services area there will be a requirement for increased numbers of accountants, risk management experts, actuaries and others with particular skills such as regulatory expertise.

Now, for Some EU Perspectives -

The Preface to ***Future Skill Needs in Europe: Medium-term Forecast*** (CEDEFOP, 2008) notes that skills forecasting is a complex exercise in respect of which there are many caveats such that forecasts often provide results mainly at an aggregate level that may be too general for concrete policies or educational programmes. It also notes that the longer the forecasting period, the less accurate and robust are the results, a caveat that hangs over much of the recent efforts in the changed context of the Irish economy. It advises that skills forecasting should be used as a complementary resource to other information and intelligence rather than as an absolute measure through which policy is decided upon. As such, the report states that as skills are a key part of the infrastructure of the economy it is necessary to project the skills requirements of an economy using a range of approaches (quantitative, qualitative, consultative etc.) to arrive at a reliable assessment of future skill needs.

The research underpinning the report confirms the shift in the European economy as a whole away from agriculture and traditional manufacturing industries towards services and the knowledge intensive economy in general and that the trend is towards an intensification of that process over the coming decade. Between 2006 and 2015 it forecasts the loss of over two million jobs in manufacturing and the creation of 13 million additional jobs concentrated in the services sector (9 million. in business and miscellaneous services; 3.5 million in distribution, transport, hotels and catering; and about 3.5 million in non-marketed services)[37].

The intensification of this restructuring will have significant implications for occupational skills needed in the future that will be "reinforced by changes in the way work is organised and jobs are performed within sectors" (p. 13). Demand will increase for those with higher level skills and qualifications whereas jobs requiring traditional skills will decline in number although the report cautions policy makers against neglecting the requirement to ensure skills for more traditional employment as the primary and manufacturing sectors will remain viable sources of jobs and crucial, if relatively less important, components of the economy. The report also comments on the increasing polarisation of jobs that is emerging (very high level jobs vs. low skilled jobs with low pay and poor terms and conditions) and the consequent related problems of social inequality and exclusion for many European citizens.

In noting the severity of the financial crisis and associated recession the Commission Communication, ***New Skills for New Jobs: Anticipating and Matching Labour Market and Skills Needs*** (Cion, 2008) stresses that the crisis adds "an exceptional degree of unpredictability about the future of the world's economy" (p. 1) that must be met with a planned approach to enhancing human capital and employability by upgrading skills and by ensuring a better match between the supply of skills and labour market demand.

The Communication notes that the education, training and employment policies of the Member States must focus on increasing and adapting skills and providing better learning opportunities at all levels in order to develop a workforce that is high skilled and responsive to the needs of the economy. It also emphasises the role of businesses in

[37] The net employment increase in Europe of over 13 million jobs between 2006 and 2015 comprises increases of almost 12.5 million jobs at the highest qualification level (ISCED levels 5 and 6) and almost 9.5 million jobs at medium level (ISCED level 3 and 4), offset by a sharp decline of 8.5 million jobs for those with no or few formal qualifications (ISCED levels 0 to 2).

investing in human capital with a view to ensuring a qualified labour force that contributes to ongoing productivity and competitiveness and notes that whereas the recession puts increasing pressure on public and private expenditure it would be wrong to reduce investment in education, skills or active employment measures:

> *Education and training systems must generate new skills, to respond to the nature of the new jobs and to improve the adaptability and employability of adults already in the labour force. Providing high quality early-childhood and basic education for all, improving education attainment and preventing early school leaving are crucial to equip people with key competences, including the basic skills and learning that are pre-requisites for further updating of skills (p. 4)*

To confront rising unemployment the report stresses that it will be necessary to improve skill matching and that the skills derived from education and training should fully support an innovation-driven economy (noting that they currently do not). Gender imbalances also need to be addressed in occupations and career paths taken by women and men. In its assessment of the skills and labour market needs up to 2020 the Commission arrives at three core conclusions as follows:

- over the medium to longer terms there is significant potential for employment creation both for new and replacement jobs particularly in business services such as IT, insurance or consultancy, health care and social work, distribution, personal services, hotels and catering, and to a lesser extent education but also in jobs associated with the transition towards a low-carbon economy such as in energy, water and waste treatment, construction, transport, industry, agriculture and forestry;
- skills, competencies and qualification requirements will increase significantly across all types and levels of occupation; and,
- there is a need to ensure a better long-term match between skills supply and labour market demand.

4.3.4 Growing Consensus that Quality Education is Essential for Long-Term Economic Performance

There is widespread recognition of the profound contribution that early childhood education plays in shaping individual and social development. Equally, it is also recognised that the quality of what is unfortunately termed the period of "compulsory" schooling is of fundamental importance to forming individual learning capacities and, in turn, contributing to economic well being at individual and national levels.

Recently, a number of commentators have referred to the need for reform of the education system with particular emphasis on the second level system. The general thrust of these observations centre on the need to foster creativity, flexibility and connectedness, learning the how and the why of things and not simply the what. For example, in an article in the Irish Times the head of the Higher Education Authority said:

> *"our second-level system is producing students who learn to the test; who in ever greater numbers are not learning to think for themselves; who receive spoon-feeding at second level and expect the same at third"* (*Irish Times, 13/06/2009*)

At the recent Global Economic Forum at Farmleigh (18th September 2009), the former CEO of Intel (Craig Barrett) is reported as saying that Ireland is falling behind other countries in education and research and development and that there has been a slippage in standards in education at the higher levels (Irish Times, .19th September, 2009).

IBEC's Education Message 2008 recognises the key role that Ireland's education system has played in our economic transformation over the last three decades but notes that it is now challenged to fundamentally innovate and change if we are to meet new demands coming from the workforce, employers and society. Referring to evidence from the ESRI longitudinal study of post -primary level students that demonstrates a disconnection occurring for many students in the transition from a more holistic primary curriculum to what it refers to as a rigid, crowded and subject based curriculum at second level that is dominated by rote learning and standardised testing, IBEC says that this:

> *"represents a missed opportunity to develop the generic competences (e.g. communications, creativity, learning to learn) out lined by the National Skills Strategy and could also be contributing to the stubbornly high levels of early school leaving."*

IBEC also calls for alternative assessment methods, which link the classroom to the outside world and argues that the early years of second level education should focus on students' wider cognitive, emotional, social physical and aesthetic development. Recommendations also include a variety of measures to enhance the attractiveness of maths as a subject and the quality of pedagogy as well as the development of a new Junior Certificate Programme that addresses the multiple intelligences of the child, that uses multiple methods of assessment and that has the potential for local interpretation and customisation by teachers.

4.4 Conclusion

In this chapter we reviewed a wide range of policy and other perspectives in respect of key issues of relevance in developing an Employment and Skills Strategy for the DCR. We notes that while it is useful to trawl the policy landscape in order to inform the proposed strategy it is equally important to note that many of the old assumptions no longer hold creating *an imperative to strategise and to plan on the basis of the new reality*. In synthesis the principal lessons from the literature that can be brought to bear on the proposed strategy are the following:

- Human capital is a key to Ireland's and the region's economic and social future and in that regard the centrality of skills for life to social and economic development is emphasised;

- In order to meet the challenges ahead, there is a need for co-ordinated action across all relevant actors to include employers, training and education providers, unions, professional associations, regional bodies and the community and voluntary sector;

- There is a need for a forum or mechanism that is representative, focused on the region and granted the authority to oversee the ongoing development of the regional economy with a particular emphasis on internationally traded services and possible growth areas such as e-learning and digital media;

- There is need for fundamental reform of the education, training and welfare systems with a view to realising the knowledge society and securing our economic future as well as a need for innovative approaches to curriculum, pedagogy and programming - curricula and assessment mechanisms should promote the development of critical thinking, self-directed learning, communication and influencing skills, team working and should embed entrepreneurship and innovation at all levels;

- Further education and training needs to be client-focused and market relevant rather than provider or programme driven;

- There is a need to imbed and prioritise life skill and the use of technology in all publicly funded education and training provision;

- Given its infrastructure, reputation and capacity, the third level sector should collectively position the region as a location of choice in the International Education market;

- There is a need to retain as many people in employment as is possible so as to maintain their employability and to avoid the dangers and costs of unemployment - alternatives to redundancy such as short time, part-time working, job sharing, e-working, career break/leave schemes combined with job rotation schemes should be considered.

