Edited by **Mary P. Murphy** & **Fiona Dukelow**

THE IRISH WELFARE STATE IN THE TWENTY-FIRST CENTURY

Challenges and Change

The Irish Welfare State in the Twenty-First Century

Mary P. Murphy • Fiona Dukelow
Editors

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So you just stay on your own, you stay indoors, you just keep your head down and hope that things get better.

Grainne, West Clare

I would like to have a good job and to work and be independent. To be independent to support myself and whatever I need, like paying the rent, and not to depend on social welfare or anything like that.

Niamh, homeless, Dublin

Putting a child in a crèche costs like a hundred quid a week. How can anyone go out to work for that? Give your child to a stranger to work for nothing? There is just no incentive.

Meabh, community employment worker, Dublin

Lots of Travellers would love to go out and work but there's nothing there for them.

Margaret, primary healthcare worker, Dublin

I'm being told that I may not be entitled to a contributory pension even though I've been working all my life.

Mary, carer

I'm crying last night because of what is happening with me. I'm an honest person. I'm suffering all the time. Every day I wake up, I have in mind that it's the start of a bad day.

Tariq, chef, Dublin

Our hours are reduced due to funding cuts and it's heartbreaking when you know there's only so much you can do.

John, youth worker, Ballyfermot

I'm finding being unemployed really demoralising. I'm constantly applying for jobs and getting refused because maybe 200 people have applied.

Kevin, Dublin

You end up in the criminal justice system or you end up with a bullet. It's really that serious.

Patrick, community worker, Fatima Mansions, Dublin

The government and the IMF don't hear about the poverty they are bringing to people—they don't live my life.

Siobhan, lone parent

Extracts from Now you see us: The human stories behind poverty in Ireland (Community Platform, 2014).

Also by the editors

Murphy, M.P. *Studies in Social Policy No 23: Reframing the Irish Activation Debate: Accommodating Care and Safeguarding Social Rights*.
Kirby, P. and Murphy, M.P. *Towards the Second Republic; Irish Politics after Celtic tiger.*
O'Broin, D. and Murphy, M.P. (eds) *Participation and Power Civil Society and Public Policy in Ireland*.
Considine, M. and Dukelow, F. *Irish Social Policy A Critical Introduction.*
Dukelow, F. and O'Donovan, Ó (eds) *Mobilising Classic Reading Radical Writing in Ireland.*
Meade, R. and Dukelow, F. (eds) *Defining Events: Power, Resistance and Identity in Twenty-First-Century Ireland*.

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Abbreviations

CBI	Central Bank of Ireland
CSO	Central Statistics Office
DAHG	Department of Arts, Heritage and the Gaeltacht
DCYA	Department of Children and Youth Affairs
DECLG	Department of Environment, Community and Local Government
DELG	Department of Environment and Local Government
DES	Department of Education and Science
DETE	Department of Enterprise, Trade and Employment
DETI (NI)	Department of Education, Training and Innovation in Northern Ireland
DF	Department of Finance
DFMDFM	Department of First Minister and Deputy First Minister
DH	Department of Health
DHC	Department of Health and Children
DIT	Dublin Institute of Technology
DJEI	Department of Jobs, Enterprise and Innovation
DJELR	Department of Justice, Equality and Law Reform
DLA	Disability Living Allowance
DPER	Department of Public Expenditure and Reform
DSCFA	Department of Social, Community and Family Affairs
DSD (NI)	Department of Social Development in Northern Ireland
DSFA	Department of Social and Family Affairs

DSP	Department of Social Protection
DSW	Department of Social Welfare
DUP	Democratic Unionist Party
EC	European Commission
ECB	European Central Bank
EMU	Economic and Monetary Union
ESRI	Economic Social Research Institute
EU	European Union
FDI	Foreign Direct Investment
FET	Further Education and Training
FF	Fianna Fáil
FG	Fine Gael
FIS	Family Income supplement
FLAC	Free Legal Advice Centres
FOI	Freedom of Information
GP	Green Party
HEA	Higher Education Authority
HSE	Health Services Executive
IAPF	Irish Association of Pension Funds
IBEC	Irish Business and Employers Confederation
ICTU	Irish Congress of Trade Unions
IFSC	Irish Financial Services Centre
IHREC	Irish Human Rights and Equality Commission
IWB	In Work Benefit
JSA	Job Seekers Allowance
JSTA	Job Seekers Transition Allowance
LP	Labour Party
NDP	National Development Plan
NESC	National Economic and Social Council
NIA	Northern Ireland Assembly
NIE	Northern Ireland Executive
NPB	National Pensions Board
NPF	National Pensions Framework
OFP	One-Parent Family Payment
OMC	Open Method of Coordination
PB	Pensions Board
PfG	Programme for Government
PTW	Pathways To Work

SDLP	Social Democratic and Labour Party
TCD	Trinity College Dublin
UCD	University College Dublin
VfM	Value for Money

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Introduction

Mary P. Murphy and Fiona Dukelow

This edited collection aims to provide a critical and theoretically informed assessment of the nature, extent and types of structural change presently occurring in the Irish welfare state. Ireland's economic crisis garnered widespread international attention and has been the subject of much debate and analysis of what went wrong in the economy, how to remedy it and how to steer economic recovery. Yet the crisis has also potentially had a deep-seated impact on the Irish welfare state which to date has been predominantly debated in fiscalised terms, reflecting a tendency to understand social policy as an adjunct to economic and fiscal policy and related goals. Scrutiny of the purpose and scope of the Irish welfare state has long been problematic, not least because of a tradition of political, and often wider sociocultural,

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reluctance to articulate economic and social policy preferences in unambiguous terms (Lynch 2010; Kirby and Murphy 2011). Addressing the challenge of analysing the nature of the Irish welfare state's problems and the possibilities it faces requires closer examination of Ireland's evolving welfare state and its welfare future. This book, therefore, aims to present an in-depth, comprehensive and critical assessment of how the Irish welfare state has been impacted by the crisis, with a particular emphasis on structural change and the social, political, as well as economic, implications of this change as Ireland enters a post-crisis period.

The book's concerns are also located within the growth of interest, particularly since the 1990s, in welfare state literature on how and to what extent welfare states are changing. Though a vast area of research exists with diverse perspectives and approaches to this topic, the prospects for the welfare state have generally over time been downgraded from a golden, to a silver, to a bronze age (Arts 2013). The financial crisis of 2008 and the subsequent economic crisis prompted a new round of discussion and research on the nature and extent of welfare state change and the consequences of the crisis are only beginning to be more fully analysed and understood as we now enter a post-crisis phase. Ireland, as one of the countries with the most severe crises in Europe, has since encountered almost a decade of economic and social stress. This has made for policymaking conditions which have posed serious challenges and constraints, paving the way for potentially significant structural reform of its welfare institutions.

The immediate context for examining challenges and change to Ireland's welfare state is the austerity the country has endured in response to its economic crisis. As the implications of the global credit crunch began to make themselves known in the autumn of 2008, Ireland became the first in the Eurozone to enter a recession in September of that year and in total real GDP, fell by approximately 9% between 2007 and 2010, with a second smaller recessionary dip in 2012. Much has been written about Ireland's liberal economic model and, in particular, developments in the 2000s, which meant that Ireland's economy, already very globalised, became increasingly financialised (Hay and Wincott 2012; Ó Riain 2014). Economic growth became severely unstable and unbalanced, fuelled by excessive growth in housing and construction, procyclical policy preferences and a lightly regulated banking system. Ireland's peripheral status and its existence as the sole liberal economy in the Economic and Monetary Union (EMU) meant these domestic factors were exaggerated by the structure of EMU under which Ireland had little control of a monetary policy generally set to favour the economic cycle of the larger core European economies and from which credit flowed to the periphery. These conditions set the scene for the sharp decline in the size of the economy and the consequent fiscal stress which saw dramatic increases in the fiscal deficit and overall government debt. The latter had the most dramatic rise in the Eurozone over the course of the crisis. Ireland's attempts to rescue its simultaneously collapsing banking sector led to the most costly banking crisis amongst advanced economies since the 1930s (Laeven and Valencia 2012), contributing approximately one-third of the increase in debt (IFAC 2014). Despite strenuous efforts at fiscal austerity starting as early as July 2008, by autumn 2010 Ireland's crisis had become a sovereign debt crisis. Ireland followed Greece to become the second country in the Eurozone to require a loan conditional on more fiscal austerity, structural and financial sector reforms, along with direct supervision from the European Commission/International Monetary Fund/European Central Bank (hereafter referred to as the Troika) during the disbursement period of the loan spanning late 2010 to late 2013.

In total, between 2008 and 2014 fiscal austerity of approximately 18% of GDP was undertaken with the balance set between approximately one-third tax increases and two-thirds spending cuts. Figure 1.1 provides some indication of expenditure patterns over core social policy areas between 2008 and 2015. While social protection expenditure noticeably increased due to rising demand, substantial decreases are evident in health and the environment in particular. Environment group expenditure fell by 73% from 2008 to 2014, with reductions in capital expenditure (primarily social housing) falling by 82%, responsible for the bulk of this reduction. Health expenditure fell by 21% over 2008–2015. Arts, Heritage and Gaeltacht, responsible for funding some community sector initiatives also suffered major cuts; its budget fell by 63% between 2008 and 2013 (DPER 2015).

Much has been written on where these austerity measures have fallen and how services and various groups of people have been impacted (Oxfam 2013; Community Platform 2014; IHREC 2015). The crisis has taken its toll on people, for example, in terms of rising poverty and a significant

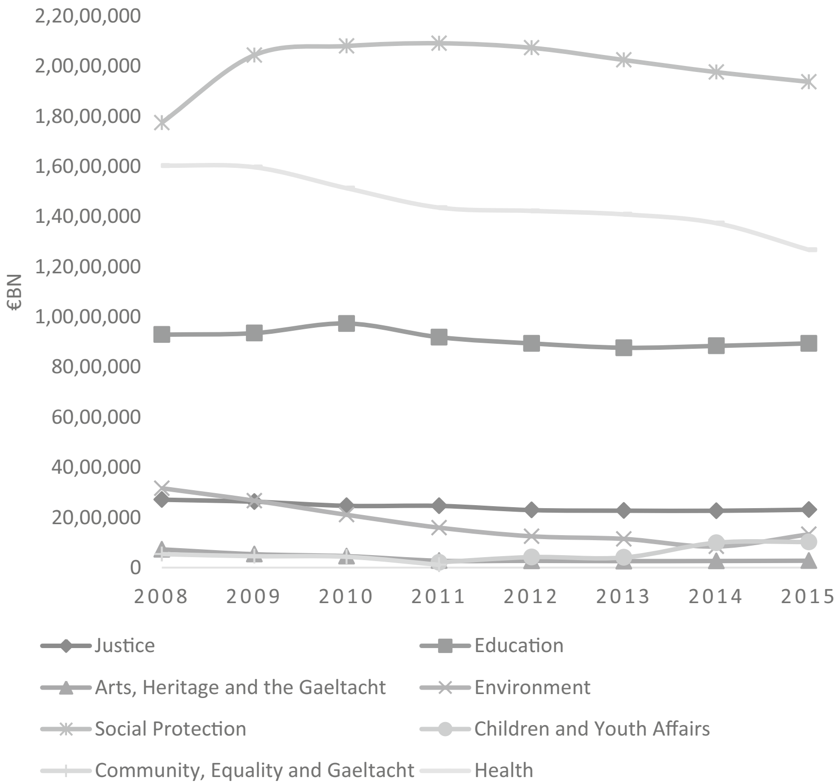

Fig. 1.1 Gross expenditure by vote group, 2008–2015
(*Data source*: DPER (2015))

increase in deprivation rates (see Table 1.1), increased rates of suicide and self-harm (Corcoran et al. 2015), and issues relating to homelessness, and personal and housing debt (addressed in Chaps. 10 and 4). Moreover, cuts have impacted severely on groups such as Travellers (Harvey 2013), women (IHREC 2015) and cuts on carers and lone parents (addressed in Chaps. 7 and 3).

While not wanting to downplay the very serious effects of austerity and retrenchment on people, the book's primary focus is on policy change. Moreover, the analysis extends beyond the nature of quantitative changes/adjustments in the various policy areas that make up the welfare

Table 1.1 Poverty, deprivation and equality 2008–2014

	2008	2009	2010	2011	2012	2013	2014
At risk of poverty rate	14.4	14.1	14.7	16.0	16.5	15.2	16.3
Deprivation rate	13.7	17.1	22.6	24.5	26.9	30.5	29.0
Consistent poverty rate	4.2	5.5	6.3	6.9	7.7	8.2	8.0
Gini coefficient	30.6	29.3	31.4	31.1	31.2	31.3	31.8
Income quintile share ratio	4.5	4.3	4.8	4.9	5.0	4.8	5.0

Source: CSO EU-SILC (various years)

state, to the ways in which changes potentially indicate deeper and more enduring change to its structure. As Herman (2014:112) observes 'structural reforms differ from regular austerity measures inasmuch as they, not only and sometimes not even, reduce public spending; rather, the main goal of these reforms is to change parts of the institutional base of national economies'. Such change is, therefore, not simply undone by reversing cuts to expenditure and its effects can alter the longer-term course of policymaking post-crisis. While the crisis and austerity policy might be the immediate catalyst of structural reform, the book does not view the present period in isolation. Rather it views structural change as a longer-term process which requires analysis of welfare developments prior to the crisis in terms of how they bear influence on the policy decisions taken during the crisis and the nature and extent of subsequent structural change across different areas of the welfare state.

Accordingly, we widen the scope of the book's focus to include not only the crisis in the public finances as a precursor to reform but link it to a broader set of drivers of structural change, including globalisation, financialisation, neo-liberalisation, privatisation, marketisation and (post) new public management, and to the political context in which these drivers unfold. These drivers, it may be said, were already influential to varying degrees in Ireland prior to the crisis but have potentially deepened and diversified in their impact on the Irish welfare state post-crisis. Moreover, these drivers are compounded by the new ways transnational actors such as the EU and the IMF, have become influential during and since the crisis. In particular, in the case of European actors, new rules and monitoring procedures mean less fiscal discretion for Eurozone member countries in the post-crisis period. Under these drivers, structural change, potentially evident in distributional, welfare and social service reforms including new modes of funding, management, regulation and delivery of services is, moreover, accompanied by shifting conceptual and operational narratives around the role and functions of the welfare state. As such the influence of austerity and consolidation is not just confined to technical adjustment but is intertwined with ideas about the role of the state and state expenditure, and the state's economic and social policy goals.

The book develops an overarching framework to conceptualise and analyse welfare state change and its political, economic and social implications. Dealt with in more detail in Chap. 2, the framework revolves around four key questions: (a) What is welfare for? (b) Who delivers welfare? (c) Who pays for welfare? (d) Who benefits? With the exception of the first question, each question is designed to capture a central element of how welfare states are undergoing structural change. By also asking what is welfare for, analysis is extended to normative and ideational dimensions of change that can dovetail with structural change. The book also recognises that structural change is not necessarily a uniform process impacting all areas of the welfare state in more or less equal measure, but varies both by degree and area affected. Such variation encompasses situations where surprisingly little structural change has occurred, to areas of the welfare state where change has been significant, to instances where change is seemingly constant but not amounting to more than the sum of its parts in terms of clear direction or pattern. Moreover, it is recognised that the manner in which structural change can occur also varies, from an explicit fashion as a deliberate policy goal, to more evasive ways in which change occurs by default. Finally, the book also recognises that, even in a crisis, structural reform is not necessarily a uniformly negative process, but can potentially have positive benefits in terms of how resources are redistributed and how, for example, the regulatory role of the state is strengthened to the benefit of service users. To capture the extent and variety of structural reform the book takes a broad view of the welfare state, arguing that welfare institutions cannot be confined to areas of the state with an explicit social welfare function, rather the welfare and redistributive dimensions of the state are spread across many areas. Long-standing (Titmuss 1958; Sinfield 1978) and more recent (Hacker 2002;

Farnsworth 2012) contributions have challenged popular (mis)conceptualisations of welfare, of the ways welfare states operate and to what purpose(s). These thinkers provide an important starting point for critically examining the multiple spheres of structural welfare relations (and divisions) that now exist including: social, fiscal, corporate and occupational welfare. Thus, the book adopts a broader conceptualisation of welfare, following authors such as Sinfield (1978) to include a combination of: (a) interventions and services of general interest (e.g. energy, water, railways), (b) social services (e.g. education, health care and social care/supports) and (c) 'traditional' market services and state subsidies through which people derive 'additional' welfare (e.g. access to credit through financial services/tax benefits).

Process and Plan of the Book

The content and structure of the book is shaped by this analytical framework and broader understanding of the welfare state. The initial outline of the framework was presented and discussed at a workshop to mark the start of the process of developing the book held in Maynooth University in January 2015. Each contributing author presented early observations at the workshop on how their respective policy areas were impacted by the crisis and potentially undergoing structural change and the particular dynamics driving that change. The final chapters, as briefly described below, engage in various ways, as most relevant to their thematic area, with the four questions designed to capture patterns of structural reform and demonstrate the diversity of ways and extent to which structural transformation is occurring and its implications. As such the analytical framework is not applied in uniform or rigid fashion across the book's chapters. Depending on the area of social policy under the spotlight in each chapter, some chapters address all four questions while others select a subset of the most salient questions.

Before previewing the chapters, we must acknowledge that the book inevitably provides a partial view of Irish welfare state transformation. Our choice of areas is dictated by the necessity of including the core areas and functions of the welfare state as well as by aiming to include broader and neglected aspects of what constitutes welfare. In so doing, we are aware that areas and themes such as caring, institutional care, mental health, disability and migration are not explicitly dealt with in the book and warrant fuller attention. For example, the IHREC (2015) submission to the UN International Committee on Economic, Social, and Cultural Rights highlights the range of historical (Magdalene, Mother and Baby Homes and Child Abuse) and contemporary issues relating to inadequate, inappropriate, unregulated and unsupervised institutional care in Ireland. There are persistent concerns about institutionalisation of persons with disabilities, poor living conditions of residential centres for persons with disabilities, absence of regular inspections and failure to enable transition from congregated settings to community-based living for persons with intellectual disabilities with similar numbers living in residential settings in 2014 as 2004. The 2009 of the *Report of the Commission to Inquire into Child Abuse* (the 'Ryan Report') highlighted historical abuse and the need to avoid new abuse that violates children's rights. The establishment of Tusla the Child and Family Agency in the Child and Family Agency Act 2013 was significant but there are concerns about an apparent lack of resources available to it. In 2013, the Inspectorate of Mental Health Services found the lack of age-appropriate beds meant 83 young people placed on adult wards on 91 occasions. At the other end of the life cycle there is continued concern about the lack of regulation and inspection of new forms of private elder care. The institutionalised system of 'Direct Provision' for asylum seekers, in place since 2000, has become a long-term prison for many who wait up to ten years for applications for protection to be processed without fulfilment of the economic, social and cultural rights of asylum seekers. Related to this is concern about transfer of unprotected minors from foster care to direct provision on their eighteenth birthday. There are also, of course, concerns about conditions and overcrowding in Irish prisons. While some aspects are briefly addressed in chapters that discuss health reform and early childhood education and care, for example, overall we do not fully address these pressing issues. Likewise, the book does not directly address the degree to which crisis has impacted on local development, community development, the community and voluntary sector, Irish NGOs and the equality and human rights infrastructure. The disinvestment of these sectors of the Irish welfare state, so well documented by Harvey (2014) has implications not only for welfare services and delivery but also impacts on social politics, the character of Irish civil society and the power relations between state and society.

Chapter 2 explores in more detail the theoretical framework underpinning the analysis of structural change in the book. Key drivers of structural change are outlined and the nature of structural change is elaborated through a more detailed exploration of the four dimensions of structural change sketched above. Following this the book proceeds to analyse structural change across a range of thematic areas.

Chapter 3, by Mel Cousins, looks at what has happened to the social protection system since the crisis. The chapter thus examines one of the most core functions of the welfare state and also one which reflects the meaning of social welfare in its narrowest sense. While most chapters in the book analyse policy change from a qualitative perspective, this chapter shows that from a quantitative approach, despite being a target of austerity by virtue of the amount of government spending devoted to social protection little structural change can be discerned in this area.

Chapter 4, by Micheál L. Collins and Mary P. Murphy, looks at an area where the crisis has instigated a process of 'catch-up' with extensive structural reform elsewhere in Europe, namely activation services. Profiling the way in which activation reforms are much more labour-market-oriented than heretofore, their analysis looks at what this means not only for the unemployed but also the employer in terms of corporate welfare. And as the economy is recovering and employment is growing the analysis highlights the connections that need to be explored between activation, low pay and labour market precarity in the post-crisis era.