- There is a need to intensify and improve the quality of engagement with people who are unemployed with a view to ensuring the nest level of matching between their needs and available provision and with a view to deriving maximum efficiencies from limited resources – in that regard there is a need to integrate the placement function with the unemployment benefit administration function;

- There is a need to generate opportunities for contact with work for people who are currently unemployed and a particular need to support those who are least qualified as well as tackle unemployment amongst young people and to avoid long-term unemployment in general;

- In the absence of market-led demand, there is a need to generate employment opportunities for the unemployed that may include, for example, construction and regeneration of social housing and building sustainable communities, through provision of social and cultural facilities, retro-fitting of properties to ensure their energy efficiency and through approaches such as Job Rotation;

- We need to anticipate and prepare for opportunities in the SMART / Green economy i.e., we need to ensure the development of the skill base necessary to take advantage of the emergence of the new economy;

- We also need to ensure an adequate supply of skilled people in particular areas to include, for example, engineers (associated with the renewable energy), marketing managers, people with hybrid skills (e.g. marketing and languages), medical professionals, accountants, risk management experts, actuaries and others such as those with advanced skills in financial regulation;

- We need to further exploit our advantages in the export services sector and to more effectively use our success in this sector as leverage into areas such as environmental services, education/e-learning and digital media/creative industries.

These issues are taken up in the final chapter of the report and are reflected in the strategy proposed.

CHAPTER 5

AN EMPLOYMENT AND SKILLS STRATEGY FOR THE DUBLIN CITY REGION

5.1 Introduction

This report sets out to develop an Employment and Skills Strategy *for the Dublin City Region*. In articulating that strategy it must be acknowledged - at the outset - that key policy levers relevant to employment protection and promotion (e.g., design of employment support schemes, rates of employers' PRSI, corporate tax rate, level of public investment to support R&D) and addressing the economic and personal costs of unemployment (e.g., rates of welfare payments, number and types of publicly funded training programmes and associated eligibility conditions) are located predominantly at national level and are subject to national government decision-making. Similarly, key elements of education and training policy - notably curriculum and assessment at second level, the level and nature of fees for participating students in third level, the nature of student supports for disadvantaged students, and the terms and numbers of places allocated for unemployed persons on education and training programmes - are decided at national level. In practice, and as noted in Chapter 1, strategy in respect of skills formation and development is firmly located in a national context; current policy is premised on regional skills shortages - to the extent that they arise - being addressed by inter-regional mobility and, as we have seen over the past number of years, on immigration. Consequently, at present, competence and authority concerning many of the proposals set out in this strategy reside at national level.

However, the report also sets out the unique place that the DCR occupies in the national economy as well as the particular employment and skills issues associated with its position in the national economy. In that regard we contend that there is a strategic imperative to focus on the city region with a view to securing its economic future and viability as Ireland's only comparable metropolitan city region[38]. The data and literature reviewed present a strong case for supporting an Employment and Skills Strategy for the DCR and indicate that concerns about regional inequalities need to be balanced against the strategic importance of the DCR to national economic wellbeing. In that regard, the

[38] We also contend that given the shifts in the dynamic of the global economy that have been in train for some time and the recent employment / unemployment crisis associated with the severity of the recession in Ireland, there is now a strong case for developing of an Employment and Skills Strategy at national level.

issue is creating a positive dynamic between a prosperous city region and the other regions of the country.

Whereas national policy and its effective implementation is critically important with regard to employment and skills issues, we have shown that the economic and business dynamic, but more particularly the innovation dynamic, of the city region is also deeply influenced by a wide range of regionally specific factors (e.g., presence of globally recognised universities and high level of third level facilities, established agglomeration of companies in the ICT, business and financial services, emergent capacity ICT in digital media) as well as the presence of headquarter operations of a large number of economic, social and communications organisations.

	Employment Policies and Initiatives to Prevent Employment Loss and Support Sustainable Employment Growth	**Unemployment** Policies and Initiatives to Minimise the Costs of Unemployment and Maintain and Develop the Employability of the Unemployed
National Policies and Initiatives that are Premised on and Designed to Address the Crises in Employment and Unemployment at a National Level	e.g., Personal Taxation and Social Insurance Corporate Tax Rates Availability of Credit and Investment Finance Current Job Subsidy Scheme	e.g., Activation Policy and Employment Supports Education and Training Programmes for the Unemployed
Dublin City Region Policies that have a Specific Regional Focus and Intent and Represent Regionally Coherent Approaches to Supporting Employment and Addressing Unemployment at Regional Level	e.g., City and County Development Plans Strategic Initiatives by Third Level Sector and other Regionally Based Organisations (e.g., Dublin Creative Alliance)	e.g., Local Initiatives by Organisations such as Partnership Companies or other Regionally Based Organisations

Skills Formation and Development

Figure 5.1 Framework for Articulating an Employment and Skills Strategy for the Dublin City Region

The international literature on FDI (particularly services) and the locational choices of innovative and creative sectors suggests that, in practical terms, a range of factors underpin successful city regions. These include what have been referred to as 'hard' (e.g., quality of labour supply, quality of public services, local taxation policy, and transport infrastructure) and ‘soft’ (e.g., attractive housing, amenities and leisure facilities, security, and the atmosphere or 'buzz' of a city) factors. Cross-cutting these factors are tolerance and equality. Realising a vision of the DCR as a dynamic national hub fostering sustainable employment and a high quality of life requires the attention of policies and policy-makers not just in the specific domain of employment and skills but also of policies and policy-makers in a wide range of areas including transport, housing, amenities, arts and culture, environment, health, and energy. In short, as we now reiterate, there is a dynamic between fostering a working city and a fostering a living city. Achieving coherence between the national and regional elements of policy and associated institutional structures that impact on these diverse areas is thus a critical issue in this regard.

The realisation of the strategy set out below will require those in leadership positions within the city region (e.g., the four Local Authority Managers, the broad membership of the Creative Dublin Alliance[39], representative organisations from across the sectors) to collaborate to maximise the region-specific effectiveness of their own expenditures, resources and activities with a view to creating:

- the positive social, cultural and environmental conditions that will ensure that the DCR continues to be an attractive place to invest and work in; and,
- a strong and dynamic voice advocating for change in national policies with a view to meeting the specific employment and skills needs of the DCR.

In developing the components of the strategy proposed below we have looked at employment and skills from both the regional and national perspectives taking into account (as outlined above) the different levels of competence and discretion that apply but noting that ***the impetus for change must come from and be sustained at the regional level***. Figure 5.1 sets out the framework within which the strategy is developed noting that there are different types of policy spaces and possible initiatives at each level and that skills development may or not be relevant depending on the specific action being taken in each instance. However, it recognises the centrality of skills formation and development as a component of any strategy that is concerned with protecting and growing employment and combating unemployment and its associated economic, social and personal costs. Moreover, it shows that in articulating an Employment and Skills Strategy for the DCR it is necessary to consider actions falling within the four quadrants of the figure.

Before presenting the strategy itself we briefly re-present, by way of context, some of the main findings of the report regarding the DCR that mark it out as a unique region in the Irish context.

[39] The Creative Dublin Alliance is a network of diverse leaders that meet to discuss and implement solutions in response to the challenges that Dublin faces as an internationally competitive city region. The CDA involves collaboration between Dublin Local Authorities, Colleges, State Agencies, Business and the Not-for-Profit sector.

5.2 Employment and Skills in the Dublin City Region – The Current State of Play

In the preceding chapters of this report we presented the growing consensus at international level concerning the importance of city regions as economic hubs that can become facilitators of innovation and promoters of leading edge creative industries and the knowledge economy. Successful city regions are successful because they have the environments and policies to not only grow technology and talent but also to attract technology and talent.

We also considered the growing body of literature at national and regional levels that stresses the importance of the DCR in the Irish context and its contribution to national economic wellbeing - particularly in terms of its contribution in the areas of the knowledge economy and the broader area of internationally traded services. The literature suggests that the DCR should be supported in its development and that any false dichotomy between the wellbeing of the region and other regions in the country should be eschewed. Rather the issue is creating a positive dynamic between a prosperous city region and the other regions of the country.

However, the recent crises have taken a serious toll on the city region and threaten its ongoing status and competitive position *vis-à-vis* other city regions with which it competes (none of which are located in Ireland). In 2009 the population of the DCR declined (while the population outside of the region increased). This population loss is concentrated amongst persons in the 20 to 29 year age group (mostly return migration by young people from the Accession states as well as emigration amongst young Irish people). This phenomenon will further depress domestic consumption and housing demand but it may also result in the loss of key skills from the DCR ***making policies focused on the retention of qualified and skilled workers of particular relevance to securing the future economic development of the region***.

Over the period between Q3 2007 and Q2 2009 the loss of employment geographically located in the DCR - at an estimated 71,500 jobs[40] - reflects not only the effects of the more recent shocks to the system (i.e., bursting of the housing bubble, banking crisis, collapse in domestic demand, and fiscal crisis) but also the pre-existing but now exacerbated trend in the decline in manufacturing employment in the city region – a substantial component of the employment loss in the manufacturing and construction sectors in the region is likely to be structural i.e., those jobs will not be available again, even in the event of economic recovery.

Employment in the DCR is predominantly located in the services sector (almost 9 out of every 10 jobs). However, it is important to emphasise the diversity of employment in the service sector and of the internal dynamics at play within it. Much service sector employment is relatively low skilled, labour intensive, low paid, and dependent on cyclical trends (e.g., sales and personal services). A considerable proportion -

[40] The number of people residing in the region who lost their employment over the same period is 65,200.

approximately 25% to 30% - is either employment in the public sector or directly supported by public expenditure. The smallest employment component of the service sector in the city region is the internationally traded services sector (noting that each job in this sector supports approximately one additional job outside of the sector).

Given the structural losses in manufacturing and construction as well as the high level of job losses amongst people that were previously employed in cyclically dependent sectors (e.g., accommodation and food services, retail services, and domestic business services) the level of recovery will need to be substantial as well as "job rich" if many of these are to find employment again - and in that lies one of the most difficult challenges facing the region and one of the more difficult issues to address in the employment and skills strategy for the region.

As one of the most globalised economies in the world, Ireland - and the DCR in particular - is significantly exposed to a range of powerful forces that include:

- long-term shifts in the nature and location of economic activity globally;
- the as yet unresolved consequences of the international and national banking and credit crises;
- long-term structural changes underway in developed economies associated with advancing technological capacity; and,
- growing concern and action regarding the effects of climate change.

That exposure as well as the fall-out from the effects of our home-grown problems has introduced an extremely high level of volatility and unpredictability that make it virtually impossible to forecast future jobs with any degree of certainty. Inasmuch as it is possible to identify growth areas there is general agreement internationally that there are structural employment gains to be had in certain high-end sectors such as education, health care, ICT related services including digital media, pharmaceuticals and bio-technology, medical instrumentation, and energy. The city region is well-placed to benefit from some of these growth areas and ***focusing on the strategic development of sectors with growth and export potential is clearly a vital component of a strategic response to growing employment***.

However, even if the city region is successful in exploiting its many advantages[41] and generates employment in these potential growth sectors, the employment opportunities that will be generated will be largely at the higher end of the qualifications and skills spectrum and for the most part will be out of reach of the vast majority of people currently unemployed. Moreover, the employment arising will be likely to be relatively limited in quantum terms when the current scale of unemployment is taken into account together with annual inflow to the labour force.

[41] For example, the age profile of its population, the strong capacity of the higher education sector as well as the further education and training system (e.g., the three universities and the four institutes of technology in the city region had an output of 22,423 graduates in 2007 / 2008) as well as significant investment in cutting edge research and development.

Within the DCR there are now approximately 100,000 persons unemployed based on Live Register figures for October 2009. Recent trends in the sectoral and occupational composition of employment change show that ***it is the lower qualified and less skilled who have been disproportionately affected by job loss***. These former workers are now at most risk of long-term unemployment. While not yet at levels seen in the late 1980s, long-term unemployment is now beginning to increase and currently - on a Live Register basis - one in four persons unemployed in the DCR are long-term unemployed. Evidence from previous crises demonstrates that there is a strong tendency for high levels of unemployment, and particularly long-term unemployment, to persist following shocks to the labour market.

The rapid fall in employment levels and the associated rise in unemployment together with the heterogeneity of the unemployed - particularly in terms of educational qualifications - now present substantial challenges to the system in terms of the quantum and diversity of need for up-skilling and ongoing engagement in education and training as well as the level and types of employment opportunities that will be required to absorb the number and diversity of people in the labour force now seeking employment. In that regard there are short term issues arising in respect of:

- identifying the mix of qualifications, competencies and skills required to underpin innovation, entrepreneurship and the generation of sustainable employment;
- ensuring access to higher education and further education and training for the unemployed and specific groups within the unemployed, both in terms of quantity of places and quality of courses;
- expanding the sites of learning and skill acquisition from predominantly centre based facilities to other sites including the workplace as well as increasing e-learning opportunities;
- allocating the required levels of public and private finance to underpin high quality skills training for the number of employed and unemployed workers requiring skill development;
- deciding how training should be provided and funded - balance of contributions from individuals, employers, and state; and,
- addressing rigidities in publicly provided training and considering the role of market led training provision.

Thus, while focusing on the strategic development of sectors with growth and export potential is a necessary component of a strategic response to growing employment, those sectors on their own will not generate sufficient jobs to provide employment for many of those now unemployed. ***New and imaginative initiatives will be required to signpost a route back to full employment on a sustainable basis***. This, in turn, will require not just addressing issues related to policy content - what should be done - but, as fundamentally, addressing policy implementation in terms of who delivers and how policies are effected and evaluated. For the DCR particularly it will require exploring how to marry the levers of national employment and labour market policy with policies and initiatives falling within the remit of the Local Authorities and other institutional players at regional level.

Even in the context of a return to modest levels of economic growth - the amount and timing of which is the subject of much speculation - it is likely that unemployment and long-term unemployment will continue to rise over the coming years. This is as result of a combination of factors that includes: the combination of the overhang of fiscal austerity, continued depressed levels of personal consumption, and structural dislocation of a substantial component of the unemployed. This gives rise to a particular challenge in terms of the ***need to contain the adverse personal, family and social consequences of unemployment (and particularly long-term unemployment) while simultaneously identifying and putting in place effective policies to grow employment***.