Chapter 5, by Gerard Hughes and Michelle Maher, examines recent changes to the pensions system and pensions policy. The chapter demonstrates the relatively rigid public/private structure of the pension system, and the continuity of policy pre- and post-crisis in emphasising private pension provision and curtailing the public system. This is despite the questions raised about the adequacy of private pensions in the aftermath of the financial crisis and the inequities of tax expenditures designed to encourage private pensions.

Chapter 6, by Stuart Stamp, discusses financial management, access to credit and debt management. These are services which tend to be overlooked in terms of their welfare dimension but where state intervention and assistance is becoming more significant as everyday lives, rights and responsibilities are played out in an increasingly financialised world of risks and vulnerabilities. Looking at these services in the context of the boom and financial crash, Stamp portrays the complexities of the changing relationship between the state and the market, finding some improvements to how citizen debt is handled but continued deference to market logic and its attendant problems over several areas of financial services.

Chapter 7, by Fiona Dukelow, looks at changes to the provision of water services. As a part of infrastructure with important but overlooked social dimensions, this chapter analyses the way the crisis has 'jump-started' an attempt to align Irish water services with structural reforms already taken place in other countries. A process which at the time of writing remains unsettled, this has involved relatively radical but highly contested changes to how water services are delivered and paid for involving complex patterns of privatisation and financialisation under a commercial semi-state model.

Chapter 8, by Sara Burke, examines health policy, a high-profile area by virtue of the size of its budget, its political salience and its seemingly intractable policy challenges. Her analysis demonstrates that although the crisis has prompted a plethora of organisational reforms, much needed changes to the dualistic nature of the health system in terms of access and equity remain elusive and in some instances cost cutting and containment have intensified this structural feature of the system.

Chapter 9, by Nóirín Hayes, discusses early childhood education and care. Traditionally, a set of voluntary services that were underdeveloped, this chapter profiles the continued lack of development in terms of provision but also identifies significant change in terms of how services are governed, regulated and in the role of private providers and the market.

Chapter 10, by Bernie Grummell and Kathleen Lynch, addresses changes to the education, particularly from the impact of managerialism in how education is delivered. They find that different structural characteristics across the levels of the education system have influenced the way new public management reforms have impacted the system, noting significant change at further and higher education, in contrast to first and second levels, where stronger buffers are in place.

Chapter 11, by Joe Finnerty, Cathal O'Connell and Siobhan O'Sullivan, looks at social housing. Their chapter finds the changes to the role of local authority provision of social housing can be traced back to the 1990s; however, the financial crisis presents new momentum in the turn towards delivery by both for-profit and non-profit private providers, together with significant changes to how social housing is paid for. As a result, they question the efficacy of the role of social housing in adequately meeting the needs of low-income renters.

Chapter 12, by Nat O'Connor and Paul Sweeney, looks at corporate welfare. This important but overlooked area has a social dimension. As O'Connor and Sweeney argue the theme of corporate welfare has neither been given significant recognition nor been given sufficient critical scrutiny in the Irish context. This chapter presents an overview of the roles and extent of corporate welfare in Ireland and offers some assessment of its relationship with social welfare and its redistributive implications.

Chapter 13 adds some comparative analysis by including another overlooked area, that is, how the welfare state in the North of Ireland compares with the South. Féilim Ó hAdhmaill compares and contrasts austerity and structural change in both jurisdictions, focusing in particular on the recent debate about the UK Welfare Reform Bill in Northern Ireland and how devolution has worked in the context of welfare policy.

Finally, the conclusion to the book takes a bird's eye view of structural transformation in the welfare state. Drawing on the findings of the individual chapters it returns to the themes outlined in the analysis of drivers of change and dimensions of structural change in Chap. 2 and aims to synthesise and assess what these findings imply for structural change to the Irish welfare state as a whole.

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2

Welfare States: How They Change and Why

Fiona Dukelow and Mary P. Murphy

Introduction

Catholicism and liberalism have been the bedrocks of the Irish welfare state and how the particular mix of ideas, interests and institutions driving welfare developments have been fashioned (Fanning 2003, 2004; Considine and Dukelow 2009). In some ways, these influences were mutually reinforcing in establishing a relatively minimal role for the state and a reliance on a mixed economy of welfare with strong emphasis on familial (predominantly female) and voluntary (predominantly religious) sources of welfare services. These influences also pulled Ireland in different directions in terms of its place in the worlds of welfare capitalism. Its liberalism was originally tied to its colonised past and its liberal market

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characteristics were subsequently reinforced in how it has manoeuvred as a small open state. On the other hand, the legacy of Catholicism tied it to conservative traditions, including corporatism and a reliance on the family as welfare provider (Daly 1999). This mixed nature of Ireland's welfare regime is borne out in Ferragina and Seeleib-Kaiser's (2011) meta-analysis of recent welfare regime research which found Ireland to be most frequently classified as liberal in studies of welfare regimes, but exhibiting a strong secondary Christian-democratic classification. That said, little Irish social policy and welfare state analysis is located within international debates and theories of welfare state transformation. Instead, theorisation of the Irish welfare state tends to be drawn towards historiography and historical narrative of influential domestic factors, such as Catholicism, and to economically driven accounts of modernisation and economic development (Fanning 2004). In both instances, accounts tend to privilege methodological nationalism and, whether deliberately or not, promote the idea of idiosyncratic institutions and influences. At the same time, Ireland is often neglected in comparative case study research on welfare states and welfare state change despite, as Castles (2004) points out, its theoretical and empirical relevance for studying welfare state transformation and the topic of welfare state crises in particular. In this context, this chapter aims to firstly, briefly sketch the landscape of research on welfare state change; secondly, discuss a set of core structural drivers of welfare state change and their bearing on Irish welfare state change and thirdly, set out a framework for understanding and tracking the variety of ways structural change may be occurring.

Crises and Welfare State Change

Debate and theory on welfare state change has been a particular concern of welfare state literature since the early 1990s. This is when periodisation of welfare state development switched from a focus on the nature of welfare state expansion to take account of the long-term implications of the social, political and economic changes of the 1970s and 1980s. Such changes included the rise of neo-liberal thinking, the repercussions of economic crises and economic globalisation, changing labour markets, changing gender and family relations, the aging of populations and attendant changes in the nature of social risks. While questions were raised about patterns of both welfare retrenchment and convergence, research yielded no definitive answers. At best, only moderate evidence of both these trends was found along with the conclusion that overly enthusiastic predictions of either scenario, shrinkage or similarity, did not prove to be the case (Arts 2013).

Yet there grew an acute appreciation of the increased pressures welfare states faced alongside the idea that conditions by the 1990s were more akin to a silver age of permanent austerity in contrast to a golden age prior to the 1970s economic crises (Pierson 2001; Taylor-Gooby 2002). Research, particularly since the 2000s, as Ferrera (2007) notes, shifted focus to examine ways in which welfare states were adapting and reforming in response to pressures. Such processes were captured in a variety of terms such as restructuring and recalibration, which were not intended to be merely synonyms for retrenchment but were also used to challenge the view that welfare states were static and incapable of positively responding to the pressures and the new needs they faced. Thus, for example, Palier (2010) identified structural change even in the most 'frozen' of welfare states, and Bonoli and Natali (2012) spoke of a new welfare settlement and new welfare states in the twenty-first century. And though the concept of social investment is open to question (Nolan 2013), Hemerijck (2013) argued welfare states are adapting and evolving beyond neo-liberal influences towards social investment states.

The question now becomes what of the impact of the Great Recession? The terminology of welfare states in crisis has returned. The crisis has again raised questions and conjectures about whether the drivers of retrenchment and convergence will be more forceful in the face of the latest round of crisis challenges or whether crisis might be used as opportunity for retrenchment. Although spatially and temporally uneven in its effects, the nature, scale and duration of the Great Recession have imposed severe stress on welfare states. In the short term, states seemed to weather the financial crisis by rescuing collapsing financial systems, the cost of which has been transferred to public balance sheets and thereby pressuring public or social expenditure. More broadly, the welfare state acted as a 'crisis manager' and to some degree an automatic stabiliser (Starke et al. 2013).

As a result, welfare states have had to cope with increasing fiscal strain whilst simultaneously coping with rising demands for services. Gamble (2014) suggests that the crisis appears to be a crisis without end and makes a distinction between existential and structural crises, the former being the product of a discrete event such as the 2008 credit crunch and the latter relating to contradictions and tensions in structural conditions which are yet to be resolved. These, as he suggests, may remain unresolved over the longer term given the resilience of neo-liberalism and the consequent instability of the global financial system which has at most been patched and conditions for growing inequality remain.

The implications of assessments such as Gamble's (2014) require analysis of the impact of the crisis on welfare states not simply as an effect of a discrete event or discrete period of retrenchment pressure, but one in which structural conditions and forces potentially suggest a longer-term age of austerity with new or more intense pressures effecting structural change and reform (Schäfer and Streeck 2013; Farnsworth and Irving 2015). Streeck (2015) has for example pointed out the record levels of state indebtedness this crisis has produced and points to a new dynamics of permanent austerity which he calls the consolidation state. Underlying this long-term rise in state indebtedness is a decline in the 'taxability' of states, a feature obscured by the debt financing. Underscored by the power of financial markets and the long-term process of neo-liberalisation since the 1970s, he observes a transformation from what he calls the debt state to the consolidation state where the primary duty of a state is 'solid customership in financial markets' which comes at the cost of 'democratic–egalitarian politics' (Streeck 2015:12). This is a long process but one which at 'its conclusion stands a new fiscal regime with public austerity as a fundamental principle governing the relationship between state and society' (Streeck 2015:20). It also entails deep change in political and institutional routines, with the effect of delegitimising social expenditure and eroding support for it.

At the same time, even if there is a stronger case to be made for the idea that 'this time it's different', that the crisis is more severe than previous economic crises, and the pressures for and logic of consolidation is stronger than heretofore, it is equally important not to interpret structural change in reductionist terms. The lessons and findings of previous research on welfare state change provide a range of possibilities for the directions of change and we have experienced a crisis whose effects continue to unfold. Such lessons include the possibility that structural change can shake up old inertias and regressive policy settlements (Ferrera 2007); that it can involve adjustments or trade-offs between retrenchment and expansion (Häusermann 2012); that the configurations of different welfare regimes still matter (Farnsworth and Irving 2011); and that patterns of change within single welfare states under pressure can encompass a range of scenarios from no change to all-out transformation (Starke et al. 2013). The end point remains an open question.

Drivers of Structural Change

Here we move from sketching the broad landscape of research and debate on welfare state change to looking at the key drivers that concern us in attempting to capture the range of ways structural change may be occurring in the Irish welfare state. Our focus necessarily remains schematic and various drivers and related processes will be taken up in greater detail in later chapters. Our selection of drivers concentrates on those particularly relevant to the question of the effect of economic crisis on welfare states. Our analytical framework thus presents three clusters: neo-liberalisation (privatisation, marketisation, corporate welfare and fiscalisation); internationalisation (globalisation, Europeanisation and financialisation) and the politics of welfare (governance, social partnership, managerialism and new public management (NPM)). Here we offer a much simplified framework, represented in diagrammatic form in Fig. 2.1, of what is in reality a complex situation of intersecting, symbiotic and evolving drivers and processes. In each case, the relevance of the particular driver and related processes is not seen to originate in the current crisis but is the product of a longer-term pattern of change. In addition to asking to what degree any or all of these drivers have had an influence on Irish welfare state change, the crisis may be interpreted as a juncture, which allows us to look at whether the degree of influence of particular drivers has since altered.

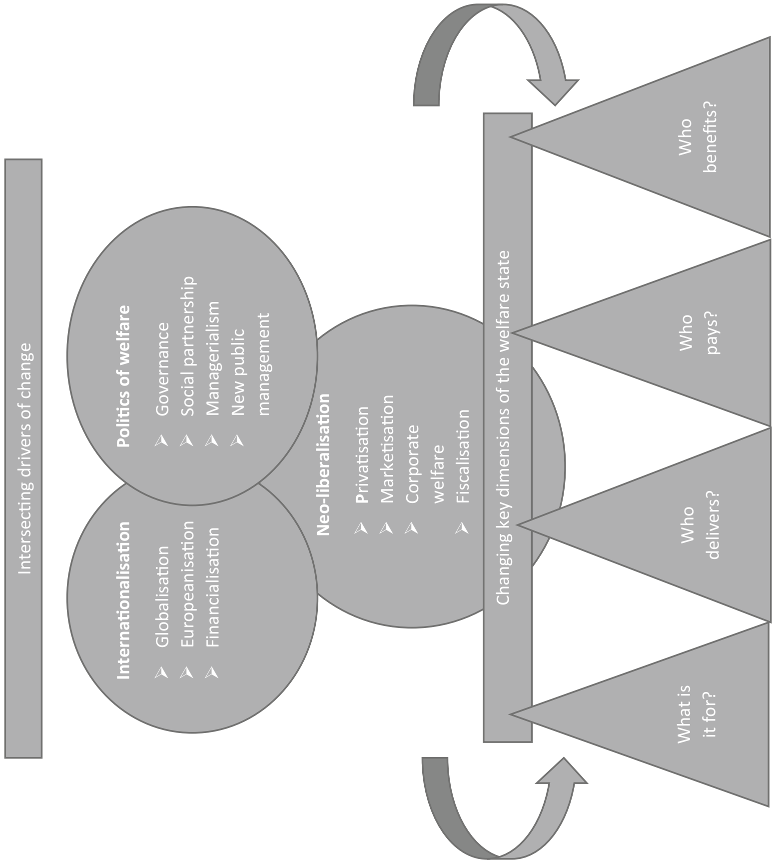

Fig. 2.1 A framework for analysing structural change in the welfare state

Neo-Liberalisation: Privatisation, Marketisation, Corporate Welfare and Fiscalisation

In its purest sense, as Hermann (2007:62) states, neo-liberalism is a transnational project with 'an ideological and theoretical agenda for a restructured capitalist economy and social system'. And, as pointed out by Peck (2010), this restructuring as it concerns the state, does not necessarily mean a withdrawal of state intervention, but a dual process of 'rolling back' and 'rolling out' various aspects of state activity, including welfare provision and regulation. The core components of the neo-liberal agenda, as set out by Hermann (2007:62) include '"free" trade and "free" capital mobility, monetary restraint and budgetary austerity; the "flexibilisation" of labour markets and the repression of wage demands, the privatisation of public companies and services, as well as the "workfarist" restructuring of welfare states'. This also involves lower taxation, increased user charges and a more conditional and less rights-oriented form of welfare state.

However, recognition of the influence of neo-liberalism must extend beyond looking for it solely in clear-cut ideological terms. As several neo-liberal theorists have pointed out, neo-liberalism is multifaceted (Peck 2010; Konings 2012); it is at once an ideology, a form of politics and a set of practices. In the European context, Mudge (2008) examines how the influence of neo-liberalism can be thought of as a form of politics or has having political effects that transcend the left/right political divide. She tracks the growth of a 'neo-liberalised left' where left and right wing parties do not necessarily share the same language and policies but whose politics are shaped by the same common sense, including a positive orientation towards business and finance, an expression of collective interests in individualistic terms, such as the 'tax payer' and a supplanting of redistribution with jobs and growth as a core policy goal. Looking at neo-liberalism as a form of politics in the Irish context is particularly apposite, given, until recently at least, Ireland's lack of a distinct left/right wing divide and also the capacity for double think and strategic ambiguity in Irish political discourse (Kirby and Murphy 2011). As a result, expressions of neo-liberalism and neo-liberal policy preferences have tended to be 'concealed, piecemeal, serendipitous, pragmatic and consensual' (Kitchin et al. 2012:1306). A problem with this however is that it becomes difficult to identify and agree the actual influence of neo-liberalism on Irish policymaking.

Neo-liberal policy processes also include multiple strands. Privatisation is one of the core components as outlined by Hermann (2007) and it can be understood as asset disposal, whether outright or in part so that the state's ownership of corporate entities is reduced (OECD 2009). The OECD (2009:7) describes the early twenty-first century as a 'new privatisation landscape' in terms of the high degree of privatisation occurring in areas such as telecom, transport, utilities, finance and real estate. In terms of core welfare state functions, social housing is one of the most prominent areas of privatisation (Elsinga et al. 2014). The transfer of activity through concessions, delegated management contracts, leasing or other forms of public–private partnership is not always considered as privatisation but can be included as marketisation where non-monetised welfare is commoditised, given a market value and delivered through market mechanisms. This can occur through the private sector, when for example, state functions are outsourced as in the case of activation services for the long-term unemployed as discussed in Chap. 4; involve greater reliance on the private sector in the delivery of social housing as discussed in Chap. 11; or involve public–private partnerships in areas such as water services infrastructure as addressed in Chap. 7 and more broadly in terms of general services in Chap. 12. Marketisation within the public sector can also occur by introducing market concepts such as competition into the public sector, thus transforming how welfare is delivered and paid for (Greve 2015), which again in the Irish context is pertinent to how water service delivery is being transformed. The public sector in this latter case takes on a 'business ontology' (Fisher 2009:17) changing the ethos of public services to entities which must run like businesses as opposed to realising social rights, a theme we return to later discussion under NPM. Processes of privatisation and marketisation may also develop a self-reinforcing logic, middle-class support for the welfare state may wane as their interest shifts to the impact fiscal policy has on their disposable income and ability to access private services (Haffert and Mehrtens 2015; Streeck 2015).

Privatisation and marketisation are also processes intertwined with corporate welfare. Corporate welfare as described by Farnsworth

(2013:1) involves 'direct and indirect state support to corporations', and can include national or local spending programmes that provide payments or unique benefits and advantages to specific companies or industries. Corporate welfare as Farnsworth suggests is a complex phenomenon which can be interpreted in different ways but when linked to processes such as privatisation and marketisation it evolves in ways consistent with a neo-liberal restructuring of the state (Whitfield 2001) and which is explored in more detail in Chaps. 4 and 12. Another process associated with neo-liberalism is fiscalisation; the increased administration of welfare through the tax system. Examples include tax relief for private pension payments or additional tax credits to offset childcare or housing costs. Given that such tax instruments stimulate private welfare services fiscalisation cross-cuts with corporate welfare. Moreover, like corporate welfare, fiscalisation remains a relatively hidden feature of welfare states. In the Irish context, the overall cost of tax expenditures has been described as 'a little-explored policy wilderness' (Collins and Walsh 2011:6). In Chap. 5, Hughes and Maher shed light on the maldistribution of pension tax credits, exemplifying one of the ways in which fiscal welfare often has significantly regressive effects.

Since the financial crisis, despite the failure of de-regulated financial markets at the core of the crisis, debate has turned to the 'strange non-death of neo-liberalism' (Crouch 2011) and the resilience of neo-liberalism (Schmidt and Thatcher 2013). This non-death seems all the more strange in consequence of states' interventions to rescue financial markets which did not, as one would expect, disrupt neo-liberalism's dominance. The financial crisis is therefore a reminder of the contradictions of neo-liberalism (Peck 2010) and the ways in which neo-liberalism can operate with quite a gap between its ideas and practices (Konings 2012; Schmidt and Thatcher 2013). In Ireland, the themes of resilient and contradictory neo-liberalism have been deployed to examine the response to the crisis and the ways in which neo-liberalism has remained influential in Ireland's political economy. Different perspectives have emerged on the extent and type of influence (Fraser et al. 2013; Hardiman and MacCartaigh 2013; Wickham 2013; Murphy 2014; Ó Riain 2014; Coulter and Nagle 2015; Dukelow 2015a, b; Mercille and Murphy 2015). Placing neo-liberalisation as a central driver of structural welfare change, this book asks to what degree neo-liberalism has been influential in a more granular way across different areas of the welfare state, and to what extent policies such as privatisation, marketisation and fiscalisation of welfare are in evidence both prior to and since the crisis.

Internationalisation: Globalisation, Europeanisation and Financialisation

Held et al. (1999:16) understand globalisation as a 'process which embodies a transformation in the spatial organisation of social relations and transactions…. and the exercise of power.' Reflecting the symbiotic relationship between globalisation and neo-liberalism, this includes inter-regional flows of people and capital enabled by 'free' trade and 'free' capital mobility associated with neo-liberalisation (Hermann 2007:62). Besides being very open to capital flows, Ireland has also experienced transformative levels of inward migration over the last decades and outward emigration over the crisis period. A key focus here is how the transformational processes associated with increased economic and political global interdependence impact on social relations and the exercise of power between the state and civil society organisations (Yeates 2001). While Smith (2005) argues Ireland is a test case for globalisation, it is difficult in practice to understand how the pressures associated with globalisation are mediated by and filtered into domestic policies. Globalisation as a driver is likely to be much more salient in some welfare areas than others but overall we see globalised neo-liberal values and paradigms dominating global policy discourse. Of particular interest is the degree to which international policy transfer and international institutions have driven welfare change. Our outstanding question is the degree to which Troika presence and conditionalities may have triggered or copper-fastened specific welfare reforms. However, we are also concerned with the degree to which other international actors such as the Organisation for Economic Co-operation and Development, United Nations or World Bank influenced recent welfare reform. Such issues are further explored in Chaps. 3, 4 and 7.