Given that context it is our view that an effective Employment and Skills Strategy for the DCR will be integrally concerned with:

- putting in place the infrastructural, social and environmental conditions (e.g., educational, social, arts / cultural, sporting) to mark out the city region as a desirable and attractive place to live and work;
- protecting as many jobs as possible to ensure the maintenance of a strong employment base and to avoid the personal, social and economic consequences of unemployment and long-term unemployment;
- ensuring an adequate supply of skills: (i) for occupations where there is ongoing demand and a long lead-in time (e.g. medicine, veterinary, nursing); (ii) to sectors that demonstrate the potential for structural growth (e.g. software development, education, bio-medical, digital media, pharmaceuticals, health-care); and, (iii) in those subject areas that underpin the capacity to develop a knowledge based economy (e.g. science and mathematics);
- building the core competencies of individuals and businesses to adapt to rapid and possibly unforeseen change;
- ensuring that the workforce possesses both generic and well developed learning capabilities as well as specific skills and competencies; and,
- delivering skills and competency development programmes that are based on market relevance and individual demand and less on pre-existing capacity.

Taking into account the extent to which the Irish economy and particularly the economy of the DCR are embedded in a services-driven model and the fact that it is not possible to predict with any degree of accuracy the *specific skills* that will be required for *specific occupations* in the future, some of the critical issues that the strategy needs to address from the skills perspective are:

(iv) how do we ensure that we have the skills to generate wealth and employment through active trading of our service base in a global economy?

(v) how do we ensure that we have the skills base to attract a diverse range of foreign direct investment that offers direct and indirect employment opportunities at various skill levels?; and,

(vi) how do we ensure that our skills base contributes to enhanced productivity and competitiveness in the non-traded economy (public and private)?

5.3 The Strategic Imperative

There is a need to accept and understand, as outlined in the preceding chapters, the scale and depth of the employment / unemployment issues facing the DCR and arising from that the need for urgent, planned, comprehensive and orchestrated action. This involves an acceptance not only of current weaknesses as demonstrated above but an assessment of ongoing threats to employment recovery (e.g., ongoing shift in global economic production toward the BRICs, growing competition for FDI from Eastern Europe, fiscal constraint on a national stimulus package of sufficient scale, growth of personal debt and its adverse effects on personal consumption and employment).

There is also a need on the part of employers, workers and citizens to understand and to accept that the state alone cannot address the employment / unemployment crisis. The task is simply too great and too complex and the state does not have the resources or capabilities to address all needs or to realise all opportunities that may arise. Instead, the strategy outlined below envisages the state as a facilitative and co-ordinating actor that requires the active collaboration of other stakeholders - employers, trades unions, universities, private training entities and individuals - to effectively address the employment / unemployment crisis.

Notwithstanding the seriousness of the issues that we face it is worth recognising that we are not moving from a standing start. From an employment and skills perspective, Dublin has many strengths[42]. Those strengths include:

- a city with a reputation as a centre of cultural excellence;
- a young, very well-educated workforce;
- an education and training system and infrastructure that has the capacity for high levels of output;
- a thriving third level sector and universities that are regarded as ‘world class’;
- successful, high-end and prestigious hubs of economic activity, for example in ICTs, business services, pharmaceuticals and financial services.

As the administrative / political capital, the city region is also advantaged in terms of the concentration of public sector employment and associated activity including, for example, the business of foreign embassies. What is currently lacking is the opportunity to exploit the region’s strengths; however, while awaiting and seeking opportunities it is imperative that DCR is not held in a sort of suspended animation. The pace of change in the global economy is such that any tendency to stand still and wait out the crisis could prove to be particularly detrimental.

In that regard there is an obvious need to protect the existing employment base and to explore new employment opportunities. We also need to prepare ourselves to be ready to appropriately respond to the needs of the new economy and to ensure that all members of the labour force are adequately equipped in terms of their core competencies and skills

[42] For an elaborated SWOT of the Dublin City Region, see Fitzsimons 2009.

(literacy, numeracy, ICTs, communication, problem identification, problem solving etc.) to engage with the demands of that economy. We need to ensure this for all members of the labour force whether they are:

- still at work;
- entering the labour market for the first time;
- recently unemployed; or
- long-term unemployed.

We also need to raise the bar in terms of the general level of mathematical and scientific literacy in the population in general and to ensure that we educate and train an adequate number of people to meet demand and needs on a domestic level (e.g. nurses, doctors, IT professionals) as well as people who have the hybrid skills (e.g., marketing, ICT, and languages) that will enable them to develop our export capacity.

As noted above and as further elaborated on below, the proposed strategy for the DCR will require local or regional impetus but it also requires a response from central government that recognises the case for a particular focus on the DCR given its importance in the context of the overall economy. It is our contention that the economic and employment context is such that now, as never before, there is an imperative consonant with a range of policy aspirations (e.g., labour market and economic competitiveness, lifelong learning and the knowledge economy, equality, anti-poverty and social inclusion) to address the issues through a coherent, strategic approach.

Within the city region initiatives are already in play that seek to position the region for the future. These include the ongoing collaboration of the four Local Authority Managers, the Creative Dublin Alliance and, more recently, the Lord Mayor's Commission on Employment. The *Economic Action Plan for the Dublin Region* contends that an economically vibrant City Region is essential to the overall economic success of the country and aims to position the region as a leading knowledge economy hub that provides an environment where creative talent is nurtured, attracted and thrives. The Plan dovetails with the impetus towards the development of the 'Smart Economy' at national level and is set out under three major headings as follows:

- The Development of Strong City Leadership;
- The Creation of a Vibrant Place; and
- The Attraction and Retention of Creative People.

It envisages collaboration between stakeholders across the sectors and the generation of a distinctive brand for the region that will allow it to compete as an International City Region[43]. It also envisages the development of key economic corridors that play to the

[43] One of the core arguments put forward by Bradley and Kennelly in *Capitalising on Culture, Competing on Difference* (2008) is that "culture, tradition and identity are powerful resources that lead to innovation, creativity, entrepreneurship and global advantage. Such qualities, founded on meaning, rooted in place and

existing strengths of the region and its economic base and seeks to embed economic criteria in the planning processes of the four local authorities and to promote the development of emerging high-tech and bio-tech clusters while consolidating and further promoting existing advantages in key sectors such as digital media.

The Development Planning process underway on the part of local authorities offers a real opportunity to further develop and act on the vision set out in the Economic Action Plan and to take on board the recommendations set out in the strategy proposed below. The Report of the City Manager on the Pre-Draft Consultation for the Dublin City Development Plan sets out the wide-ranging issues that arise in the context of the planning process. These include, *inter alia*, issues that pertain to:

- the International / National / Regional Dimension of the proposed plan (e.g., the need for strong leadership and integrated governance as well as the need to secure the place of Dublin as a driver of economic growth);
- sustainability (e.g., reduction of energy and water consumption, improvement of the living environment, support for sustainable design criteria);
- population and housing (e.g., whether to aim for increasing or stabilising the population of the city, housing density, affordable housing and quality of existing housing stock);
- economic development and employment (e.g., improving competitiveness, quality of the hard and soft infrastructure including provision of a safe, clean and green environment, responsiveness of planning to economic issues, use of planning policy to promote the city core as the prime national shopping destination of world class quality, constantly improving the tourism product);
- movement and transport (e.g**.,** need to deliver a quality, comprehensive and integrated public transport system, provision of a safe, continuous and well maintained cycle network);
- community development (e.g., development and maintenance of compact sustainable neighbourhoods, community infrastructure, childcare facilities, education, healthcare, disability friendly facilities and universally accessible environments)
- arts and culture (e.g., the need to better harnes**s** the potential of the city's cultural assets, to develop the cultural infrastructure (at city and neighbourhood levels), and the need to strengthen the role of culture in the city's economy).

The Employment and Skills Strategy set out below has a regional and a national dimension. The regional dimension touches on all of the issues referenced above and refers to actions that are within the control of the leaders at regional level. The national dimension refers to policy levers that are controlled at national level but which impact on the capacity of the region to address the employment / unemployment crisis and to prepare itself for future opportunities and future employment. As such, it will be necessary for leaders at the regional level to advocate for change in and/or the nuancing

catalysed by a forward-looking public policy, can create conditions necessary for creation of the vaunted *knowledge* or *learning society* (p. 2).

of national level policy and programmes to complement their own efforts and to secure the ongoing viability of the region. Consequently, an Employment and Skills Strategy for the DCR will encompass components arising in all four quadrants of Figure 5.1. It should ensure coherence, non-duplication, effectiveness and value for money across and between all actions and initiatives that impinge on protecting and promoting employment and minimising the costs of unemployment to individuals and society through promoting the employability of the unemployed and preventing long-term unemployment. The success of such a strategy must ultimately be judged by results.

5.4 Components of the Employment and Skills Strategy for the Dublin City Region

5.4.1 Strategic Aims and Objectives

The strategic aim of the Employment and Skills Strategy proposed here is to ensure the ongoing economic viability of the DCR and its status as Ireland's only comparable metropolitan city region through ensuring the attractiveness of the region as a place in which to invest, to work and to live.

The strategic objectives of the Employment and Skills Strategy for the DCR are to:

- Protect and generate jobs;
- Deliver high quality and relevant vocational education and training;
- Ensure the realisation of the full potential of the human capital of the city region;
- Enhance the productivity and competitiveness of the city region;
- Prepare the city region to take advantage of opportunities in the global economy;
- Protect the unemployed from the effects of long-term unemployment and de-skilling.

5.4.2 Principles and Values Underpinning the Strategy

In order to meet the needs of the heterogeneous labour force in the DCR the strategy should be underpinned by the following core principles:

- Inclusivity
- Equality (of Access, Opportunity and Outcome)
- Respect
- Responsiveness
- Value for Money
- The Pursuit of Excellence.

Given that the economic and employment structure of the region is not built to support self-sufficiency, the central values underpinning the strategy should promote self-determination and self-realisation as well as independence of thought and should seek to both acknowledge and accommodate diversity and to promote choice. In our view the concept of equality best embodies all of these ideas and is inherent in the progressive literature that we have referenced in the body of the report (see, for example, Stiglitz (2009), Florida (2007), and Wilkinson & Pickett (2009)).

We recommend that the concept of equality should be the core value underpinning the Strategy.

5.4.3 The Components of the Strategy

Based on the body of evidence presented above there are various components necessary to support the Employment and Skills Strategy for the DCR and these are presented below. Respective components of the strategy are accompanied by a rationale for their inclusion in the strategy and by recommended actions. The specific components of the Employment and Skills Strategy for the DCR are:

- Protecting and Growing Employment;
- Minimising the Costs and Effects of Unemployment; and
- Maximising the Skills and Competency Base of the Regional Labour Force.

These pertain to three key areas of policy i.e., (i) Employment Policy, (ii) Unemployment and Labour Market Policy and (iii) Skills Policy. Recommendations in respect of each component are presented from the perspective of Regional and National competence respectively taking into account the conceptual approach to the development of the strategy as set out in Figure 5.1 above.

Finally, the three central components of the strategy are underpinned by recommendations regarding the transversal issues of Governance and associated Structural and Organisational Reform.

5.5 Towards an Employment and Skills Strategy for the Dublin City Region

The elements of the Employment and Skills Strategy articulated here can be summarised in the following way: Growing Employment, Sharing Employment, and Preparing for Employment. Also, while a range of recommendations are made in respect of the components of the strategy they, of necessity, are at the level of providing a direction for the types of specific initiatives and programmes required. The specification of these initiatives and programmes is thus a down the line matter but one that crucially involves not just addressing their content but also their mode of delivery and governance. As indicated in the previous chapter we are not without a degree of intelligence regarding what is required to be done; however, what is now imperative is that there is the political and administrative commitment at all levels to pursue a strategy and ensure that it is effective.

Action needs to be taken immediately to address the crisis. To facilitate this, in addition to the recommended actions presented below, **Annex 1** presents a set of actions that could be taken by the Local Authorities to kick-start the process. Clarity of objectives and commitment to effective implementation will be critical if results are to be obtained. For that to happen the strategy will need momentum and for it to gain momentum it will require a mechanism or vehicle to drive it. In our view the existing grouping of the four Local Authority Managers should lead with the support of the Dublin Regional Authority and the Creative Dublin Alliance[44]. The Dublin Employment Pact[45], given its membership, remit and expertise is also well placed to act as a facilitator to support the process of engaging relevant agencies and further developing the detail and aspects of the planning of the roll out of the strategy. As noted earlier however, the strategy will ultimately require buy-in from policy makers at central government level with a view to achieving the degree and type of change that will be necessary to address the employment, unemployment and skills issues in question.

5.5.1. Protecting and Growing Employment

Rationale

The imperative to create jobs is clear; without employment creation it will not be possible to effectively address unemployment let alone absorb the ongoing flow of new - and relatively well qualified - entrants to the labour force The interaction of skills development and job creation is critical in order to ensure that the DCR is in a position to both attract quality employers and create quality jobs that utilise the human capital of the workforce and in so doing enhance the region's productivity and competitiveness. Of necessity, a core element of this will require growing employment in sectors and in companies that have the capacity to compete in internationally traded services and goods. While continuing to attract FDI in internationally traded services will be necessary, equal attention needs to be devoted to: (i) assisting indigenous companies in the knowledge sector (including education, software development, digital media) to reach maximum sustainable employment levels; (ii) ensuring that the DCR recaptures and consolidates its position as a city tourist destination; and, (iii) realising the employment potential of the region's arts and cultural resources.

Maintaining the now substantially depleted employment base of the region is also an imperative. Apart from the effect that unemployment has on the suppression of demand (resulting in further job losses) there are many other potential negative consequences of job loss. They include costs for individuals (e.g., loss of morale, stress, demotivation, ill-health), for businesses (e.g., loss of tacit knowledge, human capital and associated productivity, and the costs associated with re-hiring in the event of an upturn), and for the state and society in general (e.g., loss of tax on income and associated consumption, cost of unemployment and other benefits, possible social unrest and manifestation of

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[44] The membership of the Creative Dublin Alliance should be widened to include employment and skills expertise such as that provided by the Dublin Employment Pact and its membership.

[45] The aims of the Dublin Employment Pact are: to highlight the development needs of Dublin with a particular emphasis on promoting economic growth, employment and social inclusion across the region; to promote practical solutions at a Dublin-wide level to the problems of urban disadvantage and social exclusion, long-term unemployment, early school leaving and equality in access to the labour market; to encourage new approaches to quality training and life-long learning so as to develop sustainable quality employment in the public and private sectors and in the social economy.

frustration in behaviours such as increased substance abuse and crime). As such, every effort should be made to retain people in employment and to maintain their connection to the workplace.

Recommended Actions to Grow Employment

- Enhance and promote internationally the image and status of the DCR as a place to do business, to visit, and in which to live. Key areas for action include branding and marketing the key strengths and resources of the region, ensuring that infrastructural planning and development is focused on doing business in the region and underpinning quality of life, and supporting cultural and creative excellence.

- In consultation with business interests and relevant state agencies in the context of the development planning process, the Local Authorities should carry out a planning audit to see how changes in planning criteria/zoning combined with a regional inward investment drive could maximise future new employment in the city region. As noted in Chapter 3, this should take into account the reality of the economic, employment and skill base of the region noting the overwhelming predominance of the services sector in that regard.