The concept of 'Europeanisation' helps us examine how domestic change can be influenced or caused by European integration. This can happen in two ways. Firstly, the broader political economy context determines the setting for welfare decisions. These include convergence criteria attached to preparation for Economic and Monetary Union and, later, the modalities of the Eurozone crisis including the 2011 Fiscal Compact and subsequent European Union (EU) fiscal and budget monitoring and compliance rules and sanctions known as the 'Two Pack' and 'Six Pack'. From 2014, an Annual Growth Survey begins 'the European Semester', a process of economic and budgetary policy coordination of member states to ensure they are consistent with debt and deficit commitments under the EU Stability and Growth Pact. Alongside this is the Europe 2020 strategy which includes 'the European Platform Against Poverty' and high-level anti-poverty targets to guide welfare policy across a number of areas including income support, labour activation and education.[1] Secondly, Europeanisation works through different sectoral causal processes to promote convergence (van Vliet and Koster 2008). The European Employment Strategy influences national policy through an Open Method of Coordination (OMC) which includes softer processes of peer review, mutual learning, targets and annual reporting (Ó Cinnéide 2010). There is a serious ambiguity at the heart of Europeanisation; economic surveillance rules that promote less social expenditure work against the likelihood of reaching these anti-poverty targets (Murphy 2014).

van der Zwan (2014) uses the concept of financialisation to describe structural changes in advanced political economies and how global finance impacts on both the industrial economy and democratic society and through them everyday life. The intensification of finance and capital flows is of great significance in a small open economy over dependant on foreign direct investment. Financialisation means global capital having increasing influence on national priorities; van der Zwan (2014) sees this happening through three distinct processes: as a new regime of accumulation, as shareholder value orientation and as financialisation of

[1] Employment: 75% of the 20–64-year-olds to be employed; Education: Reducing the rates of early school leaving below 10% and at least 40% of 30–34-year-olds completing third-level education; Fighting poverty and social exclusion: at least 20 million fewer people in or at risk of poverty and social exclusion.

everyday life. Financialisation was deeply implicated in Ireland's housing bubble, banking crisis and economic crash and this has been extensively analysed (Ó'Riain 2014; Dukelow 2015b). Relatively less attention has been given to how financialisation affects the welfare state, in particular to how financialisation impacts on or shifts power towards finance actors and away from organised interests including labour and how this impacts on the politics of the welfare state and institutional change. How for example might particular Irish social policies underpin or contribute towards the creation of new financial markets, for example in consumer finance, student loans, mortgages and pensions (Schelke 2012)? The theme of financialisation and welfare is taken up in particular in Chap. 6.

Governance, Managerialism and New Politics of Welfare Reform

The changing governance of welfare reflects a growing number of diverse stakeholders and processes of local, national and international methods of welfare policy coordination (Jessop 1999). Rhodes (1997) first introduced the idea of a shift from government to governance, the latter understood as the new method by which society is governed with a blurring of boundaries among public, private and voluntary sectors with actors working through networks which the state then attempts to steer. This shift implies deep transformation of the state and a move away from traditional hierarchical forms of organisation to more participatory forms of decision-making involving private actors and civil society, and more flexible forms of regulation and implementation (see Bellamy and Palumbo 2010). Governance is supported by a range of new instruments which shift decision-making from the state to citizens (or consumers) or to market-type mechanisms of accountability. These include shifting narratives, rhetoric of leaders, regulation, localisation or centralisation, fragmentation, consultative and participatory processes for both staff and users or consumers, nudging, and evidence-based policymaking (Bochel and Daly 2014). Resonating with Peck's (2010) notion of the 'roll-out' of different types of state action under neo-liberalism, none of this implies a smaller state, rather the role of the state shifts from core delivery to regulation or coordinating the delivery of welfare. In Ireland, social partnership was a dominant form of governance up to its dissolution in 2009 (Sørensen 2010) and worked alongside processes of NPM, managerialism and technocratic forms of governance. In Chap. 10, Grummel and Lynch outline how NPM institutionalises market principles in the governance of all organisations, be they public or private, and describe how managerialism has transformed tertiary education. We are interested in how new forms of NPM, corporate governance and market regulation are reframing the social relations of welfare: how has austerity impacted on processes of governance and has governance been used as an instrument of austerity?

Governance-led reform recalibrates how welfare is delivered, opening up more possibilities for imposing formal conditions and steering citizen's behaviour (de Graff and Sirovatka 2012; van Berkel et al. 2012). Osborne (2009) describes a new era of post-NPM reforms characterised by more centralised control, stronger political influence and a re-emphasis on coordination and 'joined up' government. Such reforms have potentially accelerated under austerity where the state has taken the opportunity to rationalise and retrench what is cast as an overly fragmented network of public service organisations or 'quangos' (Christensen and Lægreid 2012). Shifts in governance are also intertwined with technical advances in information technology and use of data analytics to inform the delivery, scope and objectives of contemporary welfare states. What gets counted as 'welfare' matters. While evidence allows a more robust examination of the changing architecture of contemporary welfare states (Lunn and Ruane 2013), evidence and evaluation are themselves steering instruments (Greve 2015) and can be used to create or legitimate new understandings of welfare, such as the social investment paradigm (Nolan 2013).

Finally, what about the politics of welfare reform and the relationship between power and outcomes? As Pierson (2001) reminds us, austerity is not new; welfare states entered a period of permanent austerity in the late 1970s when different welfare states began to tackle the growing costs of welfare state maturation through retrenchment, recalibration and recommodification. The politics of retrenchment proved difficult as each welfare advance created path dependency and 'a new politics', a constituency of staff and users who resisted change. What can we say about recent crisis-era politics of welfare austerity, who was able to resist cuts and defend programmes, who could not and was this different from previous periods of retrenchment? Has crisis prompted new patterns of interest formation in civil society or different patterns of political engagement with capacity to impact on welfare change? Will the politics of fiscal consolidation mean a reduction in middle-class support for the welfare state as envisaged by Streeck (2015)? Have distributional outcomes differed across class, gender, distributional and regional or spatial terms and to what degree has intersectional solidarity mattered (Barry and Conroy 2013; Villa and Smith 2013)? Such questions about the politics of welfare reform and more specifically the politics of welfare austerity are engaged with throughout the book.

How Do Drivers of Structural Change Impact on the Welfare State? An Outline of Four Dimensions of Welfare State Change

This section develops a framework to conceptualise and analyse welfare state change and its political, economic and social implications. In doing so, it fleshes out the lower part of Fig. 2.1 on page 18.[2] The framework offers capacity, across policy areas, to explore and compare key types of change and to examine what they tell us about how Irish welfare state is being restructured and to draw out challenges. While the focus is on structural and process change, analysis can also incorporate a focus on how policy interventions impact on people's everyday lives in terms of availability of, and access to, social services, income supports, standards of living and the overall level of equity achieved in terms of who benefits. As mentioned in the introductory chapter, while each of the remaining chapters engage with these questions, the nature of that engagement is very much determined by the policy area in question which dictates which questions are addressed and to what degree. As such the framework is used in diverse ways across the book.

[2] While we do not develop the methodology here, it is plausible to think that the framework could lend itself to comparative methodologies such as fuzzy set. It is also possible to understand shifts in dynamics and functions in Polanyian terms as a function of three dynamics; state redistribution; market production or commodification; and reciprocal societal relations and to assess structural change in terms of the relative shifts between these three sources or dimensions of welfare (Buroway 2015).

What is Welfare for?

The first question, what is welfare for, may be considered the most basic, yet it is also the most contested. Welfare and the welfare state are elusive terms in their own right and the idea that a common understanding of the rationale and functions of welfare and the welfare state might exist, and if and how these could or should change in the Irish context, is questionable at best. Does the welfare state exist to: minimise poverty; promote equality; redistribute; activate; protect citizens; promote enterprising and entrepreneurial citizens; promote social cohesion; deliver services in the public good or enable and maximise the productive function of social policy? To what degree do competing objectives coexist? The 'what is welfare for' question is therefore posed to both explore how this normative and contested question is interpreted in key policy areas and how various meanings of welfare are used to frame and justify or contest and contend policy change by various policy actors. The question is focused in particular on the ideational or discursive dimension of change which involves analyses of how the welfare state and the goals of welfare provision are conceived, legitimised and contested in contemporary political and public discourse. Examining how the term welfare is used, as Clarke (2008:200) points out, shows 'how [welfare] is made to mean; how its meanings are mobilized, challenged, changed, valued and devalued' and how the meaning of welfare is 'realized in complicated combinations of institutions, policies and practices' (ibid.).

Who Delivers Welfare?

The 'who delivers welfare' question is more complex than might first appear. The focus on state-provided welfare has in the past neglected the central roles played by informal, family, not-for-profit and civil society groups. The focus on state-provided welfare has also neglected the role of the state with respect to how these various groups provided welfare. This is especially pertinent in the Irish context of state support for religious provision of social services and social care, and reliance on women as carers. As the shift to market and commercial modes of welfare delivery has intensified over recent decades, this question seeks to examine the nature and extent of change to who delivers welfare and the shifting boundaries among state, market and civil society in welfare provision, funding and regulation. The implications of these developments vary and include; the (re)commodification of welfare, the marketising and privatising of some public goods, the commercialisation of the voluntary sector, the redrawing of the terms of access and availability, the introduction of mixed modes of funding such as public/private partnership arrangements and new categories of eligibility. While some of these developments may mean a shift away from direct state delivery of welfare, they also, as Seeleib Kaiser (2008) points out, may lead to a blurring of the boundaries between the public and private welfare as the state may still be quite heavily implicated in the financing and regulation of social services. The state as social regulator is a particularly neglected aspect of welfare state analysis, and change in welfare delivery may mean an enhanced social regulatory role for the state, both in terms of extensity (scope) and intensity (depth) (Leisering 2003 in Seelieb-Kaiser 2008). This can apply to regulating both behaviours and standards.

Who Pays for Welfare?

The third question, who pays for welfare, is designed to examine and capture changes to how welfare is paid for and to consider the, often varied, redistributive impacts. At the broad level of tax system design and the balance between different sources of revenue, we have the issue of how exchequer revenue is generated and approaches taken to the taxation of income, consumption, wealth, industry profits and the balance between. A rights perspective to fiscal policy for example suggests that states should attempt to maximise resources in the most progressive manner to realise rights and social outcomes. Account also needs to be taken of how governments make decisions on how welfare is paid for and which can orchestrate redistribution upwards as well as downwards (Sinfield 2011).

For more specific thematic/policy areas, this question necessities examining actual shifts in how services and benefits are paid for and how costs are borne. Developments in this area include, for example, the proliferation of 'quasi taxes' including co-payments and service charges which directly link the provision of particular services with a user payment (Glennerster 2010). Such trends in how welfare is paid for raise questions about contemporary patterns of redistribution and changes in the solidaristic character of the welfare state, as well as questions about how user charges impact on access to and use of social services.

Who Benefits?

The final question tackles the issue of who benefits from or who receives welfare. It aims not only to examine the shifting landscape of qualifications and conditions attached to access to social services, but also to analyse the 'hidden' welfare state (Howard 1999) or the 'divided welfare state' (Hacker 2002), drawing attention to hitherto-neglected aspects of the welfare state including fiscal and corporate welfare. Greater conditionality, stricter eligibility criteria and more targeted interventions point to the adaptive capacities of welfare states in the pressure to reform and engage in welfare retrenchment. On the other hand, welfare state expansion may be observed in areas such as activation and in-work benefits, and more broadly in social investment-oriented policies including early childhood education and care. However, such trends also include new conditions attached to entitlement which may result in welfare being less 'pro-poor' (Cantillon 2011) and, particularly in the case of social investment, trigger greater 'Matthew effects' as those relatively advantaged are in a better position to take up opportunities (Cantillon and Van Lancker 2013). This dimension of welfare state change thus also raises questions about redistribution. The issue of redistribution is even more pertinent in the case of who benefits from fiscal and corporate welfare which give rise to the aforementioned hidden welfare state and contribute to the welfare myth of 'them and us' in terms of who pays for and who benefits from welfare (Hills 2014). Expenditure in these areas appears to be particularly high in liberal welfare states (Castles 2010), and while attention has been drawn to these issues in US and UK debate and literature (Hacker and Pierson 2011; Farnsworth 2004, 2012), relatively little attention has been garnered in the Irish context.

Conclusion

This chapter has ultimately been about question raising and scene setting. It opened by briefly reviewing the state of debate on welfare state change and the degree to which welfare states have actually altered since the era of wholesale expansion ended in the 1970s. As indicated by the moniker the Great Recession, the most recent economic crisis is incomparable in scale and effect. Yet as a whole, the literature on welfare state change cautions us not to expect wholesale dismantling of the welfare state as a result of this crisis. At the same time however, crisis-induced or crisis-intensified structural change can have the potential to generate wholesale transformation of the welfare state. In this regard, the chapter reviewed a core set of drivers of structural change which potentially take on new dimensions and dynamics in crisis times, and raised questions about their bearing on the Irish welfare state in particular. The chapter also posed a theoretical framework for analysing the nature and degree of change across four dimensions of welfare which serves as a final instalment of scene setting for the analysis of restructuring and reform across various sites of the Irish welfare state in the ensuing chapters.

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3

The Irish Social Protection System: Change in Comparative Context

Mel Cousins

This chapter considers the development and change of the Irish social protection system in a broader comparative and European context. The chapter analyses key trends in social protection systems to provide an important lens through which wider welfare state changes may be measured and understood. It provides a decomposition analysis of recent developments in social protection spending to identify the immediate impact of the Great Recession. A brief comparative assessment of contemporary Irish social protection change provides useful insight into the extent to which changes in Ireland are evident across other European countries, particularly small states, also affected by the crisis and its aftermath. Finally, the chapter considers the role of external policy actors, most notably the European Union (EU), and the nature and extent of their impact on member states' welfare state policy agendas at this juncture in the twenty-first century.

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The Irish Social Protection System

For the purposes of this chapter, we focus on social protection benefits (generally known as social welfare). The foundations of the Irish social welfare system were laid when Ireland was a part of the UK. The first national system of income maintenance payments was established in the Poor Law (Ireland) Act of 1838. Subsequent UK legislation in relation to workmen's compensation (1898), old-age pensions (1908) and national insurance (1911) also applied to Ireland. Following Independence in 1922, a number of additional schemes were introduced including unemployment assistance (1933), widows' and orphans' pensions (1935) and children's allowance (1943). In 1947, a new Department of Social Welfare (now the Department of Social Protection [DSP]) was established to be responsible for the planning and administration of social welfare. In 1952, the existing social insurance schemes were brought together into one unified system of social insurance.

The Irish social welfare system is primarily a system of income support payments which can be divided into three different categories: social insurance or contributory payments; social assistance or means-tested payments; and universal child benefit (CB) which is residence-based and unrelated to income or previous contributions (McCashin 2004; Cousins 2005).

Only a very limited number of health-related services are provided under the social insurance system, and the main public healthcare provision is by way of a separate national health scheme operated under the auspices of the Department of Health (DH) (which is not discussed here). Social insurance is funded on a pay-as-you-go basis by contributions paid by employers and employees with any shortfall being met by the State. Both social assistance and CB payments are funded out of general taxation.

In 2013, total social welfare expenditure amounted to €20.3 bn. This accounted for one-third of current government expenditure and 14.7% of gross national product (GNP). The funding of this expenditure in 2013 came from the State (58%), employer's contributions to the state insurance fund (31%), employee's contributions (9%) and contributions from the self-employed (2%). The social insurance scheme applies to all private sector employees earning over a certain minimum payment each week (currently €38). Employees are insured against the risks of old age, disability, unemployment, invalidity, occupational injuries, survivorship and maternity. Full social insurance cover was extended to the civil and public service in respect of new employees in 1995. Social insurance also covers the self-employed since 1988 but only in respect of a limited range of long-term benefits. Almost three million people are insured under the social insurance scheme, over two million for all benefits (DSP 2014a).

The social assistance scheme provides benefits in respect of the traditional insurance categories and also provides payments for lone parents, a residual supplementary welfare allowance for persons whose means are insufficient to meet their needs, an allowance for carers and an earnings-related payment for low-income families in employment—family income supplement (FIS).

In terms of the volume of expenditure, there has been a switch over the period from 2007 to 2013, away from social insurance and towards social assistance spending (see Fig. 3.1).

In 2007, just under half of all expenditure was on social insurance (46.7%). By 2013, this position had been reversed and more was being spent on social assistance than on social insurance. There were a number of reasons for this development. Firstly, the high level of unemployment experienced in this period meant that more people were forced to rely on the means-tested payments rather than on the short-term insurance-based jobseeker's benefit. Secondly, contribution requirements for a range of working-age benefits were made more stringent, meaning that fewer people qualified for insurance benefits. For reasons discussed in more detail in the next section, spending on CB also fell from 14.4% in 2007 to 9.4% by 2013.

Unlike social protection payments in most European countries, almost all social welfare payments are flat-rated, with increases in respect of qualified adults and children. A limited pay-related scheme, which was introduced in the 1960s, was phased out and eventually abolished. Only maternity benefit is currently income related. The Irish social welfare system is highly centralised. All aspects of planning, implementation and delivery are the responsibility of the DSP.

In contrast to social protection systems in some European Catholic countries, the Irish case is notable for an absence of a corporatist welfare system, involving different insurance schemes for different categories of workers and tripartite management by employers, unions and the State.

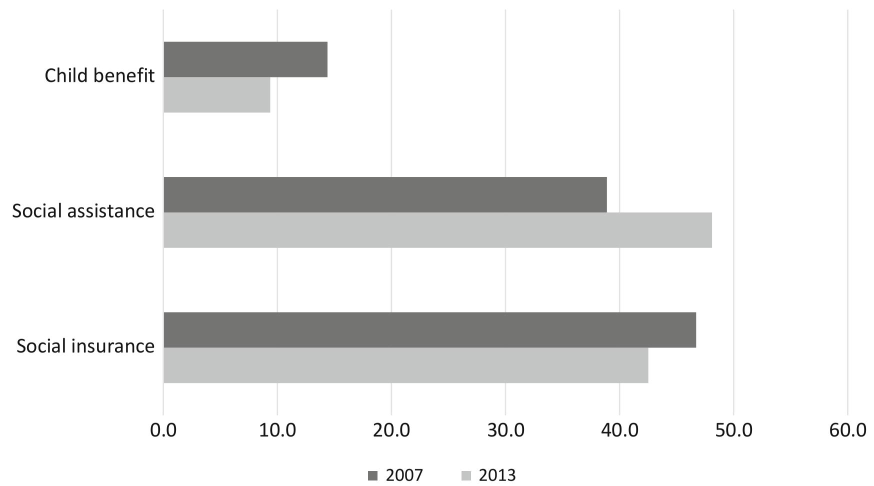

Fig. 3.1 Structure of social protection expenditure, 2007–2013 (percent of total expenditure)

However, Cousins (2005) argues that the Irish welfare state is strongly segmented. If we take the three-sector model of the Irish labour force dividing this into the public sector, the foreign transnational sector and indigenous industry and services, there is a striking complementarity between the preferences of these sectors and the structuration of the Irish welfare system. Employees in the public sector receive relatively high benefits through (largely unfunded) public occupational pension schemes and have job security. Employees in the high-profit, high-productivity transnational sector also tend to receive relatively high welfare benefits but this time through the private welfare capitalism of occupational benefits. Finally, the largest group of employees—those employed in the comparatively low-productivity, indigenous Irish manufacturing and services sector—are covered only by the flat-rate public welfare benefits.

Evaluating Change in Social Protection Systems

While there is widespread academic agreement that social protection systems expanded in the decades after the Second World War, there is much more debate and disagreement about the direction of policy in recent decades. In a recent assessment of welfare state trajectory since the crises of the 1970s, Pierson (2011:16) argues that there has been a 'striking story of stability at the level of core programs' despite the dramatic change in social context and 'shifts in other aspects of the post-war social contract'. Pierson sees this apparent stability as being largely based in fears of electoral unpopularity of retrenchment and on organised interest opposition to social reform. However, Hemerijck (2011:8) argues that an overreliance on social expenditure levels is misleading and that there has, in fact, been 'profound institutional transformation' of the welfare state (see also Hemerijck et al. (2013) and Obinger and Starke (2014)).