- Develop a clear set of strategic objectives for sectors that have the potential to create sustainable employment and ensure that employment targets are established and clearly related to specific policy instruments and initiatives. This will involve making an assessment of current strengths and future opportunities in a grounded manner. The key is to identify the competitive and other advantages of the DCR and use these as a platform for employment growth.

- Maintain and develop the region's status and capabilities in relation to FDI-led exports in services and manufacturing and pursue the further diversification of FDI in high-end services such as ICTs, business services, and digital media.

- Identify and implement specific initiatives that have the potential to enhance competitiveness and growth in all sectors and that are in line with national policy goals concerning:

    - building a smart economy (e.g., upgrading ICT infrastructure and training);
    - building a green economy (e.g., undertaking energy conservation measures with long-term cost reduction potential).

- Develop specific sectoral initiatives in potential growth areas such as tourism, education services, health, and business services.

- Identify people with creative abilities, entrepreneurial acumen and/or particular scientific/technical skills and 'match-make' them with established business-oriented expertise and, as appropriate, financial support. Provide quality mentoring and training and on the basis of viability and employment potential, provide seed capital and other incentives such as through the taxation system.

- Provide opportunities, mechanisms and supports for the realisation of creative/entrepreneurial potential with a particular focus on sustainable employment creation potential, value added and export orientation.

- Undertake to employment proof all state and local authority expenditure in the region with a view to maximising the employment content of central government and local expenditure.

Recommended Actions to Protect Jobs

- The state should provide a coherent and business-relevant package of incentives and supports for businesses to maintain existing levels of employment that avoids or minimises deadweight and displacement. It should be noted that currently there is much discussion of the merits and limitations of various approaches (e.g., job subsidies, PRSI reductions) and the choice of supports needs careful consideration if they are to be cost effective.

- Employers should explore - and should be actively assisted to explore - all alternatives to redundancy with employees (e.g., compressed hours, part-time options, reduced weeks, job share, e-working, career breaks). In the current climate the positive benefits of flexible working arrangements should be maximised in terms of promoting enhanced work-life balance. It would be naive not to think of the likely reductions in individual wages that arise in this regard but the presence of job loss as the alternative outcome needs to be considered as less desirable.

- Employers should be assisted to find ways of cost containment that will lead to enhanced productivity and competitiveness (e.g., improved management skills, stronger business and market intelligence, and reduced costs of doing business (e.g., taking into account rent, energy, waste management, communications etc.)) that will ultimately benefit the company, its employees, and the economy as a whole.

- Where workers are required to work reduced hours in order to maintain their employment they should be supported to use the ‘down time’ to engage in training with a particular emphasis on acquiring and developing generic skills. Ideally, and where possible, that training should be delivered in the workplace.

- In the case of all companies in receipt of state aid, make the availability of certain supports and/or tax breaks conditional on them at least maintaining existing levels of employment over the course of the period for which state aid is made available to them.

5.5.2. Minimising the Costs and Effects of Unemployment

Rationale

The current level of unemployment and the likely rise in long-term unemployment (currently close to 25% of all Live Register unemployment in the DCR) in the face of limited employment growth in the medium term requires radically new approaches to *maintaining and improving the employability of the unemployed*. The level of heterogeneity in the composition of the unemployed - particularly in terms of educational qualifications and skills - means that the task of addressing their needs is complex and different to the task that faced the relevant agencies in the context of high unemployment and long-term unemployment during the 1980s and early 1990s. Moreover, the current policy package of interventions for the unemployed is largely based on programmes introduced prior to the onset of the crisis with minor additions in quantitative and qualitative terms being taken during this year. Also, the current composition of the unemployed in terms of educational levels, skills and competencies is such that for many the key issue is not necessarily up-skilling but maintaining their employability. Maintaining skills and employability is vital to positioning them to take advantage of recovery and preventing the demoralising effects of unemployment.

One of the most significant challenges apart from meeting the particular skill needs of the unemployed is to ensure that they are given the opportunity to have recent contact with real work environments as this is an essential component of maintaining employability. Addressing this will require that all unemployed workers be provided with the opportunity to exercise their skills in real work situations.

Recommended Actions to Minimise the Costs and Effects of Unemployment

- Review / evaluate the fitness for purpose of existing arrangements and ensure, in the interim, that all players are operating to best practice levels in respect of adult employment and vocational guidance, including assessment and profiling.

- Create a modern and comprehensive employment service that is capable of effectively meeting the needs of people seeking employment and commanding high levels of utilisation by employers. The strategic goal of the service should be to ensure that all job seekers are assessed and directed to appropriate employment or education and training opportunities in a timely manner.

- Require all public organisations and businesses in receipt of public funds to identify a range of positions in respect of which they can provide redundant and unemployed workers with the opportunity to exercise and maintain their skills. These employment opportunities should be commensurate with their skills and competencies. It must be emphasised that what is being recommended here is not "work placements", "work experience" or "workfare". What is required is the provision of real opportunities for redundant and unemployed workers to maintain their skills and retain their dignity through being enabled to exercise and keep fresh their skills while also acquiring new skills in the workplace. As such, the work on offer should be based on identified productive needs that cannot be met within current resources.

- Introduce a Job Rotation Programme (JRP). Job rotation has never featured as part of active labour market policy in Ireland. There is the opportunity to learn from elsewhere - particularly Scandinavian countries - but also from pilot projects that have been developed at home (e.g., by the Dublin Employment Pact under the EQUAL Programme) to devise a JRP that can contribute to achieving mutually desirable and compatible objectives in respect of up-skilling workers in employment and providing unemployed workers with the opportunity to maintain and upgrade their skills.

- Design and introduce a quality employment programme that will replace all existing public employment programmes such as Community Employment and the Social Economy Programme. Since the late 1980s a range of single purpose employment programmes have been introduced that embody different operational criteria and that cater for different groups of unemployed people, albeit sharing a common core objective - employment. In the face of the scale of the current crisis, the issue is not rationalisation or adjusting existing programmes but achieving a quantitative and qualitative enhancement of the role of a public employment programme. This will require a radical re-think on issues such as their delivery and financing. In that regard it is recommended that a single employment programme be introduced that will provide varied opportunities for unemployed people to contribute to the public good in areas such as the arts, culture, health care and the environment. Moreover, it is recommended that Local Authorities would be the local delivery mechanism for this programme.

5.5.3. Maximising the Skills and Competency Base of the Regional Labour Force

Rationale

Two specific features of the argument for reaffirming the centrality of skill and competency development in the current context need to be underlined. First, one of the strategic values of increasing the skills and competencies of the workforce is that it addresses the issue of competitiveness in a manner that does not involve the negative pro-cyclical effects of reducing incomes / wages as a means of increasing competitiveness. In any event the wage costs element of competitiveness in a substantial component of export oriented and high tech industries is low. Second, a paradoxical effect of the low level of demand for labour is that individuals have the opportunity to upgrade their skills and competencies. However, for this opportunity to be realised there must be a realistic and effective response to the issue of skill and competency development in terms of the level and nature of actual opportunities provided to unemployed people.

As such, a radical reassessment is required in respect of: (i) “how” skills and competencies are developed; (ii) “in what settings “they are developed; and, (iii) the content and range of the skills and competencies that are required for workers and businesses. On a practical level, there is a need to address two issues. First, current approaches to skill and competency development are substantially based on the separation of the site where skills and competencies are developed - training centres, colleges of education, universities - from the site where skills and competencies are exercised i.e., the workplace. This needs to be addressed. Second, there needs to be greater recognition of the role of the workplace as a site, not just where skills and competencies are exercised but also where they are refined and developed. Moreover, the workplace needs to be seen as a site that provides the practical context for the identification of skill and competency requirements and for making a response to such requirements.

More generally, an effective employment and skills strategy will be integrally concerned with building the fundamental competencies of individuals and businesses to adapt to rapid and possibly unforeseen change, ensuring that the workforce possesses both generic and well developed learning capabilities as well as specific skills and competencies, and delivering skills and competency development programmes that are based on market and individual demand and less on pre-existing capacity. Cross-cutting these concerns it will be necessary to recognise the diversity of the labour force in the DCR and ensure equal access to and equal and quality outcomes from all levels of the education and training system.

Recommended Actions to Maximise the Skills and Competency Base of the Regional Labour Force

- Reaffirm that one of the principal rationales for skill development from an economic perspective is to enhance the productivity of workers and thereby contribute to increased competitiveness and sustainability (and in the current context, recovery).

- Commit to the development of ‘world class’ learning skills in the entire workforce. Such skills are useful in all contexts and are fundamental to enhancing productivity, flexibility and competitiveness (e.g., identifying and solving problems, communication, ICTs, literacy, numeracy, language).

- Require that ICT skills acquisition and literacy enhancement is built into all education and training provision. Ideally, there is a need to specify a minimum standard of ICT competence and ensure that this is reached by all persons participating in publicly funded education and training programmes.

- Identify and commit to the development of key specific skills including hybrid skills that will be required in the domestic and export markets of the future (e.g., language skills, high-end ICT skills, marketing skills etc.)

- Empower the consumer of education and training services (i.e., redundant workers, unemployed) by providing a guarantee of a right to access appropriate education and training courses commensurate with the consumer's educational and training needs. For example, through provision of a cashable voucher set at the average cost of one year's participation in state supported education and training (all inclusive cost).

- Stimulate both the quantity and quality of educational and training provision and providers through:

    - opening up skills provision to the market - knowledge of the specific skills and competencies required at a given time is more likely to exist in the market that in the existing delivery system; and
    - requiring higher standards of trainers through on-going training.

- Create and build a new role for employers in the area of skill and competency development of the workforce.

- As part of a National Employment and Skills Strategy require that all businesses over a certain size (say 50 plus employees) are required to have a Skills Development Statement and Policy in much the same way as businesses are required to have a Health and Safety Statement. All businesses with a Skills Development Statement (SDS) should be eligible for state assistance on a matching funds basis (50:50) to implement their stated policies in that regard. Specific initiatives should also be identified to ensure that owners and workers in small enterprises have access to skills development.

- Ensure that the quantity and range of skills and competency development programmes provided - particularly with the assistance of public funds - is driven by real market demand rather than the capacity to supply.

5.5.4 Transversal Issues: Leadership, Governance and Policy, Structure and Organisational Change

Rationale

The promotion of the ongoing economic viability of the DCR and the development of an Employment and Skills Strategy for the region involves a complex range of interrelated issues, policies, government departments and state and other agencies. Effectively there is no mechanism or means that has the authority to govern all of the various issues that arise (e.g., further education and training, planning, branding, sectoral development etc.)

nor is there a forum in place that has the competence or authority to make decisions that have the effect of integrating all of the various issues that are in play at national level as well as in the DCR. In that regard there is a need to reflect on issues of leadership and governance with a view to maximising the potential of this Employment and Skills Strategy.

What is clear, however, is that unless the actions taken and their timing is commensurate with the actual scale and depth of the problems outlined in this report and unless the package of policy actions is of a strategic and fully orchestrated nature, there is little chance of structured progress and every chance that the employment / unemployment situation will worsen. As such, what is required is a co-ordinating mechanism to pursue the recommendations set out above and for that mechanism to have the capacity to interact at both the regional and national levels as required.

It will also be necessary for a demonstration of leadership at all levels of the system (regional and national) and from both employers and trades unions. As previously noted, the employment / unemployment crisis has resulted from multiple and concurrent adverse developments both internationally and nationally one visible effect of which is a collapse in demand at various levels of the economy. Employers (both public and private) will have to be prepared to lead the way in generating a certain level of demand and opportunity for labour and trades unions will have to be flexible about the terms and conditions upon which opportunities are generated in both the public and private sectors. This will require real leadership, vision and collaboration.

Furthermore, there is a need to rationalise the broad labour market policy-making landscape and associated delivery system to ensure excellence and coherence throughout the system to include:

- the assessment and referral process to ensure appropriate and effective one-step referral for clients of the system;
- the delivery of the vocational education and training programmes that support the development of both individual skills and competencies and that are responsive to the demands of the local labour market;
- the placement of individuals in employment.

The policy making and delivery system involved in supporting the labour market and the vocational education and training system is both crowded and confused. Many reports (e.g., the *White Paper on Human Resource Development* (1997), the *Taskforce Report on Lifelong* (2002), *Sharing Our Future: Ireland 2025* (Forfás, 2009), and the NCC Report on Education and Training (2009)) refer to the need to ensure greater levels of coherence, cohesion and collaboration in labour market policy making and implementation with particular reference to the interaction between the Department of Enterprise Trade and Employment and the Department of Education and Science. That need still remains to be addressed urgently.

There are many reports and evaluations that comment on inefficiencies in various aspects of the further education and training delivery system. Those inefficiencies can result in duplication, training for training's sake, circularity in the referral system and non-responsiveness to the needs of employers and the unemployed. The system has been characterised as provider, programme, and trainer driven rather than client driven. Given the scale of the challenge facing the system it needs to be working at optimum levels in order to meet needs and deliver added value.

That said, the city region is well served in terms of the capacity of its education and training infrastructure. What is required is a strategic realignment of that infrastructure in order to maximise its relevance to the labour market and to ensure the availability of the quantity, quality and mix of educational and training opportunity necessary to address the economic needs and trajectory of the economy. Education and training must be relevant and provision must be made available in a timely manner, at accessible locations, and to a quality standard.

Recommended Actions

- At regional level, the pursuit and co-ordination of the strategy should be led by the existing grouping of the four Local Authority Managers working closely with the membership of the Creative Dublin Alliance (whose membership should be expanded to include employment and skills expertise) and supported by the Dublin Regional Authority and the employment and skills expertise of the Dublin Employment Pact. This regional alliance and focus will be necessary to develop momentum, initiate action and build critical mass in favour of planned and strategic change.

- The regional actors and leaders should advocate for change in national policy and reform of implementing structures as necessary with a view to maximising the ongoing economic viability of the region. In that regard we recommend that the regional actors/leaders seek buy-in from the Department of the Taoiseach with a view to creating a forum at national level that draws in relevant line departments (Enterprise & Employment, Education & Science, Social and Family Affairs) and other actors. This forum should ensure that the purpose of the strategy is clear and that no gap emerges between the high-level goals and the actual realisation of these in practice. The forum established to progress the strategy should involve other actors who are relevant to ensuring the success of the strategy including, for example, the Local Authorities and other members of the Creative Dublin Alliance.

- Under the guidance of the Department of the Taoiseach, relevant line departments should collaborate to produce a comprehensive Employment and Skills Strategy at national level that has a regional focus.

- Part of the process should involve a review of the fitness for purpose of all state organisations with a role in stimulating employment and combating unemployment.
- If, in due course, there is an elected Mayor for Dublin, responsibility for co-ordination of the Employment and Skills Strategy for the DCR could be devolved to that office.

- National and regional educational and training clearing houses should be established that will provide comprehensive registers of training places in respect of all courses on offer so that prospective trainees can be made fully aware of options open to them.