The impact of the Great Recession has also been debated. Many have focused on the impact of 'austerity packages' arguing that a regressive effect on income distribution is most common and that '[p]ensioners, public sector employees and welfare benefit recipients are among the groups in society likely to be most severely and adversely affected by the measures in most countries' (Theodoropoulou and Watt 2011:5). However, from a somewhat different perspective, Van Hooren et al. (2014:606), on the basis of their in-depth analysis of social policy responses in Australia, Belgium, the Netherlands and Sweden over the course of four global economic shocks, found that 'fundamental change in the aftermath of an exogenous shock is the exception rather than the rule'. They further found that 'incremental "crisis routines" based on existing policy instruments are overwhelmingly used to deal with economic hardship'. By 'crisis routines' the authors mean well-known, existing routines which are used in times of crisis. Somewhat similarly, van Kersbergen et al. (2014) in a study of Denmark, Germany, Netherlands and the UK did indeed find that retrenchment featured prominently on the policy agenda everywhere, but also found that compensation for income loss still occurred and that reforms such as expansion of child care or active labour market policies being pursued in all four countries. The differing results of recent studies are, in part, as a result of a focus on different countries and on the use of data. Indeed, like the French Revolution but even more so, it is 'too early to say' what the full impact of the Great Recession has been.

The Impact of the Great Recession in Ireland, 2007–2013

There has, unsurprisingly, been considerable reference to austerity and retrenchment in the literature on the Irish social protection system during the Great Recession (e.g. Dukelow and Considine 2014a, b; Murphy 2014a). However, while, since at least 2009, there have been measures to reduce expenditure, it is difficult to get an overall view as to how countervailing tendencies have played out in the overall structure of the social protection system. It is, for example, clear that total expenditure on social protection has increased significantly in the period as a percentage of GNP and of gross government current spending (see Fig. 3.2).

As can be seen, expenditure on social protection rose—both as a percentage of GNP and as a share of gross government current expenditure—over the period from 2007 to 2013, peaking in 2011. Of course,

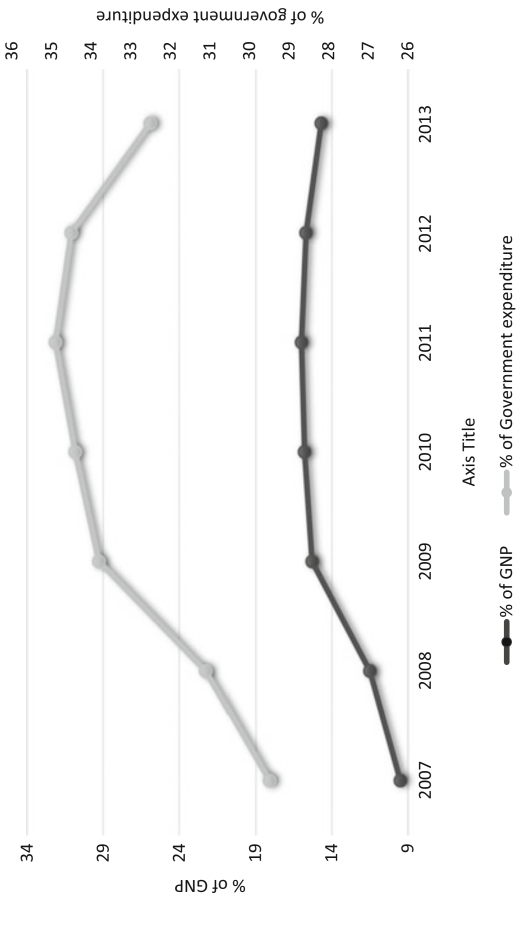

Fig. 3.2 Social protection expenditure 2007–2013

this, in part, reflects the demand for support arising from the dramatic increase in unemployment in the period from 5% at the end of 2007 to a peak of 15.2% in 2012 (Central Statistics Office [CSO] seasonally adjusted data). However, it also reflects the commitment of considerable public resources to the social protection system.

In order to examine the determinants of spending in more detail, we need to analyse the change in social welfare expenditure for different age groups in terms of the influence of demographic changes, changes in eligibility and changes in average benefits. We utilise the methodology developed by the Organisation for Economic Co-operation and Development (OECD) and previously used by Maguire (1984, 1986) in her study of social welfare spending in the period 1951–1981; by Cousins (2003, 2005) for the periods 1926–1951 and 1981–2002; and most recently by McCashin (2012) for the period 1981–2007. As McCashin (2012:157) has pointed out, '[d]isagregated data, using the methodology illustrated here, can discern patterns of change and distil trends from the epiphenomenon of expenditure'. However, as he warns, analysis of such data 'is not a substitute for interpretative analysis'.

The variations in the share of national income spent on a particular payment are the product of changes in demography (i.e. the size of the relevant population group), eligibility (the proportion of the relevant population who actually receive the payment) and the level of benefit (i.e. the average payment per person). Thus, changes in the expenditure ration (i.e. the share of expenditure as a percentage of national income) can be decomposed into

- a demographic ratio (the ratio of the relevant population to the total population),
- an eligibility ratio (the ratio of the beneficiaries to the relevant population) and
- a transfer ratio (the ratio of the average payment per beneficiary to national income per capita).[1]

In contrast to the approach adopted by McCashin (2012), we analyse spending for all payments in the specific age groups (children; working

[1] It should be noted that the average payment can be affected by changes in the number of dependants as well as by changes in relative 'generosity'.

age; and older-age group) rather than for specific programmes (unfortunately this means that the analysis here cannot be compared directly to McCashin's work). In the case of the working-age group, in particular, there has been a significant shift in the composition of working-age payments and a disaggregated analysis would identify the shifts in composition rather than the overall determinants of spending.[2]

Of course, this analysis looks at a very short period and in social protection many policy changes only have a full impact in a much longer period. For example, there were significant increases in pension age introduced in the 2011 Social Welfare Act but these have yet to have a significant impact on year-on-year spending.

We have taken 2007 as a starting date[3] as this was the last year before the onset of the Great Recession and its impact in Ireland. We have taken 2013 as the end point as this also marks Ireland's 'exit' from the EU-International Monetary Fund (IMF) Bailout programme (on 15 December 2013).[4] In the initial period, the Fianna Fáil-Green Party (FF-GP) government was in power, with a FF minister responsible for the DSP. Following the February 2011 general election, a Fine Gael-Labour Party (FG-LP) government was returned to office with LP TD (and later Tánaiste) Joan Burton as Minister for Social Protection. In order to examine whether any difference in policy can be determined, we have also looked at the position in December 2011. Although the FG-LP government was in office for most of this year, levels of benefits were determined by the 2011 Budget (adopted in December 2010 by the FF-GP government).

Overall, as one would expect from the data in Fig. 3.1, the expenditure ratio (i.e. the social protection expenditure for these groups as a ratio to GNP) for the working-age and older groups rose significantly over the period (Fig. 3.3). Only in the case of children did expenditure fall back. However, in a trend that we will see throughout this analysis, if we look at the two sub-periods (2007–2011 and 2011–2013) there was a rise for both pensions and working age in the first period with

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[2] There are also data issues in relation to groups such as lone parents and people with disabilities, i.e. it is difficult to identify clearly the relevant population over time.

[3] In all cases, unless otherwise stated, the data refers to the position on 31 December in the relevant year.

[4] Technically, the Economic Adjustment Programme for Ireland. At the time of writing, it is also the most recent period for which detailed data is available.

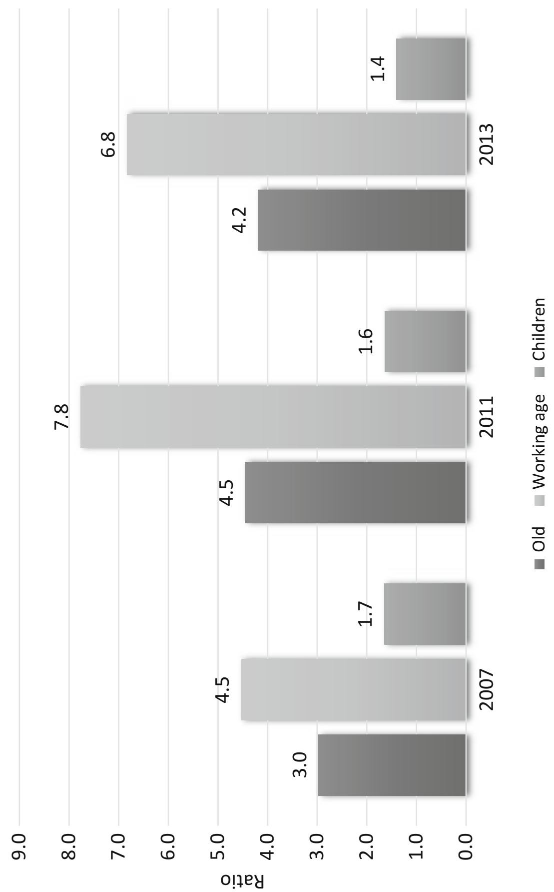

Fig. 3.3 Expenditure ratio by age group, 2007–2013

child-related spending remaining stable, followed by a significant decline for all groups in the second period. However, it would be inaccurate to see this as reflecting a difference in party policy between the two periods. Rather, in the first period, we see a continued expansion by the then government with welfare increases being provided in Budgets 2008 and (to some extent) 2009[5] before a sharp reversal of direction in the 2009 Supplementary Budget (adopted in April 2009).

What drove these changes? As one might expect over a short time period, demographic changes made a relatively small contribution, except in the case of pensions where the demographic ratio rose by 15% over the period 2007–2013 (Fig. 3.4). In contrast, the demographic ratio fell slightly for the working-age group (reflecting outmigration) and rose slightly for children (trends were broadly similar over the two sub-periods).

The eligibility ratio (the ratio of the beneficiaries to the relevant population) made a much more significant difference in the case of working-age persons (Fig. 3.5). Here, the numbers of working age on benefits soared from 25.1% in 2007 to 37.5% in 2011 (an increase of 49%). Despite, the fall in unemployment from 15.1 to 12.2% in the same period, the eligibility ratio fell only marginally to 36.5% by 2013. The eligibility ratio for pensioners (including qualified adults) was already close to 100 in 2007 and this rose by 4% in the period. Of course, this does not mean that every person in Ireland qualifies for a pension (or pension increase) but rather reflects some disjunction between the different data sources. For example, in 2013 about 25,000 pensions were payable to persons living abroad.

Perhaps somewhat surprisingly, the eligibility ratio also rose slightly for children over the period. Although entitlement for those aged 18 was removed in 2009–2010, the overall numbers receiving CB and the eligibility ratio increased over the period (despite a drop in 2010 reflecting the age change).

Finally, the transfer ratio (the ratio of the average payment per beneficiary to national income per capita) also played a significant role (Fig. 3.6). This is perhaps the easiest variable to isolate in this type of

[5] In general, in this period the annual budgets were adopted at the end of the preceding year (so Budget 2008 was agreed in December 2007).

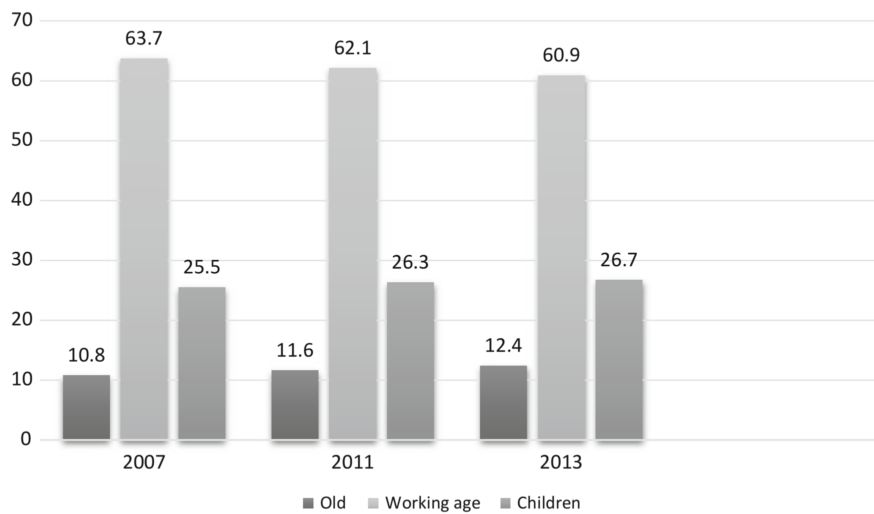

Fig. 3.4 Demographic ratio by age group, 2007–2013

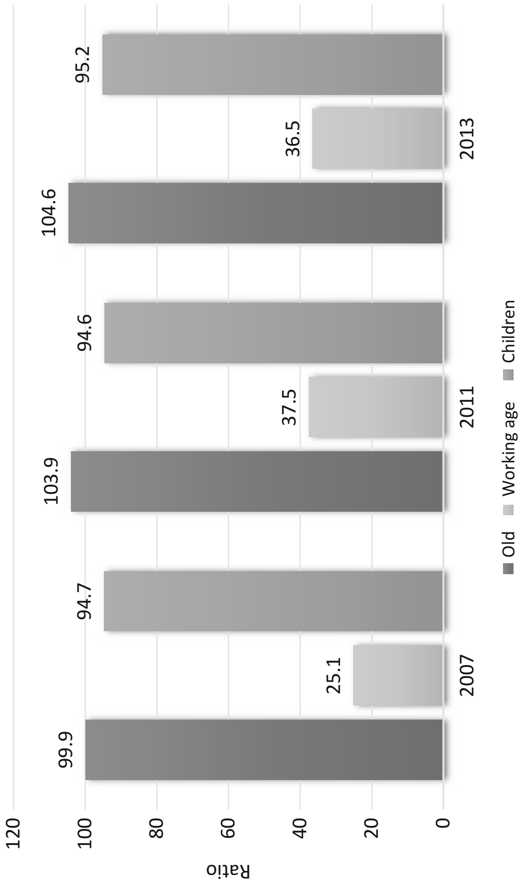

Fig. 3.5 Eligibility ratio by age group, 2007–2013

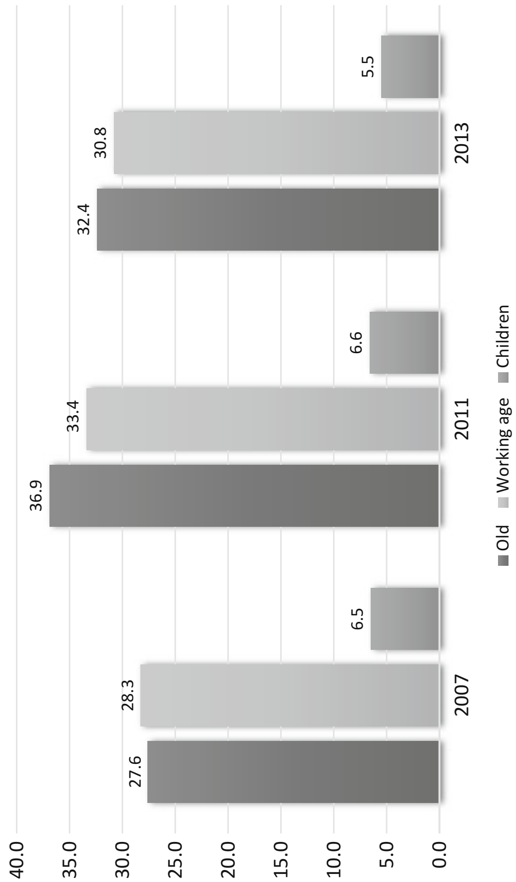

Fig. 3.6 Transfer ratio by age group, 2007–2013

analysis (given the flat-rate structure of most welfare benefits) as increases or decreases in rates impact immediately on welfare spending. In the case of the working-age and older groups, the transfer ration increased over the full period. Of course, it must be recalled that GNP per capita fell so we are seeing an improvement in the position of these groups *relative* to the overall population rather than to their own former income. In both cases, there was an increase to 2011 followed by a fall over 2011–2013. The increase in the ratio in the earlier period reflects initial increases in benefit rates followed by subsequent reductions for the working-age groups (increases followed by standstill for pensions). In the later period, while the government may have kept its commitment to maintain (core) welfare rates, the transfer ratio fell as GNP per capita rose.

In the case of child-related payments in contrast, the ratio rose slightly from 2007 to 2011, albeit that cuts in the rate of CB were made in Budgets 2009–2010.[6] The ratio fell from 2011 to 2013 reflecting the government decision to cut CB rather than 'core' welfare rates.[7] Looking back to the earlier period, there had been very significant increases in CB in the early 2000s. However, the increases originally planned were not fully implemented and, instead, a new Early Childcare Supplement (ECS) was introduced in 2006 which contributed to maintaining the transfer ration in the period 2007–2011. However, this payment was abolished almost before it was fully in place and the FF-GP government cut rates from 2010. Subsequently, the FG-LP coalition chose to cut rates of CB rather than, for example, taxing the benefit or cutting benefits elsewhere.

There have been a number of other changes to the social welfare system in the period. These included the reduction in the age of a child for which a lone parent would qualify for a payment (Murphy 2014b) and reductions in the rates of social welfare payable to persons aged 25 and

[6] Expenditure on the ECS (introduced in 2006 and abolished in 2009–2010) is included although this formed part of the Estimates of another Department rather than DSP. The ECS was 'replaced' by the Early Childhood Care and Education Scheme which is not included here as it is not a social protection scheme. See Chap. 9.

[7] The Programme for Government, 2011–2016 states that the government will 'maintain social welfare rates' and this appears to have been interpreted (by government) as applying to 'core' rates. However, as an indication of the lack of any coherent policy in this area, following cuts in the rate of CB in Budgets 2010–2013, it was partially increased again in Budget 2015 (October 2014).

under. While these measures have had a clear (if unquantified) impact on these groups, in expenditure terms, they do not greatly affect the analysis here in the short term. The projected costs of budgetary changes have been published by the DSP as part of the Comprehensive Expenditure Review (DSP 2014b). For example, the original introduction of a lower rate of payment for young persons in Budget 2009 was estimated to save €26 m in a full year out of a total reduction in that budget of €718 m. Similarly in Budget 2012, the reduction in the upper age limit of the youngest child for new claimants of the one-parent family payment was estimated to save €30 m in a full year out of total reductions of €764 m. Of course, one of the main reasons for such changes is not the immediate savings but the hoped-for long-term change in behaviour but we simply have no idea whether such changes have had any long-term impact in the absence of any evaluation of such policy measures.

Looking at the literature discussing social protection policy in the period from 2007, references to austerity and retrenchment abound. However, looking at the period overall, those factors (to some extent) within the control of government generally do not show retrenchment. The eligibility ration (largely driven by economic factors in the case of those of working age) *rose* in all cases. The transfer ration *rose* in the case of both working-age and older persons and fell only in the case of child-related payments. This can hardly be described as retrenchment given the overall economic context. Of course, this analysis does not capture the potential long-term impact of changes (such as pension age reforms) made in the period. And this is not, of course, to suggest that many persons did not experience austerity in the period as the improvement in the transfer ratio has to be seen in the context of falling national incomes overall. Poverty analysis shows that the proportion of the population in consistent poverty rose from 5.1% to 8.2% from 2007 to 2013 (CSO 2014).

This assessment provides a more positive account of the direction of social protection policy during the recession than several other studies. This would appear to be primarily for methodological reasons in that this study focuses on the overall (decomposed) expenditure and beneficiaries rather than on individual benefit cuts (of which there were many, see DSP, 2014 and Appendix 1 of this volume). Of course, it is arguable that this high-level focus can miss out on the hardship endured by some persons as a result of specific cuts. However, it provides a more quantifiable assessment of the direction of social protection policy in the period.

Insofar as analysis is yet available, studies of the impact of social protection spending on poverty support this more benign view. Watson and Maître (2013:52) in their analysis of the impact of social protection from 2004 to 2011 found that social transfers reduced the pre-transfer poverty rate by 53% in 2004, rising to 63% by 2007 and 71% by 2011. The poverty reduction effectiveness of social transfers refers to the extent to which social transfers contribute to a reduction in poverty. The authors found that the 'main reason for the improvement in the effectiveness of social transfers was that the amount spent had increased substantially relative to the poverty gap'.[8] A detailed analysis is not yet available for the period after 2011 (see Introduction for more discussion). However, FitzGerald (2014:6) drawing on comparative Eurostat data for the period to 2012 concludes that

> the fiscal policy options chosen by successive [Irish] governments have contributed to an outcome where inequality in the distribution of income has fallen over the last five years. A major factor in ensuring this outcome was the maintenance of the welfare system, broadly unchanged, in the face of the massive increase in numbers depending on it. The need for increased taxes and for cuts elsewhere in the economy was greatly increased by the decision of successive governments to protect those on low incomes who were dependent on the welfare system. This policy choice was different from that adopted in many other EU countries, where income inequality increased significantly as a result of the crisis.

[8] The study found little change in the poverty reduction efficiency of social transfers. The poverty reduction efficiency of social transfers refers to the proportion of social transfers that contribute to reducing the market income poverty gap.

The Irish Social Protection System in Comparative Context

How does Ireland compare in a European context? Here, we can only provide a somewhat provisional answer due to availability of data and the need for a more detailed analysis at a national level. In this section, we draw on OECD SOCX social expenditure database (which is defined more broadly than that used in previous sections).[9] This database allows a comparison of levels of social protection in both 2007 and 2014 (OECD 2014) and also looks at the extent to which social protection expenditure increased as a result of the recession.