- The referral and training systems should be separated (i.e., should reside within different organisations) with a view to creating an efficient and focused assessment and referral system that interacts with a responsive and flexible training system.

- The delivery of specific skill aspects of vocational education and training should be opened up to market in order to maximise efficiency and flexibility and to build the overall training capacity within the region. All providers (e.g., within the public sector, partnership companies, private sector, third sector) will be subject to FETAC/HETAC quality assurance and will work to clearly defined and closely monitored targets.

- Consideration should be given to providing prospective trainees who require specific skill inputs with credits to purchase from the provider who best meets their needs.

- The capacity of the existing state system to provide core, generic skills and skills for learning should be maximised through appropriate training for trainers and, as required, recruitment of personnel with specific expertise in this regard.

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Annex 1

Suggested Actions for Local Authorities (LAs) to Realise an Employment and Skills Strategy for the Dublin City Region

As outlined in the report successful regions are successful because they have the environments and policies to not only grow technology and talent but also to attract technology and talent. In line with this we also considered the growing body of literature that stresses the importance of the DCR in the Irish context and its contribution to national economic wellbeing - particularly in terms of its contribution in the areas of the knowledge economy and the broader area of internationally traded services.

In practical terms the literature also shows that a range of factors are significant in facilitating the development of successful city regions, particularly in respect of the types of supports required to underpin a sustainable knowledge economy at regional level. These factors include what have been referred to as 'hard' (e.g., quality of labour supply, quality of public services, local taxation policy, and transport infrastructure) and 'soft' factors (e.g., attractive housing, amenities and leisure facilities, security, and the atmosphere or 'buzz' of a city). Cross-cutting these factors are tolerance and equality.

Realising a vision of the DCR as a dynamic national hub fostering sustainable employment and a high quality of life requires the attention of policies and policy-makers not just in the specific domain of employment and skills but also of policies and policy-makers in a wide range of areas including transport, housing, amenities, arts and culture, environment, health, and energy. In short, there is a dynamic between fostering a working city and a fostering a living city.

The potential of the LAs to contribute to protecting and growing employment in the region lies in recognising the different ways in which their competencies and actions (or inaction) can influence employment and skills in the region in their capacity as: (i) planners; (ii) employers; (iii) providers of specific services; and, (iv) as facilitators of regional development.

Critical factors underpinning and informing the proposed initial actions towards realising an Employment and Skills Strategy for the DCR are to:

- Present a coherent and planned region-wide approach to the development of the region's economy and its employment and skills base;
- Ensure that the reality of the economic and employment base of the region (as presented in the strategy report) is built into the planning and development process;

- Generate momentum and critical mass towards establishing a DCR imperative in national policy and programming based on the unique space occupied by the region in the national economy and the unique needs that arise in that regard; and,
- Inform relevant actors of the unique economic and associated employment context and skills requirements that pertain in the region based on the data and information provided in the strategy report.

Actions 1

LAs as Planners and Key Agents in Shaping Regional Infrastructure and Environment

LAs have an important role to play in fostering regional competitiveness. In terms of the National Competitiveness Council's recent analysis of the factors driving competitiveness LAs can play an important role in influencing *the cost and quality of utilities, land price and use, and business service costs*. On the broader analysis of competitiveness provided by the World Economic Forum LAs can influence competitiveness by ensuring that the region is a *desired location for business activity and international tourism*. Making the region more competitive should be a key focus of LAs activity. To do this it is necessary to identify how the policies and actions of the LAs actually contribute to the region's competitiveness; for example, by undertaking a competitiveness analysis of their plans that will explicitly identify and guide their actions to maximise the region's competitiveness. Making a region capable of attracting and retaining technology and talent requires that its infrastructure (in terms of housing, environment, human services, communications, transport, social and cultural) is on a par or above that of competitor regions. We note that many of these issues are recognised in the Economic Development Action Plan – in addition we propose the following employment focused actions:

- Formally adopt the proposed Employment and Skills Strategy or aspects thereof and commit to its implementation;

- Integrate an employment and skills focus into the Creative Dublin Alliance (CDA) – invite representation from the Department of Enterprise Trade and Employment and the Department of Education and Science;

- Undertake an employment focused planning audit across the DCR taking into account what we now know about the structure and nature of employment, unemployment, enterprises and sectors in the region – on the basis of that audit, develop an employment focused meta-plan for the DCR taking into account relevant aspects of the respective Development Plans for the four regions;

- Based on the above referenced plan, identify objectives (social, economic, cultural, environmental etc.) that would be amenable to being progressed through quality employment programmes. Identify the quantum of meaningful, supported jobs that could be created and lobby for the creation and support of such schemes.

Actions 2
LAs as Employers

As employers the LAs have the capacity to be leading examples of employment and human resource development policies. Protecting employment and growing employment will see the LAs being to the forefront in areas such as ensuring lifelong learning for their employees through, for example, introducing a job rotation programme as recommended in the report.

- Introduce a Job Rotation programme across the four local authorities through which unemployed persons will be provided with meaningful work experience, the opportunity to enhance their skills and to keep contact with the world of work. The DEP model of Job Rotation developed under the EQUAL Community Initiative provides a strong working model for this.

Actions 3
LAs as Service Providers

Identify meaningful work (at all levels) that needs to be undertaken within the councils that can be offered to unemployed people and graduates to allow them to maintain links with the world of work and to enhance their skills and, where possible, to complete qualifications that were interrupted by the recession e.g. are there possibilities in the environmental and energy spheres (retro-fitting, energy conservation, water conservation, environmental protection and enhancement etc.) for redundant apprentices and/or qualified tradesmen, gardeners and landscapers? What is the quantity and quality of such work that could be undertaken by qualified persons?

Actions 4
LAs as Network Facilitators

- Convene and support a network of managers or decision-makers in key service delivery areas of relevance to supporting employment and skills formation in the region. Participants in the network should be introduced to the key thinking in the Employment and Skills Strategy and the Economic Development Action Plan. They should be provided with the support and space to interact and to inform each other of plans, opportunities and possible synergies that might otherwise not be shared and/or realised. They should also be encouraged to make practical proposals regarding the realisation of aspects of the strategy;

- The network should be used as a means of developing the profile of the DCR and in building momentum towards the realisation of a region-wide perspective through an Employment and Skills lens. Possible participants could include, in the first instance, representatives of the LAs, FÁS, Fáilte Ireland, VECs, Skillnets, the Institutes of Technology, the Universities and Forfás. Representation from other interests such as the IBEC, SFA, ISME, ICTU and the Chambers of Commerce could also be considered;

- Link the above-referenced network to the CDA using the DRA as a co-ordinating body and the DEP as a technical resource to ensure coherence and cross-fertilisation of ideas;

- Through the network, identify potential growth sectors (with an emphasis on employment capacity) and develop joined up, realisable plans and actions to enhance the development of those sectors and sub-sectors. This will involve broadening the focus of the existing Economic Action Plan beyond the niche sectors (e.g. digital media) that from a necessary part of the modern economy but which, of themselves, are unlikely to provide an adequate quantum of employment opportunities;

- Through the network, consider the development of a region-wide comprehensive register of education and training opportunities. The approach undertaken by Clare VEC under the EQUAL Community Initiative could be used as a starting point (see http://www.clarelearningnetwork.org/clln/www/index.asp?magpage=0);

- Develop a DCR website that is designed to promote the region as a whole and that contains information about or links to enterprise supports, educational opportunities, employment opportunities, social, sporting and other recreational facilities and infrastructure, arts activities etc; and,

- Recruit a team of high profile persons to act as ambassadors for the development of the region focusing on specific aspects of the region's social, cultural and economic capital.