As can be seen in Fig. 3.7, Ireland in 2014 was very close to the projected OECD average.[10] In contrast to the media perception of social spending being 'out of control' in 2007, we see that Irish social expenditure was, in fact, well below the OECD average.[11] In contrast to the media (and to some extent academic) perception of retrenchment after 2007, we see that Ireland was one of the countries where social expenditure rose the most between 2007 and the 'peak year' (2009 in Ireland's case). Of course, this is, in part, because Ireland's gross domestic product (GDP) fell more sharply than many other OECD countries but it also shows that social expenditure was performing an important countercyclical function in this period. Table 3.1 sets out the detailed data from Fig. 3.7 in relation to Greece, Ireland, Italy,

[9] SOCX presents public and private benefits with a social purpose grouped along the following policy areas: old age, survivors, incapacity-related benefits, health, family, active labour market programmes, unemployment, housing and other social policy areas. SOCX includes public spending on early childhood education and care up to age six, but SOCX does not include public spending on education beyond that age. At the time of writing, the EU Eurostat database includes data up to 2012 only.

[10] This is based on gross expenditure. The OECD has calculated net social expenditure, i.e. taking into account taxes and some elements of private social expenditure (Adema et al. 2011). However, this is only available at present up to 2011. Although in some countries this has a major effect on levels of spending (e.g. in the USA net social expenditure is much higher than gross, whereas in Scandinavian countries the reverse is the case), it does not significantly alter Ireland's ranking.

[11] Some academic commentators apparently share the media view: Casey et al. (2013) state that 'Ireland's social benefits … had already risen substantially prior to the downturn and were at a relatively high level in 2008.' SOCX indicates that in 2008 Ireland's social protection expenditure (at 19.5 % of GDP) was below the OECD average and lower than any other EU country except the Czech and Slovak Republics and Estonia.

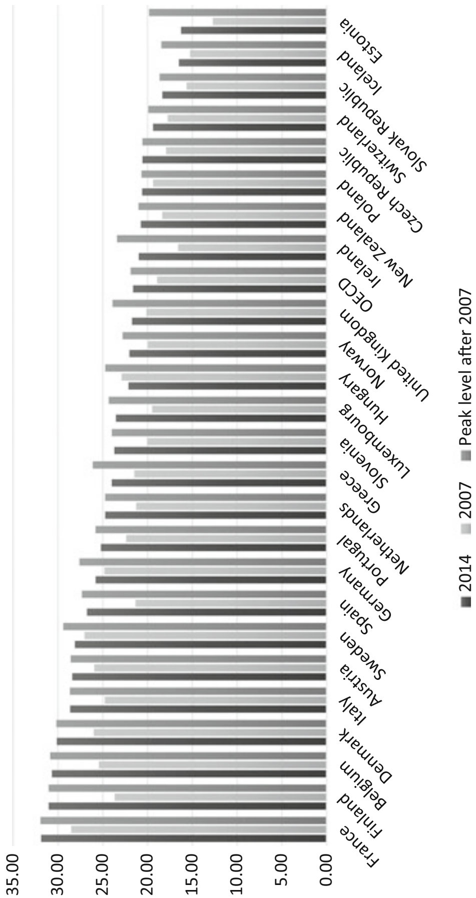

Fig. 3.7 Public social expenditure in OECD countries, 2007–2014

Table 3.1 Public social expenditure in selected countries, 2007–2014 (percent of GDP)

	2007	Peak year	2014
Italy	24.77	28.67	28.64
Spain	21.35	27.32	26.77
Greece	21.47	26.12	24.00
UK	20.14	23.91	21.74
OECD	18.94	21.89	21.62
Ireland	16.59	23.41	20.99

Portugal and Spain and, for comparative purposes, the OECD average and the UK.

We can identify a number of key facts from this data:

- In 2007, Ireland spent less than any other country and less than the OECD average
- Irish social expenditure (as a percent of national GDP) increased more from 2007 to the 'peak' year[12] than in any other country
- Although spending has fallen significantly from 2009, Irish spending has still increased more over the period 2007–2014 than any other country except Spain
- Ireland's projected spending in 2014 was close to the OCED average and the UK though still lower than Italy, Spain or Greece.

Any examination of the link between social protection policy and economic recovery falls beyond the scope of this chapter. However, when more detailed data is available it will be interesting to study the extent (if any) to which timely and significant social protection policy responses contributed to economic recovery (see IMF 2013).[13]

In terms of the structure of spending, from 2002 to 2012 OECD countries on average spent more on cash benefits (12.3% of GDP) than

[12] The peak year for Ireland and the UK (and the OECD average) was 2009, whereas Greek expenditure peaked in 2012 and that of Italy and Spain in 2013. This pattern is consistent with Ireland having commenced its fiscal consolidation relatively early (2008) compared to the other countries where efforts began in 2009 in Portugal, and in 2010 in the case of Greece and Spain (Weymes 2012).

[13] For a discussion of the impact of the Great Recession on southern welfare states, see the special edition of the *European Journal of Social Security*, 17:2, 2015.

on social and health services (8.6%). Ireland is broadly in line with this approach spending 13.6% of GDP on cash benefits compared to 7.9% on social and health services. Public pension payments constituted the largest social policy area with spending at just below 8% of GDP. In contrast, Ireland spent less at 5.3% of GDP reflecting the younger population (and generally lower pension rates). Cash income support to the working-age population accounts for 4.4% GDP on average. However, Ireland was much higher at 8.3% of GDP, the highest of all OECD countries. This reflected the very high level of the working-age population on welfare in Ireland as already discussed.

The comparative data indicates that Ireland is one of the OECD countries with a high level of spending on means- or income-tested cash benefits as a percentage of cash public social expenditure (36.5%). Overall, Ireland spends 5% of GDP on means-tested benefits and this is the highest of all EU countries and fifth highest of all OECD countries (after Australia (6.5%), Canada and NZ). In terms of the structure of spending, there is little similarity between Ireland and countries such as Italy, Spain and Greece.

The Impact of External Policy Actors

What has been the impact of external policy actors, such as the EU or OECD, during the Great Recession? Attempting to determine the policy influence of any particular agency in any quantifiable manner is, of course, extremely difficult. In addition, it is particularly hard to distinguish the direct impact of actors such as the EU (in its various emanations)[14] or the OECD from the more indirect impact on national policy makers of broader policy discourses to which organisations like the EU and OECD contribute. Finally, in the period under review, Irish policy makers were obliged to make difficult decisions which they would probably have preferred not to make in a more favourable fiscal environment.

[14] And of course, like national governments, different EU institutions have somewhat different views on social protection policies.

The EU remains primarily an economic union and its social policy competence is quite limited. Cousins (2005:125) argues that the direct impact of EU social policies on Ireland's welfare system has (with certain limited exceptions such as the EU directive on equal treatment in social security) been rather modest. In the area of welfare policy, the most important legally binding policies have been regulations on free movement of workers and the directive on equal treatment in social security. While important, these laws have only a limited impact on national social protection systems. The current emphasis of EU social policy is on the open method of co-ordination (OMC). This involves 'soft' (legally non-binding) measures through which member states' policies in areas such as pensions and social inclusion are benchmarked and compared. There has been limited study of the impact of the OMC on Irish social protection policy. While pointing to the fact that the establishment of OMC in the area of social inclusion coincided with a fall in the Irish poverty rates, Murphy (2010:166) accepts that 'it is impossible to say with any accuracy that the OMC contributed in any meaningful way to this decline in poverty'.

The difficulty in clearly identifying the impact of the OMC is echoed by de la Porte and Pochet (2012:345) in their review of the OMC literature. They found that the OMC had 'never been the single cause of policy reform' but was 'one factor among others in a given reform process, hence the understandable difficulty for researchers to attribute the weight of the OMC in policy change'.

However, in the case of Ireland, it might be argued that external policy actors had greatly increased influence given the Bailout and the agreement of specific conditionalities which were then monitored by the Troika. In addition to general commitments to cut expenditure, the initial Memorandum of Understanding (MoU) on Specific Economic Policy Conditionality (16 December 2010) included a number of specific social protection commitments (subsequent MoUs revised and updated conditions re social protection) Under the heading of unemployment, these include commitments to:

- reform the unemployment benefit system in such a way as to provide incentives for an early exit from unemployment;

- take steps to tackle unemployment and poverty traps including through reducing replacement rates for individuals receiving more than one type of benefit (including housing allowance);
- reforming the system of activation policies in such a way as to adapt it to the reform in benefits and make it more effective.

In implementation of these commitments, the government promised to introduce legislative and other measures to:

- improve the efficiency of the administration of unemployment benefits, social assistance and active labour market policies, by exploiting synergies and reducing the overlapping of competencies across different departments;
- enhancing conditionality on work and training availability;
- strengthening activation measures via:

  (i) the introduction of instruments to better identify jobseekers' needs ('profiling') and increased engagement;
  (ii) a more effective monitoring of jobseekers' activities with regular evidence-based reports;
  (iii) the application of credible sanction mechanisms for beneficiaries not complying with jobsearch conditionality and recommendations for participation in labour market programmes set in such a way as to imply an effective loss of income without being perceived as excessively penalising.

The MoU also included a commitment 'to introduce legislation to increase the state pension age'.

Of course, in the absence of access to the draft documents, one can only speculate as to whether these measures were proposed by the Irish government or imposed by the EU and IMF. However, it is noteworthy that some of the more important commitments were already government policy, such as the increase in pension age.[15] The National Pension

[15] On a more minor issue, the introduction of a system of 'profiling' unemployed claimants had been under consideration by DSP for about a decade (see Barrett et al. 2001).

Framework (March 2012) provided that the age at which people will qualify for the State Pension would be increased to 66 years in 2014, 67 in 2021 and 68 in 2028.[16] Other commitments—such as that to provide incentives from unemployment—were remarkably vague. Indeed, the greater emphasis on activation had already been recognised by the government with the renaming of the then Department of Social and Family Affairs (DSFA) as the DSP and the transfer of the work of the public employment service (FÁS) to that Department. Announcing this in the Dáil in March 2010, Taoiseach Brian Cowen stated that

> Providing a more effective and streamlined response to the needs of the unemployed requires more joining up and ultimately integration of the income support provided through the social welfare system with the support for activation and preparation for re-entry to employment.

There is no doubt that Irish policy makers moved over the period from the late 1990s to a more active labour market approach (and that this shift intensified over the period of the recession) and that this brought Ireland more into line with approaches advocated by the OECD and EU. However, it is debatable whether this process was driven by the EU and IMF as some commentators suggest or whether it is simply a recognition of the policy logic of such an approach which had long been advocated by national and international policy actors (NESC 2005; Grubb et al. 2009).

Finally, some of the most significant decisions, such as whether to cut benefit rates and, if so, which ones and by how much, were generally left entirely to national policy makers.[17] In general, and in arguable contrast to issues such as property taxes and water charges, there is little in the MoU with which Irish policy makers would have had any disagreement. In areas such as a greater emphasis on activation and increasing pension age, external policy actors were indeed 'pushing an open door' (Dukelow 2015).

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[16] Indeed, the change had already been made in the Social Welfare and Pensions Act 2011. This issue was discussed extensively in the Green Paper on Pensions (Government of Ireland 2007) and as part of the extensive consultation process on the Green Paper.

[17] A later MoU (28 April 2011) provided that 'the nominal value of Social Welfare pensions will not be increased' but this was hardly on the agenda in any case.

In general, the commitments set out in the original MoU have been met but again this leaves open the question as to whether this is because national policy makers wanted to achieve them (in the context of the economic crisis) and the extent to which external policy actors had an impact in defining the objectives and/or in ensuring their implementation though the Troika monitoring process.

Conclusion

In 2007, the Irish social protection system—despite significant increases in welfare rates in the period since 2000—remained a somewhat limited and segmented system (see Cousins 2005). Although standard welfare benefits were often higher than in the UK (a common benchmark for commentators), overall spending on social protection was one of the lowest in Europe (ahead only of Estonia and the Slovak Republic on the OECD SOCX database). As discussed, the decomposition analysis of social protection expenditure indicates that the eligibility and transfer ratios for all groups have increased or have been maintained at 2007 levels with the exception of a fall in the transfer ration for children after 2011.

The main change over the period to 2013 has been the dramatic growth in the proportion of the working-age population on welfare from about one-quarter in 2007 to 36% in 2013. As we have discussed above, despite the 'economic crisis without parallel in [Ireland's] recent history',[18] it is difficult to identify any clear retrenchment in the system overall. There have, of course, been cuts in expenditure and in specific programmes. However, the only major scheme to be abolished was the ECS which had only been introduced in 2006. Schemes such as widow's pensions (introduced in 1935) which arguably are inappropriate to the needs of twenty-first century Ireland remained untouched. Despite some half-hearted discussions, nothing has been done in relation to the transfer of responsibility to employers for payment during sick leave.[19]

[18] Letter of Intent from the Minister for Finance and Governor of the Central Bank to EU/IMF (3 December 2010).

[19] Irish Times, 15 November 2011; Sunday Business Post, 20 February 2012.

CB was increased, reduced and increased again, but not taxed (the logical approach). The 'Comprehensive Expenditure Reviews' conducted by the Department of Public Expenditure and Reform (DPER) in 2011 and 2014 may be comprehensive but a strategic approach to social protection policy is not immediately apparent (DPER 2011, 2014). Thus, as in previous decades, social protection policy in the recession has been ad hoc and reactive (for discussion of institutional reforms to integrate income supports and employment services, see Chap. 4). Rather than dramatic retrenchment, what we have seen is a further example of Ireland's welfare system 'surviving without changing' (Murphy 2014a). This is certainly consistent with van Hooren et al. (2014) finding that economic crises rarely lead to fundamental welfare change and that a more likely response is 'incremental "crisis routines" based on existing policy instruments'. However, as we have seen, the social protection system has played an important role in alleviating poverty and reducing inequality.

Overall, there is little ground for optimism in relation to a more strategic approach to welfare in the near future. The 2011–2016 Programme for Government promised the establishment of a

> Commission on Taxation and Social Welfare [to] examine and make recommendations on the interaction between taxation and the welfare system to ensure that work is worthwhile. In particular, it will examine family and child income supports, and a means by which self-employed people can be insured against unemployment and sickness.

In the event, this was downgraded to an 'Advisory Group' which has, to date, produced three reports which have not led to any clear future direction for welfare policy (assuming it was ever intended to).[20] Although there have been some positive reforms during the recession, such as the abolition of FÁS and the shift to a more active approach in relation to employment by DSP, many challenges remain.[21] And, in

[20] A fourth report, submitted to the Minister for Social Protection in July 2014, remains unpublished at the time of writing.

[21] Again, we have little idea as to the practical impact of the greater impact on activation in the absence of an evaluation culture in Irish public policy.

addition to the unmet issues from the pre-recession era (such as the need for greater pensions adequacy, more support for reconciling work and family, a coherent policy of child support), the government is also faced by the immediate challenge of an unsustainable level of the working-age population on welfare and the risk of hysteresis.

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4

Activation: Solving Unemployment or Supporting a Low-Pay Economy?

Micheál L. Collins and Mary P. Murphy

Introduction

This chapter focuses on Irish labour activation, and assesses the scope of reforms in Ireland during the crisis years. Earlier, Chap. 2 discussed international drivers and trends in welfare state reform including globalisation and neo-liberalisation. Related trends of privatisation, marketisation and new public management (NPM) are evident in Ireland's crisis era convergence towards work-first activation, a convergence championed by transnational actors such as the Troika. At the same time crisis is associated with increased incidences of low-pay and more-precarious working conditions, raising questions about the quality of employment people can aspire to and whether in fact paid employment offers a sustainable route out of poverty.

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Ireland comes late to the type of activation practice that is by now common in many OECD states (Murphy 2012). Activation can be understood as a policy strategy of 'designing benefit rules and employment or training services with a view to moving unemployment income benefit recipients into work, and involving a wide range of interventions including fiscal policy, public services and education or training' (Lødemel and Moreria 2014:9). While they differentiate workfare (compulsory participation in paid employment) from activation (compulsory) participation in other forms of active labour market policies (ALMPs) (education, training, occupation, job search)), Brodkin (2013) sees the two terms as synonymous and identifies a global convergence in policy and governance. She breaks down activation into three components: (i) enabling policies including education, training, employment supports and broader public services such as childcare and transport that increase human capital and access to decent employment; (ii) compensation packages that make work pay, as in policies or supports that make participation in the paid employment more feasible or rewarding; and (iii) regulatory policies that enforce paid employment through sanctions or the withdrawal of alternative forms of welfare. While the mixture of enabling, compensation and regulatory policies varies across activation regimes, the general trend is for policy and managerial reforms to undermine workfare's potentially enabling elements and intensify its regulatory and more punitive elements (Brodkin 2013).

The Chap. 2 reviews the significant reforms to this element of the Irish welfare state and then sets them in the context of evidence on the nature and extent of low-pay and precarious work in the Irish labour market. We use Brodkin's enabling, regulatory and compensation framework to assess broad trends in Irish activation policy and argue that a crucial part of the picture is the type and overall quality of employment outcomes. The chapter therefore has a dual focus. Part I introduces the context of and the framework for Irish activation policy, Pathways to Work (PTW). It then discusses the restructuring of Ireland's activation institutions and programmes and assesses the degree to which the rollback of old institutions and roll-out of new institutions has been enabling or disabling. It then reviews shifts in the use of sanctions and changes in governance to assess whether the regime has intensified its regulatory or punitive aspects. Part II turns to the theme of low-pay, first examining Irish compensation mechanisms and how Irish policy supports participation in low-paid employment and asking whether such policies ultimately act as forms of corporate welfare. We then address recent trends in low pay and precarity. We conclude by commenting on shifts in what activation is for, who delivers, who pays for it and who benefits from it. Taken together, these changes point to a work-first policy strategy with a greater use of privatised actors working in a more managerial culture and using more regulatory sanctions to pressure working aged claimants into low-paid and precarious employment that is often only viable with compensation through in-work and employer subsidies.

What for: Enabling or Disabling, Supportive or Punitive?

Pathways to Work (PTW)

Clasen et al. (2012) argue crisis triggered three different types of labour market responses across Europe; demand shock, fiscal emergency and structural reform. In Ireland, the pressure of rocketing unemployment prompted short-term emergency responses and welfare cuts and meant little opportunity for policy initiatives or institutional reform (Martin 2014:12). The Irish Department of Social Protection (DSP) was under strong pressure to keep basic administrative systems working, FÁS (the pre-crisis national training and employment authority) public employment and training services were under similar pressure and also rocked by corporate governance scandals (Murphy 2012). In the context of poor domestic evaluations of labour market activation programmes (McGuinness et al. 2011; Harmon et al. 2012) a government commissioned OECD review of Irish activation (Grubb et al. 2009) had recommended a work-first mutual obligations activation model. In the midst of fiscal consolidation a structural reform agenda emerged and became a focus for the international bailout agreement ((Memorandum of Understanding (MOU)) reached with the Troika (Ireland 2010) and the subsequent 2011 PfG (Ireland 2011; Hardiman and Regan 2012).

Activation became a core priority of DSP alongside delivery of income support payments and the control of fraud. The blue print for the new activation strategy PTW (DSP 2011), focused on building on existing labour activation policies to better engage with the unemployed (OECD 2013) and focused on five action points: more regular and on-going engagement with non-employed people; greater targeting of activation; incentivising the take-up of opportunities; incentivising employers to recruit unemployed; and reforming institutions to deliver better services. This is updated annually and monitored in a NPM style reporting system based on quarterly targets. A defining feature of the work-first oriented PTW is the degree to which it focuses on the claimant count or 'live register' (LR). While originally targeting resources at the short-term unemployed, by 2015 focus shifted to the long-term unemployed (LTU) and youth unemployed as well as engagement with employers to match vacancies from the LR. This political and cost saving imperative, to reduce the LR, is at the expense of many women (qualified adults, carers and lone parents) and people with disabilities who are outside the target of what is essentially a male breadwinner activation model (Rice 2015).

Enabling: Restructuring of Institutions and Active Labour Market Programmes

The PTW labour market activation strategy signalled a widespread institutional and policy change that taken together hastens Ireland's convergence towards international norms in activation policy. Our interest here is whether these structural or institutional changes actually led to a more *enabling* policy environment. This section reviews a series of institutional reforms; integration of income supports and public employment services (PES) (*Intreo*); reforms which oriented further education towards training for employability (SOLAS); privatisation of PES for the LTU (Job Path) and the integrated approach of the Youth Guarantee.

The first major post crisis institutional reform was to merge FÁS and the Health Service Executive's community welfare officers into the DSP. This merged administration and PES into a 'one stop shop model'. Originally titled the National Employment and Entitlements Service this was renamed and launched as *Intreo* in 2012 and is organised around an integrated service delivery approach which profiles clients and develops 'personal progression plans' and a 'social contract' whereby 'customers' pledge to proactively engage with the DSP's employment services (OECD 2013). *Intreo* reached a 2014 target of 60 offices (Labour Market Council 2014:13). At the same time the Local Employment Service (LES), a locally delivered targeted enabling service for the LTU and hard to reach clients, has been subsumed into *Intreo* and forced to shift their focus from a previously flexible client-centred approach to the more systems-driven and rigid *Intreo* managerialist approach focused on shorter term outcomes and narrower progression metrics. The focus appears more managerial and less adaptable, client centred or enabling.

Merging institutions into *Intreo* doubled the institutional capacity of the PES. However the Employment Services Officer: Claimant ratio remained high by international standards and serious capacity gaps remained (NESC 2011). PTW (DSP 2014a) signalled a policy shift towards a more intensified use of the private sector to deliver PES for the LTU. In October 2014, the DSP selected two private companies to deliver *Job Path* a new activation programme for the LTU which will in turn subcontract local and specialised Irish NGOs. Budget 2015 provided €12 m start-up financing, and as of Summer 2015, DSP continue to negotiate contracts for the new 'pay by results' activation programme 'Job Path'. Wiggan's (2015:162) assessment of the model of privatisation suggests less emphasis on the primacy of market rationality with more regulation of standards and moderation of provider empowerment than the British model. He attributes this to an LP presence in the social protection ministry and their 'core preference for protecting equity and retaining state involvement in welfare provision'.

The final piece of the emerging jigsaw is an Irish Youth Guarantee (OECD 2014a) which was piloted in Ballymun, North Dublin in 2014. While its evaluation was limited in what it could conclude (Devlin 2015), it is notable that the core objective was a guidance-led approach that is more resource intensive than the work-first activation approach followed by *Intreo*. While successfully evaluated, given resource deficits, it seems unlikely a fully rolled out national youth guarantee will maintain the enabling guidance ethos of the pilot.

Parallel to *Intreo*, a new national training agency *Solas* was established in 2013 and 16 regional Education Training Boards were created through a merge of local authority Vocational Educational Committees

Table 4.1 Participants in various active labour market measures

	December 2013	December 2014
Back to Work (BTW) schemes		
BTW allowance scheme—Employees	11	3
BTW enterprise allowance scheme—self-employed	10,098	11,166
Short-term Enterprise Allowance	583	479
Total BTW payments	**10,692**	**11,648**
Other activation programmes		
DSP part-time job incentive	312	397
TUS—Community work placement initiative (2011)	7108	7877
JobBridge (2011)	6483	6371
Total other activation programmes	**13,903**	**14,645**
Community employment schemes (excluding Supervisors)	**22,575**	**23,249**
FAS full time training for unemployed people	**8996**	**8771**
Back to education courses		
Vocational Training Opportunities Scheme (VTOS)	N/A	5,000
Back to Education Allowance (BTEA)	24,996	22,714
Total back to education courses	**29,996**	**27,714**
Total activation programmes	**86,162**	**86,027**

Source: CSO Live Register, June 2015

and local FÁS Training Centres. The Further Education and Training (FET) strategy (Solas 2014) stressed the need for greater coherence and clearer learning outcomes in the FET sector. The NPM style focus on outcomes narrowly focuses on developing skills for work and defines only three possible outcomes (progression to employment, higher education or further FET). This represents a significant shift away from more collective emancipatory or transformative citizenship outcomes traditionally associated with Irish adult and further education (Murray et al. 2014; Brady 2014).

Over the crisis, government maintained investment in a range of existing ALMPs and invested in new programmes (see Table 4.1 for overview). Initiatives included a 2010 allocation of €20 m to a Labour Market Activation Fund through which private agencies delivered training programmes, and a 2011 privately delivered training programme 'Momentum'. These programmes, as well as the 2011 'JobBridge' national internship programme and the 2013 'JobsPlus' employer subsidy, focused on open market-oriented activation. Other new programmes focused on the state as an employer of last resort (GateWay and Tús), while the voluntary sector was the main employer for the existing 25,000 Community Employment places. Whether these ALMPs are considered enabling depends on the criteria used to evaluate 'successes'. Kelly et al. (2013) stress the need for market relevant supply measures and effective job search assistance. IGESS (2014) use the proxy of Live Register exits to employment to measure success in activation and notes those completing ALMPs have exit rates to employment which fail to outperform overall LR exits rates of 50% and 10% for the STU and LTU, respectively. This is especially the case for DSP-funded ALMPs such as Community Employment and Back to Education programmes which have low employment progression outcomes but have key social objectives and outcomes and can still be considered as enabling interventions (Collins 2012).

Have these institutional and policy reforms worked as enabling measures? While significant information, technical and cultural teething problems remain, the transition has not been seamless (Kelly et al. 2013; INOU 2014). From the perspective of LES managers, the implementation of Intreo is marred by serious time and skills deficits and a defensive control culture with little openness to learning. While a culture of 'glass walls' exists between apparently integrated providers (Treacy 2014), at the same time both Intreo and Solas seem relatively well embedded and unlikely to be reversed. The Troika influence and centralisation of political power over the crisis appear to have been able to drive through any veto and implementation deficit culture which might otherwise have sunk this reform agenda. Our interest here is whether these structural or institutional changes lead to a more *enabling* policy environment. While neither reform has been evaluated, the criteria for success in evaluations are not increased human capability or enablement but live register reductions and related cost savings. Such institutional changes also have to be assessed against how they work with new *regulatory* approaches to working aged payments and the degree to which the state engages in *compensation* or other strategies addressing the problem of low pay.

Regulation: Working Aged Payments: Cuts, Conditions and Sanctions

Clasen and Clegg (2011) use the concept of 'triple integration' to conceptualise how activation sits alongside 'unemployment support homogenisation' and 'unemployment policy co-ordination'. This is consistent with Brodkin's focus on regulation, the degree to which changes are punitive in nature and the degree to which job search rules are extended beyond traditional unemployed jobseekers. Cousins in Chap. 3 highlights the degree to which Ireland is relatively generous to working aged welfare recipients. Early crisis budgets included an unprecedented cut of 8% or €16 (from €204 to €188 p.w) in the rate of all working age social welfare payments. Young jobseekers under the age of 26 have also been subject to further age-related reductions; since January 2014, the weekly rate of jobseekers payments or SWA is €100 for a primary applicant aged between 18 and 24 or €144 for a person aged 25. In 2010, DSP proposed unemployment support homogenisation in the form of a single working-age payment (SWAP) where labour market conditionality and income disregards would be applied, on the same basis as for unemployment payments, to lone parents, partners/spouses, people with disabilities and carers (Martin 2011). This agenda lost political momentum when a parliamentary report (OCJSPE 2012) recommended delaying the introduction of SWAP until the necessary supports and childcare, activation opportunities and quality jobs were in place. However the reform proceeded for the less politically protected One Parent Family Payment (OPFP). In 2015, lone parents whose youngest child is aged between 7 and 14 years were moved to a Jobseekers Transition Allowance while those whose youngest child is 14 or older are required to seek and accept full-time work under the same condition and rules as apply to jobseekers with no children. Analysis of the reforms shows that these changes will impact negatively on thousands of working lone parents (Murphy 2014). This reform is justified by OECD (2015) analysis concerning the low work intensity rate for Irish households with children. There is no parallel regulatory reform agenda concerning the larger number of qualified adults (partners or spouses) living in low work intensity households with unemployed or disabled partners. More broadly, there has been no initiative to advance individualisation or advance gender equality as an objective of social security (MacDonald 1998). Rather, activation of lone parents is consistent with and accommodates the Irish male bread winner welfare regime (Rice 2015).

Access to social security is always governed by a range of eligibility, entitlement and conduct conditions and Ireland is historically considered to be light in its implementation and practice of these (Hasselpflug 2005; Knotz and Nelson 2013). In addition to cuts to and restrictions on access to jobseeker benefit in Budgets 2009 and 2012, conduct conditions have intensified over the crisis period with three specific reforms increasing the job search obligations of unemployed jobseekers, lone parents and young people and increasing the range of penalties for failing to meet these (Martin 2014). The 2014 Youth Guarantee (DSP 2014b) introduced extra obligations for young people under 25 (Devlin 2015). From late 2015/2016, it is expected that the 'pay by results' privatisation of PES will further increase the use of sanctions and also extend job search obligations to claimants in part-time employment and in receipt of in-work benefits (IWBs) (Lowe 2014). The annual penalties applied since the introduction of these measures have increased significantly from 359 in 2011 to 6500 in 2014 with little accountability or transparency about the use of penalties or reasons for them. The INOU (2014) found that they had increased stress on those genuinely seeking work. The increase in sanctions has been accompanied by a negative narrative associated unemployment and fraud control (NESC 2011).

Compensation and Low Pay

IWBs and Employer Subsidies

Our third focus is on compensation packages that make work pay, or policies or supports that make participation in paid employment more feasible or rewarding. Cousins (2013:4) understands 'in work benefits' as 'any social welfare/social protection or tax measure (or measure that bridges these systems) that plays a role in facilitating the transition into employment and progressing in work'. All these forms of compensation are forms of corporate welfare. Farnsworth (2013:5) acknowledges IWBs and employer subsidies are often consistent with the social welfare interests of employees, but also fulfil a more implicit function of lowering labour costs in a neo-liberal political economy. He asks whether crisis has shifted social policy to benefit private businesses through corporate welfare. Here we ask whether crisis has increased the role of compensation strategies in Irish activation policy and how this might promote, sustain, reinforce or otherwise relate to a low-pay regime. We first examine compensation channelled directly to the worker including FIS, income disregards attached to working-age payments that allow a portion of the welfare payment to be retained alongside income from part-time employment and tax credits. We then address compensation packages channelled through employers as direct employment subsidies (in the Irish case JobsPlus and previous Pay Related Social Insurance exemptions and Revenue Assist) or through ALMPs like the JobBridge internship programme.

IWBs were first introduced in liberal welfare states in the 1970s and expanded significantly in recent years (Immervoll and Pearson 2009). They are generally understood as mechanisms to improve financial incentives to work or address in-work poverty. Since 1984, the Irish Family Income Supplement (FIS) scheme provides income support to employees on low earnings with children. Changes since 1984 have focused on increasing take-up though shifts in the hours worked eligibility criterion, the basis for assessing income, increases in the income thresholds and calculation methods. Chart 4.1 shows how from 2009 to 2013 there has been a 60% increase in recipients and a related increase in expenditure, there followed a significant rise from €229.6m in 2013 to €282m in 2014. Much of the overall increase can be attributed to the number of families relying on reduced earnings caused by an increase in the prevalence of lower hours and crisis era wage reductions, some of this rise might be attributed to increased take-up due to information campaigns and administrative efficiencies.

A second IWB (Back to Work Dividend) was introduced in Budget 2015; unlike FIS this payment has no wage ceiling and is paid to all families with dependent children moving from welfare into employment. The full child dependant addition (€29.80) can be kept for the first year of employment alongside half this amount for the second year of employment. €12 m was provided in Budget 2015. Significant

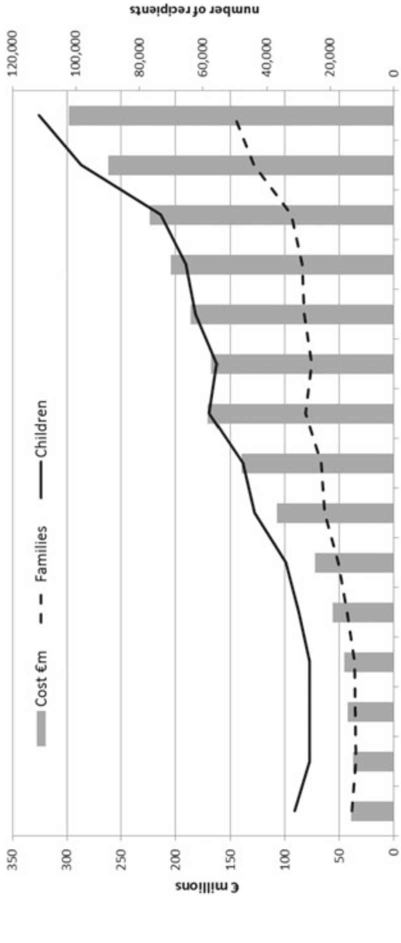

Chart 4.1 Family income supplement 2000–2013
(*Source*: Department of Social Protection Statistical Reports)
Note: Left hand side axis measures annual expenditure on FIS. Right hand side axis measures numbers of recipients

working aged income disregards are also available to jobseekers, lone parents and people with disabilities, as well as qualified adults (spouses or partners of these claimants). Job Seeker Allowance facilitates three days employment in any seven days and in the assessment of income from part-time or casual work €20 a day of earnings are disregarded up to a maximum of €60 a week (with subsequent earnings assessed at a rate of 60%). Chart 4.2 shows how since 2007 the numbers of casual claimants increased by 400%. In 2014, 78,944 or 20% of jobseekers on the Live Register worked casual or part-time hours.

A working qualified adult also benefits from a disregard of up to €60 and the 60% rate of withdrawal. Combined, a couple can disregard €120 of earnings if both work three days each week. In 2012, up to 60% of qualified adults (98% of whom are women) use these income disregards. The OPFP means test disregards the first €90 a week of earnings with half of all subsequent earnings up to €425 a week assessed as means against the claim. In 2015, 45% of lone parents used these income disregards. The Disability Allowance (DA) includes an incentive to take up rehabilitative work and earn up to €120 per week without impacting on the payment, while earnings between €120 and €350 are assessed at a rate of 50% and over €350 are fully assessed at 100% in 2015. 12% use these DA income disregards. A basic analysis of numbers utilising these various out-of-work income disregards suggests the cost to the state may reach €250 m.

Collectively these payments can be seen as a form of corporate welfare as they support participation in precarious low-hours employment that would otherwise be unsustainable. It is also worth noting that there are gendered patterns in the use of these income disregards, while there are more male casual claimants, women are proportionately likely to be following a casual employment pattern, and almost 100% of lone parents and qualified adults utilising income disregards are women. We might ask to what degree these IWBs sustain the gendered part-time pattern of the Irish labour market?

Various ALMPs also act as a form of corporate welfare for employers with free or subsidised labour enhancing employer productivity and profitability. Activation supports including JobBridge, JobsPlus and the Part Time Job Incentive are open to all employers; the state as an employer has access to GateWay and Tús; while the voluntary sector can access

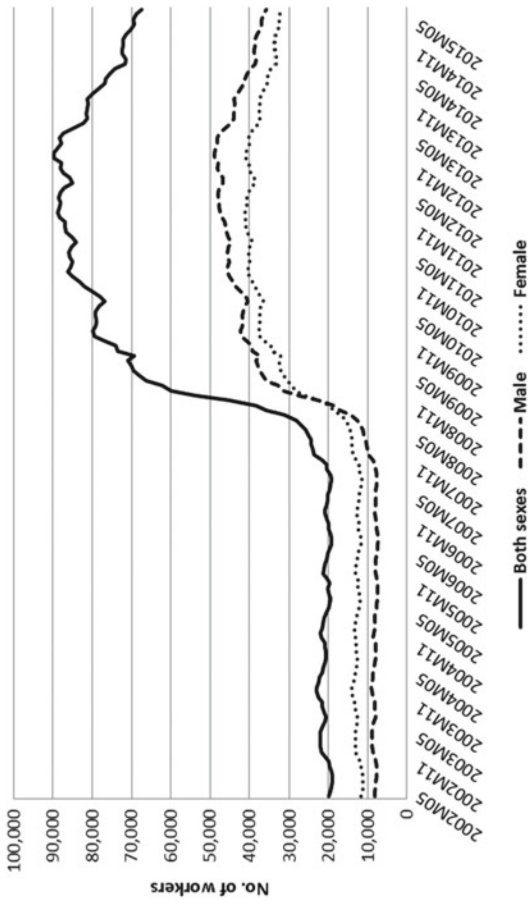

Chart 4.2 Growth in casual and part-time workers on the live register, 2002–2015 (*Source*: CSO, Live Register, various years)

Community Employment. DSP (2014c) shows total 2013 expenditure on activation supports was €993 m, an increase of 4.2% over the 2012 figure of €942 m. Of this, one-third, or €700 m, is attributable to subsidies to employers. There are also hidden impacts from this type of corporate welfare. While ALMPs in the open market economy have the highest progression outcomes, they are also more likely to displace entry level jobs (the JobBridge national internship programme is associated with a 29% displacement of entry level jobs) and employers benefit significantly from productivity gains associated with JobBridge which have been instrumental in terms of company survival, recovery and expansion (Indecon 2013; Murphy 2015). Availability of free or heavily subsidised labour also contributes to a culture of open market internships, where overuse and misuse of internships displaces paid employment, or drives down basic terms and conditions for workers (Perlin 2012). JobsPlus, a direct wage subsidy, aims to incentivise employers to hire long-term unemployed people with a €7500 job subsidy for employment of an LTU person (or €10,000 pa if the person had been unemployed two years plus). While JobsPlus produces valuable employment outcomes from the perspective of the LTU, it is also a very direct transfer of social welfare to employers. In 2015, the scheme had a budget of between €22 m and €24 m.

Unlike other Anglo-Saxon states, Ireland has not pursued fiscal or tax mechanisms to deliver IWBs and a campaign for refundable tax credits has met with solid resistance from institutional insiders including the Irish Revenue Commissioners. However, some tax credits serve as a mechanism to increase take-home pay for people in employment who have extra costs associated with dependant relatives, incapacitated children, blindness and lone parenting. These tax credits are not considered significant in terms of cost but are generally seen as inequitable as they cannot be utilised by low-income workers who earn less than the tax threshold. Chapter 12 discusses the overall principle of maximising the take-home pay of low-paid workers by setting tax thresholds at levels that exempt low-paid employees from paying tax and social insurance. In 2014 corporate in-work subsidies amounted to FIS (€282 m), ALMPs that subsidise mainstream employment of €500 m and out-of-work income disregards of €250 m, a conservative estimate of a €1bn employer subsidy. This amounts to 5% of the national social protection budget (equivalent for example to the entire income support budget for lone parents or two-thirds of the entire budget for ALMPs). Including tax foregone, as a policy of exempting the low-paid from taxation, this cost would increase substantially.

Activation for What—the Low-Pay Context

Given the socio-economic profile of many of those who are unemployed and the aforementioned focus of activation programmes, and given the sectors they are likely to be activated into (see below), there is a strong likelihood of transitioning from unemployment to low-pay. We can also ask whether the more regulatory focus on punitive sanctions serves to commodify the non-employed, deny them choices and push them into low-paid work they might otherwise resist (Boland and Griffen 2015).

Annual estimates from the OECD point towards an increase in the proportion of employees in Ireland who are low-paid—the figures increasing from 17.8% of full-time workers in 2000 to 23.3% in 2013 (Collins 2015a). Despite periods of economic boom and crisis, the trend has been steadily upwards so that by 2013 one in every five full-time male employees and almost three in every ten female full-time workers were low-paid. Given historic and persistent high female low-pay rates, the OECD data point towards a notable growth in male low-paid employment as the crisis unfolded.

Prior to the establishment of a statutory floor on hourly rates of pay, via the introduction of the minimum wage in April 2000, there was significant interest in both the scale and composition of those who were low-paid (Blackwell 1989; Blackwell and Nolan 1990; Nolan 1993, 1998). The analysis in Collins (2015a) and summarised here updates these insights and draws from an examination of the micro data from the 2013 CSO Survey on Income and Living Conditions. This survey, part of an annual EU wide household living standards survey, comprises responses from 12,663 individuals in 4922 households and includes detailed earnings and socio-economic data for 3369 employees. Overall, the data is representative of 1,345,395 employees. Of these the mean hourly earnings was found to be €20.63 per hour although 50% of employees earn less than €16.62 per hour.

How Many are Low-Paid?

Chart 4.3 presents a profile of the hourly earnings distribution and includes markers for three earnings thresholds. These include the minimum wage which stood at €8.65 per hour in 2013. A Living Wage value of €11.45 per hour was first established in July 2014 by the Living Wage Technical Group (2014); a group of interested researchers who came together in early 2014 to establish a methodological basis for its calculation and annual update. In the absence of a comparable figure for 2013, the 2014 value has been used. Finally, the low-pay threshold established by Eurostat in their most recent Structure of Earnings Survey (2010) is also used. This figure was estimated as two-thirds of median hourly earnings for those in firms of ten or more employees and in all sectors of the economy excluding agriculture and public administration and defence. The 2010 figure was €12.20 per hour.

The data in Chart 4.3 are summarised in Table 4.2. Of all the employees examined in the data, 5.5% have an income below the statutory minimum wage—these include those exempted by the structure of the minimum wage including young workers under 18 years, persons employed by a close relative, apprentices and those on structured training schemes. Using the hourly Living Wage as a threshold, the analysis finds that 25.6% of employees have an hourly wage rate of less than €11.45. Some 30.3% of employees lie below the low-pay threshold of €12.20. These findings imply that almost 345,000 employees earn less than €11.45 per hour while just over 400,000 earn below €12.20 per hour. Looking above these three low-pay categories, more than 40% of employees have an hourly rate of between €15 and €30; 8.6% lie between €30 and €40 and 6.9% have an hourly rate above €40 per hour. Consequently, irrespective of the threshold used, almost 70% of employees are not formally classified as low-paid.

Who Are the Low-Paid?

Using this data, we can identify those employees falling below two of the low-pay thresholds: the €11.45 Living Wage and the Eurostat low-pay threshold of €12.20. Tables 4.3 summarises the results and as a comparison, the distribution of all employees (both low-paid and

Chart 4.3 Distribution of hourly earnings and selected pay thresholds, Ireland 2013
(*Source*: Collins 2015a)

Table 4.2 Distribution of hourly earnings, Ireland 2013

From	*To*	*Percent of employees*
minimum	€8.64	5.5
€8.65	€9.99	8.3
€10.00	€11.44	11.8
€11.45	€12.19	4.7
€12.20	€14.99	12.5
€15.00	€19.99	19.6
€20.00	€24.99	13.6
€25.00	€29.99	8.4
€30.00	€34.99	5.4
€35.00	€39.99	3.1
€40.00+		6.9
		100.0 %
Mean	€20.63	
Median	€16.62	
Below €8.65	5.5%	
Below €10.00	13.8%	
Below €11.45	25.6%	
Below €12.20	30.3%	

Source: Collins (2015a)

otherwise) is presented in the first column. Of course, it may be the case that employees above these thresholds with short, or involuntarily short, working weeks are low paid when judged on a weekly earnings basis. Women represent 60% of all those who are low-paid; a finding that holds for both thresholds. When examined by age group, the data show that more than one-third of the low-paid are aged less than 30 years. Between 60% and 65% of the low-paid are aged less than 40 years; this group represents about half of all employees. The profile of the low-paid across categories representing completed education levels is unsurprising, with 22% of the low-paid not having completed secondary education, an educational profile consistent with those targeted in activation policy.

The analysis also provides an insight into the location of the low-paid within various sectors. Using the €12.20 threshold, of all those who are low paid almost one-quarter are in the wholesale and retail sector with almost one-in-six (17.1%) in the accommodation and food sector. Collins (2015a) also found that that the low-paid are mainly concentrated in the private sector (87%) although one-in-ten are employees in the public sector.

Table 4.3 A profile of low-paid employees, 2013

	Percent employees	*Below €12.20*	*Below €11.45*
All employees	100.0	100.0	100.0
Gender			
Male	47.5	40.4	39.8
Female	52.5	59.6	60.2
Age group			
18–29	17.4	34.5	35.8
30–39	32.6	27.7	28.7
40–49	24.8	19.2	16.6
50–59	19.4	12.3	12.8
60+	5.7	5.9	5.6
Highest completed education			
Primary or below	4.5	7.9	7.9
Lower secondary	10.4	14.6	13.7
Higher secondary	23.3	34.4	34.8
Post leaving cert	12.3	16.8	17.3
Third level non degree	15.5	10.1	10.3
Third level degree or above	32.3	13.0	12.6
Sector of employment			
Agri, forestry/fishing	1.2	2.9	3.0
Industry	16.1	12.4	11.6
Wholesale and retail trade	14.3	24.1	23.8
Accommodation and food	7.5	17.1	18.1
Admin & support services	2.8	5.5	5.6
Health & social work	15.6	12.9	13.0
Pub Adm, Defence, Educ	17.4	5.6	5.6
Others	25.2	19.7	19.4
Hours worked per week*			
1–19 hrs	13.6	24.9	26.1
20–34.9 hrs	24.0	31.5	30.6
35 hrs+	62.5	43.7	43.3
Contract type*			
Permanent	91.0	83.7	82.2
Temporary	9.0	16.3	17.8

Source: Collins (2015a:15–16)
Note: All decompositions are statistically significant

Forty-four percent of the low-paid work 35 hours or more per week, although relative to employees overall, the low-paid are more concentrated on low hours with 25% working less than 20 hours per week. Most low-paid workers hold a permanent contract of employment (84%) although there are more low-paid workers on temporary contracts (16.3%) than the proportion of such workers among all employees (9%).

In summary, low-pay is concentrated by gender and in certain sectors of the economy. It also extends across the age groups, reflecting the fact that low-pay is not a transitory phase experienced principally by young employees starting out. Its relationship with low hours of work, part-time work and temporary contracts also points towards its association with those employees regarded as experiencing precarious working conditions. Collins (2015b) finds the profile of those who are on the minimum wage echo with those above although women are found to be more likely again to be in this low-pay category. The true impact of these conditions on employee weekly/annual income is likely to be more pronounced than that identified for the hourly data examined.

The association between low-pay and those on temporary contracts of employment, which Collins (2015a) finds to be statistically significant in the Irish data, echoes some of the concerns regarding the growing precarity of work for employees with certain characteristics and in certain sectors of the labour market. OECD (2014b) data for Ireland point towards employees in precarious or 'non-regular' employment as being young (less than 25 years), working in low-skilled occupations and more likely to be female and have low completed education levels. In their 2014 Employment Outlook, looking across multiple countries, the OECD noted concerns regarding increasing labour market segmentation and evidence of limited progression from temporary to permanent contracts of employment. Although precarity is not unusual to labour markets at the outset of an economic recovery, concerns that it may persist, and become the norm for more employees, underscore concerns that the success or otherwise of activation measures needs to be judged on the nature and sustainability of its outcome rather than just the initial transition.

What Is Activation for; Who Delivers it; Who Benefits; and Who Pays

We conclude by addressing four questions central to this book: what is activation for; who delivers it; who benefits; and who pays. The earlier discussion shows Ireland experienced a significant shift in the policy focus of activation during the crisis and moved relatively quickly to catch up with global developments. While the state still maintains a pivotal role, we see shifts in who delivers and how delivery happens with evidence of privatisation, marketisation and NPM in recent institutional reforms that, taken together, promote convergence towards work-first activation. Reforms include rollback of some institutions and roll-out of new institutions, while some reforms are enabling in nature this progress needs to be balanced against the degree to which institutions are more regulatory in nature. While privatisation carries governance and regulatory implications for activation policy it is also the case, as Wiggan (2015) notes, that Ireland has chosen a model of privatisation that retains state involvement in welfare provision.

Activation is exclusively state funded from taxation. While the direct impacts of activation accrue to the relatively narrow group of non-employed on the live register targeted under the PTW strategy, there is also a significant element of corporate welfare with up to €1bn invested in the subsidisation of low pay. While individuals benefit in many different ways from accessing employment, there is also a strong likelihood of individuals transitioning from one area of explicit welfare state support (unemployment supports and activation policies) to other direct and indirect interventions which support those on low incomes. Activation may be causing low-paid worker transfers between state-funded policy interventions rather than achieving a preferred degree of financial independence through employment. Clearly, such transitions are not an argument in and of themselves against activation; rather they imply the need for policy and its outcomes to be more comprehensively understood and evaluated. Indeed, they lend support to the desire for evaluations of labour market activation programmes to extend beyond short-term outcomes and more readily measure the quality and sustainability of employment/employments that participants achieve and to therefore assess the true benefits to both the individual and the state and whether employment really is a route out of poverty. We might also ask why the Irish state is taking on the burden of low pay, whether such compensation policies contribute towards change in the total social structure of employment as employers adjust their employment practices to maximise from social policy compensation incentives (Pierson 2000). Activation is gendered and consistent with a male breadwinner welfare regime. The gendered live register acts as a gateway to activation (Murphy and Loftus 2015) and as outlined above, the precarious and low-paid labour market is also gendered. A sizable number of low-paid precarious workers, particularly women on low hours contracts fall foul of various rules and cannot access IWBs including FIS.

There are dilemmas implicit in compensation led activation policy. As discussed earlier, IWBs lower wages can negatively impact on participation in training and education and can cause work disincentives for the second adult's participation in employment. Elsewhere, policymakers implement compensation strategies alongside regulatory approaches focused on in work conditionalities; surely a negative outcome from the perspective of enabling activation. Martin (2014) ponders how the new sanctions regime will embed in an Irish culture that has traditionally resisted their application. To date messaging about obligations has increased as has use of sanctions, and Lowe (2014) anticipates privatisation will mean further intensification. Cultural shifts to greater conditionality are easier to achieve through private agencies and pay by results regimes (Brodkin 2013; Lowe 2014). Irish political narratives, while not as severe as the UK anti-welfare discourse, serve to prepare public opinion for harsher treatment of the unemployed (NESC 2011; Murphy 2012). These shifts are somewhat ambiguous and contradictory, being targeted at some working-age welfare (jobseekers and lone parents) but not others (qualified adults/partners and people with disabilities) albeit this is shifting somewhat in the new Pathways to Work strategy for 2016–2020.

Conclusion

Various authors have associated activation with the recommodification of labour and mobilisation of a new form of 'floating', or more portable and flexible employee (Darmon and Perez 2010:84), 'standby-ability' (Bengtsson 2014) and flex-insecurity (Murphy and Loftus 2015). It seems that a 'work-first' more punitive Irish activation policy geared towards ensuring the employability and job readiness of a form of flexible employee for precarious jobs which are made sustainable through employment subsidies. There is an alternative. As Healy (2015) argues, it is time to move to beyond short-term emergency corrective measures to longer-term 'preventive' measures including properly accredited and quality education and training and to focus on regulating for decent labour market with living wages. Similarly, IGESS (2014) acknowledge the need to shift to evaluation metrics that prioritise the outcome of lasting, sustainable employment. Unemployment remains at more than twice pre-crisis levels and with only one job vacancy for every 20 unemployed (Collins 2015a). The Action Plan for Jobs (DJEI 2015) has paid insufficient attention to low-pay as a significant Irish labour market phenomenon and it is clear that the new Low Pay Commission needs to identify necessary policy initiatives that counter a 'low hours' employment culture (ICTU 2015). As it stands, the combination of institutional and income support responses to unemployment may sustain and reinforce the emerging reality where approximately 30% of Irish workers experience not only low-pay but also low hours of work, part-time work, temporary contracts and precarious working conditions.

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5

Redistribution in the Irish Pension System: Upside Down?

Gerard Hughes and Michelle Maher

Introduction

For more than half a century the Irish pension system has remained structurally unchanged. The public first pillar is the state old age pension; a flat-rate mandatory social insurance pension supplemented by a flat-rate means-tested social assistance pension. The private second pillar is voluntary and includes occupational pension schemes provided by employers as well as individual pension arrangements. The overall design of the pension system is consistent with a neoliberal economic policy approach, creating and preserving a strong market for private pensions. This chapter introduces readers to the Irish pension system with a brief summary of its historical development and a review of the more recent period of crisis. It then provides a more

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in depth description of the current system and an examination of reform proposals to further privatise the system. In this context, we focus on the questions of who pays for pensions and who benefits as the two most salient questions when it comes to examining the Irish pension system and pension policy. We conclude by proposing an alternative policy trajectory based on a redistribution of resources from the private to the public pillar to counterbalance the dominant discourse supporting further privatisation of the system.

The Irish Pension System

Ireland's pensions system has its roots in the state's colonial past. It is built on the flat-rate means-tested state pension (first introduced in the UK in the 1908 Old Age Pensions Act), a social insurance flat-rate pension and a voluntary private occupational pension system incentivised and supported by tax concessions dated from the 1921 Finance Act. At its inception the pension system represented a modernisation of the institutionalised legacy of existing stigmatising poor relief laws and conformed to a logic that pensions existed to alleviate poverty (Arza and Johnson 2006:56). Within pension system classification, systems that start from this position are referred to as Beveridgean and developed to generally provide unfunded public flat-rate means-tested benefits combined with private funded supplementary pension schemes. They are contrasted with Bismarkian systems that instead aim to maintain status before and after retirement by granting a comparable level of income through earnings-related pensions (Natali 2008:29). Ireland's social model of old age income protection has steadfastly followed a Beveridgean path developing into a mature multi-pillar system. In 1960, the pillar-one state pension underwent structural change with the introduction of a contributory old age pension. A flat-rate pension became payable to all insured workers who satisfied the contribution criteria. The existing non-contributory means-tested pension remained as a residual safety net for those with insufficient qualifying contributions.

In 1976, the Fine Gael (FG)–Labour Party (LP) coalition government issued a Green Paper on pensions called *A National Income-Related Pension Scheme*. It represented an attempt by the state to alter the logic underpinning the pension system away from mere poverty alleviation towards status maintenance through the introduction of an earnings-related tier to the state pension. The pensions industry provided a staunch defence of the status quo arguing that government funds 'should be directed towards the more needy sections of the community and should not hinder the continuing development of occupational schemes' (IAPF 1975). The industry's preference was for a pension system best developed through a partnership between the state and the private sector. The partnership would operate 'on a two-tiered basis as follows: (i) a flat-rate state pension for all employed persons, (ii) an earnings-related supplementary pension provided in most cases under a private occupational scheme' (IAPF 1975). That the trajectory towards a state earnings-related pension halted and the industry's 1970s vision for the Irish pension system describes with some accuracy the current system is testament to the industry's long-standing influence.

In the last two decades of the twentieth century, pension reform was a growing policy concern. This is evident from the activity and reports on pension policy ranging from the establishment in 1986 of both the Social Welfare Commission and the National Pensions Board, to the National Pensions Policy Initiative which commenced in 1996 (Pensions Board 1996). Despite the volume of work, wholesale structural change did not happen. Instead the reform landscape was largely shaped by regulatory matters culminating in the implementation of the 1990 Pensions Act and subsequent amendments. This Act introduced regulatory requirements for pillar-two pensions such as the inclusion of member trustees; disclosure of information to members; preservation of benefits for people who leave their company pension plan before retirement age; revaluation requirements; minimum funding standards; and the institutionalisation of policy advice through the establishment of the Pensions Board (renamed the Pensions Authority in 2014).

More recently, policy considerations have focused on the need to increase coverage and meet demographic and sustainability challenges. In 2007, the *Green Paper on Pensions* was published. The subsequent consultation process resulted in the publication in 2010 of *The National Pensions Framework* (DSFA 2010). This remains the government's blueprint for pension policy in Ireland and is supplemented by the *Review of the Irish Pension System* report from the OECD (2013). Specifically, the government plans to maintain the pillar-one flat-rate state pension and aims to set its value at 35% of average weekly earnings (DSFA 2010:19). The second pillar of private pensions is to be strengthened by the establishment of a new pension scheme in a clear example of what Orenstein (2008:14) refers to as the overarching dominance of neoliberal principles of individualism over collectivism, and reliance on private markets over public management in pensions provision

The strengthening of the second pillar with the proposed new scheme demonstrates a deepening of economic individualism in the Irish pension system. People are being prompted to make their own provision and decisions about their retirement income rather than rely on the state. The intention to rely on private markets is clear in that contributions to the new scheme will be invested in funds provided by the private sector without any government provided guarantees on returns (DSFA 2010:33). It will be mandatory for employees who are not members of their employer's occupational scheme to be enrolled in the new scheme by their employer; although they will have the option to opt out of the arrangement should they wish to do so. In February 2015, the government established the Universal Retirement Savings Group to 'consider the constituent factors involved in constructing an efficient and effective universal retirement savings system and bring forward a recommendation in the form of a roadmap and estimated timeline for introduction' (DSP 2015:2).

The defined contribution nature of the proposed new scheme places the risk of adverse investment returns and industry costs with the individual. In defined contribution schemes the contributions that are paid towards each employee's individual retirement savings account is defined. Traditionally, following retirement the pensioner will receive an amount each year secured by applying an annuity rate to the value of the individual retirement savings account. Annuity rates are actuarially calculated by insurance companies and the trustees of a defined contribution pension plan must pay the retirement savings to an insurance company who then assume responsibility for paying the agreed annuity as a pension. This introduces two risks to members of a defined contribution scheme that do not apply to those in a defined benefit scheme; an investment risk affecting the value of the individual retirement account available to purchase a pension and an annuity rate risk governing the amount of annual pension that can be purchased. Since 2011, employees can instead opt to draw down from their funds as and when they please, subject to certain conditions.

This option also leaves the investment risk with the individual, as well as the risk that their fund will erode too quickly leaving them with a depleted income for their later years. In contrast, defined benefit schemes define in advance the pension payable at retirement, usually calculated with reference to service and salary. The employee pays a fixed contribution and the scheme's sponsor assumes responsibility for ensuring that the pension fund has sufficient assets to meet pension payments. In this way, the risk of adverse investment returns (as well as the benefits of favourable returns) remains with the scheme sponsor.

This direction of reform away from any increase in collective public provision towards individualisation of old age risk in accordance with market principles is driven by concerns over sustainability. Both the National Pensions Framework (DSFA 2010:1) and the Review of the Irish Pensions System (OECD 2013:3) open by highlighting the need to ensure the sustainability of the pension system in the context of demographic change. Like many public pensions, the state pension in Ireland is funded on pay-as-you-go (PAYG) basis. This means that pensions in any particular year are paid (mostly) from workers' and employers' social insurance contributions in that year, with subvention by the state as and when required. The means-tested state pension is paid from general taxation. In 2013, total social welfare spending in Ireland was €20.3 bn of which pensions formed almost a third at €6.5 bn (DSP 2014:2). In addition a further €2.9 bn is given in tax reliefs by the state to private pensions.

A PAYG system embodies an intergenerational contract between today's contributors and today's pensioners. It is redistributive in a number of ways: from those who die young to those who die old, from people in one part of the income distribution to those in another, and typically men subsidise women because of their longer life expectancy (Deacon 2007:183). Critics of PAYG frame their argument in terms of sustainability, questioning the affordability of state pensions under conditions of global economic competition and demographic ageing. There is a reluctance to increase social insurance as it is seen as adding to labour costs, thus threatening competitiveness. Pre-funding benefits, as happens in the private pillar of the pension system, is put forward as the only viable alternative to meeting what constitutes the largest single part of welfare state activity.

The Function of a Pension System

Consideration of the sustainability of a pension system invites the question of what a pension is for. On one hand pensions can be considered the reliable deliverance of an acquired social right so that older people can enjoy a financially secure independent old age. This brings adequacy to the fore. It places the emphasis on basic universal pensions that guarantee income security and additional social insurance contributory pensions targeting adequate income replacement. By extension the state becomes the prominent actor in the pension system as it is in a position to collectivise risks much more effectively than any private institution and can redistribute resources among the at-risk group in a way that would be unacceptable if undertaken by a private company (Hill 2007:10).

In recent years the state pension has been very effective at delivering this right and transferring pensioners out of the danger of being at risk of poverty. Between 2001 and 2012, the state pension increased from €134.59 to €230.30, a nominal increase of over 70%. The ongoing survey on income and living conditions shows the dramatic consequences on pensioner poverty. In 2003, the percentage of pensioners at risk of poverty was 32.3% (CSO 2005:10). By 2013, this had fallen to 7.5% (CSO 2015). The trend of reducing pensioner poverty shows the significance of the decision to increase the state pension. Likewise the decision to maintain the rate of state pensions when other welfare benefits were cut during austerity has provided social protection to pensioners. However, this protection is vulnerable to erosion in periods of inflation if rates are not indexed to wages to maintain pensioners' standards of living.

On the other hand pensions can exist as an instrument of economic policy to increase savings and investment by using tax reliefs on contributions to pensions by employees and employers. This is a way of holding back some part of the wage from labour market participants. This perspective sees pensions as deferred pay. Given this way of financing private pensions the money has to be built up over a long period of years in pension funds in a way that is secure and sustainable and completely separate from the employer's business. Neoliberal economic thinking favours the market taking responsibility for funding pensions which, hopefully, will be related to workers earnings and leaving the state a residual role of preventing poverty in old age through the state pension. Privatising the responsibility is supposed to remove the funding liability from the state. However, the shift towards private provision does not remove a tax burden from the public: tax support for market-based pensions is a frequently ignored part of welfare states (Ebbinghaus and Whiteside 2012:275). When it is mentioned, there is very little comment on the failure of tax reliefs to significantly increase coverage.

It is problematic when a pension system privileges the role of private savings because it increases the difficulty that those in less-advantaged labour market positions will have in achieving adequate retirement income. A brief gender analysis is one way of illustrating why it is problematic. The process of gaining access to a pension and the factors affecting the pension amount are highly gender sensitive. Pension systems typically developed in the context of the male breadwinner/female homemaker pattern of family life and still largely reflect this as the 'norm' (Murphy and McCashin 2008). A pension system which privileges the role of private savings increases the risk that those in less-advantaged labour market positions can achieve adequate retirement income. While women can have long periods of full time employment, it is more typical for women to combine periods of full time, part time and time out of the formal labour market to meet a range of paid and unpaid responsibilities (Ginn 2004; Jefferson 2009). These factors, aggravated by the gender pay gap and occupational segregation, make it significantly harder for women to build up adequate contributions in both the public and private elements of the pension system. The strength and depth of the 'ideological fault line' means that, as Ginn et al. (2001:1) observe, 'the economic value of women's unpaid work, and the social consequences if women were persuaded to abandon these tasks in favour of unfettered participation in the labour market do not enter the debate on pension reform'. Therefore, any reforms that increase the degree of earnings-relatedness of pension benefits serve to ensure that lower life time earnings will be reproduced in old age (Ginn 2004:125). This is especially critical when viewed in the context that due to a higher life expectancy women have a longer period of retirement and widowhood.

The Privatisation of Pensions

The policy decision to promote the further privatisation of the Irish pension system rests on a belief that public pension benefits should not increase in the future beyond their current level and that the private pension system can be relied on to deliver adequate pensions in the future (DSFA 2010:14–15). In this, reform in Ireland is in line with trends across Europe. The public–private mix varies across Europe but the overall direction of reform is to cap public pensions with their reliance on PAYG funding in favour of individual responsibility for retirement income in a market provided solution. Supranational and transnational non-state actors have played a big role in this policy development.

The World Bank's 1994 publication *Averting the Old Age Crisis* set the tone for pension debate and the direction of pension reform at the end of the twentieth century (Arza and Johnson 2006:72). Its central message of a shared responsibility for retirement income in which individual retirement income should come from a variety of sources has been embraced by international organisations, economic policy advisers and national governments (Ebbinghaus and Neugschwender 2011:387). In summary, the logic is presented as demographic pressures arising from increasing life expectancy and falling birth rates overwhelming state pension systems by driving costs up. Sustaining state pensions will thus require increases in tax levels and rates which will weaken private sector growth. The solution presented is a privately operated defined contribution pension system which will avoid market distortions and promote economic growth. Such is the power of this discourse that alternative solutions remain largely unheeded. Prevailing discourse attacks systems with a dominant public pillar financed on a PAYG basis and advocates commercial provision without registering the often very positive record of public sector pension fund management when compared to schemes run on commercial lines (Blackburn 2006:148). We see this in the absence from government reports of any analysis of which pillar of the pension system offers best value for money and is most effective at delivering pensions. The public expenditure on state pensions and the tax expenditure on private pensions are continuously seen as separate policy issues.

The International Labour Organisation have sought to expose the flaws in this dominant thinking by arguing 'that there is no demographic imperative leading to privatisation, that European-type schemes are reformable and sustainable, and that the privatisation strategy is merely a cover to increase the share of private capital savings' (Deacon 2007:65). They point out that demographic ageing will affect private and public pensions in similar ways and that pay-as-you-go public pension schemes are sustainable.

The EU influences Irish pension policy as the requirements for budgetary discipline represents a source of indirect pressure on pension institutions. The EC Treaty, the Stability and Growth Pact, the European Council's Broad Economic Policy Guidelines and the European Central Bank (ECB) all prioritise the fiscal implications of an ageing population on social security systems and public budgets in pension policy making (Eckardt 2005:261–262). The EC published a White Paper in February 2012 called *An Agenda for Adequate, Safe and Sustainable Pensions*. Rather than adequacy, it is sustainability that dominates the paper (Casey 2012:259). The White Paper also includes a commitment to support the development of complementary retirement savings to enhance retirement incomes which will require member states to provide better access to supplementary schemes and their cost effectiveness (EC 2012:9).

Financing Pensions: Who Pays?

State Pensions

Social insurance pensions are financed by employer and employee contributions to the Social Insurance Fund. Any annual shortfall in receipts is made up by a state subvention to the fund. Means-tested social assistance pensions are paid for by general taxation. The financing of the social insurance fund does not make any distinction between contributions for contingencies such as unemployment, disability or old age so it is only possible to identify how much employers, employees and the state contribute to the fund as a whole. In 2013, total income for social insurance amounted to €8.6 bn of which employers contributed 62%, employees and the self-employed contributed 23% and the State contributed 15%. While employers appear to pay most of the cost of social insurance they may be able to shift some of the cost back onto employees through lower wages. Hughes (1985) estimated that about half of the cost of an increase in the employer pay-related social insurance (PRSI) rate would be shifted onto employees in the form of lower wages and FitzGerald et al. (2008:142) argue that 'today a significant part of any increase in labour taxation will fall on employees'.

The latest actuarial projections of the cost of social insurance pensions undertaken by KPMG (2012) suggest there will be a significant increase due to demographic ageing. This outcome led to a review of public pension expenditure by officials of the Department of Public Expenditure and Reform. They recommended that State pension benefits and the age 80 allowance should be cut and warned that 'a cut of €8.50 per week on the two State pension schemes will only offset those demographic pressures for one year' (see Wall 2014). In an example of how entrenched the lack of support for the state pension is there was no recommendation that contribution rates should be increased or that there should be a change in policy which would result in tax reliefs for private pensions being given at the standard rate rather than the marginal rate of tax.

Occupational Pensions

Up to 1979 employer and employee contributions to social insurance were levied at flat rates up to an income ceiling. This made the social insurance contributions very regressive with the contribution rate as a percentage of income highest for low earners and lowest for high earners. A big step forward to making the system more progressive was taken in 1980 when PRSI contributions were introduced although an income ceiling was retained until 2010. The income ceiling was abolished in 2011 and most employees now pay 4% of their earnings into the SIF while employers pay 10.75%. The total contribution rate in Ireland is among the lowest in the OECD. The social security revenue it yields as a percentage of GDP, 4.159% in 2012, was less than half of the OECD average, 9.015%. Ireland ranks fifth lowest after Denmark, Chile, Mexico and Iceland of 32 countries in the OECD which collect social security contributions (see OECD 2015).

The private pension system is paid for by employer and employee contributions to occupational pension funds and by individual contributions to private pension accounts (Retirement Annuity Contracts and Personal Retirement Savings Accounts (PRSAs). On average, contributions for defined benefit schemes are much higher than those for defined contribution schemes. A financial assessment for the Pensions Board of the current private pension system by Hewitt Associates (2005:224) indicated that the standard employee contribution to a defined benefit scheme amounted to 4% while the standard employer contribution was 16.9%. The standard employee contribution for defined contribution schemes was 5% while the employer contribution was also 5%. The total contribution for a defined benefit scheme (20.9%) was, therefore, more than twice the total contribution to a defined contribution scheme (10%).

The state makes a significant contribution to the financing of private pensions through tax reliefs on contributions from employers, employees and individuals and on the investment income of pension funds. Tax is paid on state and private pensions when they are drawn down. However, the State does not recover a lot of the tax forgone because defined benefit schemes are allowed to provide a tax-free lump sum to contributors on retirement up to one and a half times their final salary and defined contribution schemes are allowed to provide a tax-free lump sum to retiring contributors up to a quarter of the value of the pension fund. Tax revenue is also lost to the State because most contributors who benefit from tax relief at the higher marginal rate (40%) pay tax in retirement at the standard rate (20%) because their taxable income in retirement is likely to be only half or less of their pre-retirement income. In addition, there can be a significant loss of revenue to the State if the pensions industry charge high fees which appropriate some of the tax relief for the industry and if it fails to deliver the pensions promised. In 2008, for example, the Irish pensions industry lost 37% of pension assets (€27 bn)—the worst performance of 37 countries for which data are available (see Antolin and Stewart 2009). While pension assets have recovered, those retiring since the crisis on lower pensions will pay less tax on their retirement income than they would have before the collapse of pension assets.

All of these and other leakages from pension tax revenues led the OECD (2008:90) to argue that:

> few older households will pay income tax and many of those who do will pay less than younger people with the same income. As a result, a tax system that aims for pension savings, returns and income to be subject to an 'exempt-exempt-tax' (EET) regime is in effect fairly close to being an 'exempt-exempt-exempt' (EEE) system where income channelled through pensions is unlikely to be taxed at any point of the life-cycle.

State Expenditure

The shift in the balance of public expenditure on State and private pensions since 1980 is shown in Fig. 5.1. In 1980, the first year for which tax expenditures are available, public expenditure on State pensions was over 3% of GNP while tax expenditure on private pensions was less than 0.5%. At that time, therefore, support for the State pension system was more than seven times as large as support for private pensions. Public support for private pensions increased fairly steadily up to 1999 when the value of tax expenditure on private pensions relative to GNP was almost the same as public expenditure on State pensions, around 1.9% of GNP. The bursting of the dot.com bubble in 2000 resulted in a significant loss of assets by the Irish pensions industry. Over the period up to 2004 the revenue forgone through tax expenditure fell to around 1% of GNP while public expenditure on State pensions increased to somewhat over 2% of GNP. Changes in the way in which the Revenue Commissioners estimated pension tax expenditures resulted in a break in the series in 2005 which suggests that the cost of revenue foregone may have been significantly underestimated in previous years as the cost in 2005 was more than 60% larger than in 2004. Public support for private pensions peaked at 1.9% of GNP in 2006 which was not far short of public support for State pensions at 2.1% of GNP. The onset of the financial crisis in 2007 saw a decline in tax expenditure on private pensions as the value

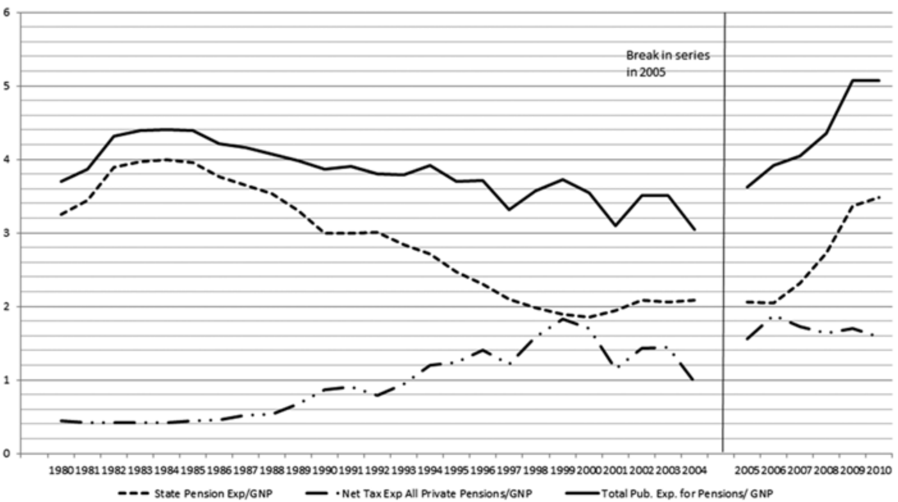

Fig. 5.1 Public expenditure on social welfare pensions and tax expenditure on private pensions and total public expenditure as a percentage of GNP, 1980–2010

of pension assets began to decline. Since then the value of tax expenditure on private pensions continued to decline and it fell to 1.6% of GNP in 2010, the latest year for which comprehensive tax expenditure data is available. We would expect the net cost of tax expenditure on all private pensions to increase as contributions to pension funds continue to grow and pension assets recover. A significant increase in tax expenditure on pensions is likely if the government proceeds with its plans for auto-enrolment. Over the whole period since 1980 the shift in favour of support for the private pension system has mainly benefitted high earners and has achieved very little in increasing pension coverage for people in the labour force.

The Beneficiaries of the Irish Pension System

The main beneficiaries of the State pension system are the poor, low and middle earners and individuals who have no pension coverage. The main beneficiaries of the private pension system are high earners almost all of whom have pension coverage and who benefit most from tax reliefs for pensions.

Table 5.1 shows that in 2005 (the latest year for which the data are available) over 90% of pensioners received a social welfare pension whereas less than a third received an income from a private pension. The quintile data show that social welfare pensions are a source of income for 80% of pensioners in the top quintile and for nearly 90% of pensioners in the lowest quintile. In contrast, less than 9% of those in the first quintile received any income from an occupational or private pension whereas over 70% in the top quintile had an income from a private pension.

The most important contribution to pensioners' incomes by quintile in 2011 is shown in Table 5.2. For all pensioners nearly two-thirds of their income was provided by social transfers while occupational or private pensions provided less than 18% of pensioners' incomes. For the first three quintiles nearly 90% of their income was provided by State pensions and other transfers. Very little income was provided for these lowest income quintiles by occupational or personal pensions while for the top quintile 30% of income came from private pensions.

Table 5.1 Percentage of all pensioner units with different type of income in 2005

All pensioner units	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5	State
Income from work/ self-employment	5.2	2.6	8	13.1	36.8	13.1
Other direct income (investments, etc.)	8.6	9.6	21.2	17.6	43.0	17.4
Occupational/ personal pensions	8.3	4.9	31.5	42.9	70.3	31.6
Social welfare pensions	87.7	98.7	93.4	94.8	79.6	90.8

Source: Department of Social and Family Affairs (2007, Table 4.4)

Table 5.2 Percentage of pensioners' incomes provided by different type of income in 2011

All pensioner units	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5	State
Income from work/self-employment	8.5	1.8	4.4	16.8	26.5	16.1
Other direct income (investments, etc.)	2.3	0.9	1.9	2.3	6.1	3.6
Occupational/ personal pensions	3.6	2.2	5.5	17.9	30.0	17.6
Social welfare pensions	85.6	95.1	88.3	63.0	37.3	62.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: CSO (2013, Table 8)

The data on the sources of pensioners' income and their contribution to total income focuses attention on the role of pension tax relief in the Irish pension system. Coverage of the private pension system varies from around 20% for the lowest earnings decile to nearly 95% for the highest decile (see Callan et al. 2009). This pattern of coverage results in three quarters of the tax relief accruing to the top quintile of the income distribution as shown in Fig. 5.2. The huge concentration of pension tax reliefs on the highest earners is a striking example of the 'upside-down' nature of redistribution in the Irish pension system. It means that 'the greatest beneficiaries are those who have the least needs by any measure used in social policy analysis' as Sinfield (1997:20) has noted.

Turning the purpose of redistribution on its head in this way 'violates a principle of equity accepted across the spectrum of libertarian, utilitarian and egalitarian views of taxation' as noted by Hughes and Sinfield (2004:183) drawing on Green's (1993) work on concepts of equity in taxation.

Despite the continuing generosity of tax reliefs for private pensions, the launch by the Pensions Board (1996) of the *National Pensions Policy Initiative*, the setting of a coverage target equivalent to 60% of those at work (see Pensions Board 1998) and the introduction of PRSAs in 2003, all attempts have failed to achieve the target set for coverage of the private pension system. A comprehensive survey by Hughes and Whelan (1996) of pension coverage showed that in 1995 coverage of occupational and personal pensions amounted to 46%. The latest data from the CSO (2011) shows that coverage increased to 56% in 2006 but fell to 51% in 2009 as there was a loss of coverage as large numbers of members of occupational and private pension schemes lost their jobs during the financial crisis.

The Irish Pensions System and the Financial Crisis

Few pension systems escaped being affected by the recent financial and economic crisis. Within welfare states, public pension schemes have been particularly subject to cost containment in part because they constitute a considerable part of public spending (Gulec 2014). Yet consideration of reform options to address sustainability predates the financial crisis as we see from the possible approaches to pension development set out in the 2007 Green Paper (DSFA 2007:104–130). Casey (2012:246) argues that the impact of the financial crisis on pension systems across Europe was that it forced policymakers to address pension reform more urgently

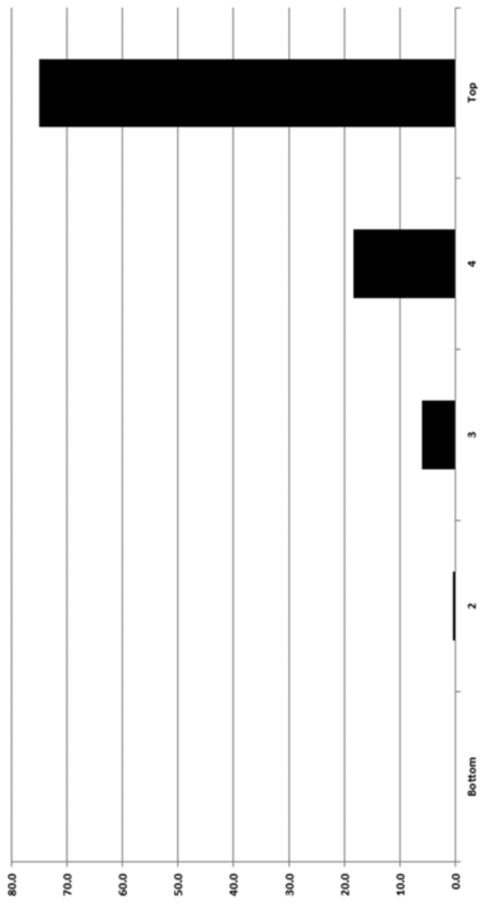

Fig. 5.2 Distribution of benefit from exemption of employee superannuation contributions by quintile of family units, 2005

and to initiate reforms that they had contemplated but had seldom had the courage to implement. This is an argument that holds true in part for Ireland. On one hand, the state pension was treated more benignly during the crisis than other welfare benefits in that it was not reduced. On the other hand, increasing the state pension age was brought in with relative ease shortly after the election of a new government in 2011. Justified as one solution for longer-term pension system sustainability, the opportunity for any robust opposition was eclipsed by the unrelenting and multidimensional nature of the financial crisis (Considine 2012).

The crisis had its most immediate and visible impact on the asset value of pension funds as noted earlier in this chapter. Members of defined contribution plans and those with additional voluntary contributions at or near retirement saw their pension savings decrease while defined benefit plan members saw early retirement options closed and transfer values reduced. Employers unable or unwilling to continue support of defined benefit schemes closed them to new entrants, or closed them completely by winding them up. This brought additional problems to members of schemes where there were insufficient assets to meet all the pension obligations. Ireland is unusual in not having any debt on the employer regulations in relation to deficits in occupational pensions. The lack of any debt on the employer means that there is no legal obligation to address deficits in defined benefit schemes being wound up. In extreme cases such as Waterford Glass the combined deficit in its defined benefit plans and the insolvency of the sponsoring employer saw cases of pension scheme members only getting 18–28% of what they had been promised. The failure of regulation resulted in the European Court of Justice imposing an obligation on the Irish government to protect the entitlements of members of defined benefit pension schemes.

To create a buffer against future financial volatility, regulation introduced in 2012 requires defined benefit schemes to hold matching risk reserve assets of 15% of their liabilities, a requirement reduced to 10% of their liabilities in 2013. Of the 703 continuing defined benefit schemes as reported to the pensions regulator in 2014, 59% of them met the funding standard but even so they rarely have much leeway (Pensions Authority 2015:6). The vulnerability of defined benefit schemes to market forces has been highlighted by the introduction of quantitative easing by the ECB. Kenny (2015), a senior investment consultant at Mercer Ireland, argues that reductions in bond yields due to quantitative easing 'has likely already increased the value of Irish DB scheme liabilities by up to 20 percent (i.e. by between €10 bn and €15 bn across all plans), making an already difficult situation at the end of 2014 considerably worse'.

A further consequence of the crisis was the impact on the financing mechanism of funded pensions as it increased pressure on employers to withdraw from defined benefit schemes. Evidence suggests that where employer provision of an occupational scheme continues, it is on a defined contribution basis. There were 112 fewer defined benefit schemes at the end of 2014 than there were at the end of 2013 while over the same period there were 186 new defined contribution schemes (Pensions Authority 2015:12). By way of comparison, at the end of 1999 there were 2060 defined benefit schemes in operation (Pensions Board 2000:20). It is clear that defined benefit pension plans are in a 'run-off period' with the great majority of those still operating being closed to new entrants (Pensions Authority 2015:6). Defined benefit schemes still operate in the public sector although they are under sustained attack from Irish Business and Employers Confederation (IBEC) and other employers' groups some of who wish to see them replaced by defined contribution schemes (see Minihan 2013).

The replacement of defined benefit pensions by defined contribution pensions significantly increases the risk that in future members of defined contribution schemes will not receive an adequate pension. In view of the higher contribution rates for defined benefit schemes detailed earlier in this chapter, members of such schemes should have more secure pensions. However, this security has largely disappeared for new entrants working in the private sector over the last ten years and even for existing members of defined benefit schemes whose employers have frozen the schemes. A survey by the Irish Association of Pension Funds (IAPF 2013) indicates that 85% of defined benefit schemes are closed to new members and that a further 7% of schemes intended to close in the near future. As the press release for this survey observed 'this can be a traumatic situation for the employees whose retirement plans are being thrown into doubt—often resulting in reduced benefits'. The low rate of contributions to defined contribution schemes by employers and employees prompted a warning from the Society of Actuaries (2003) that 'most people who are members of defined contribution schemes will not have sufficient funds at retirement to provide themselves with the recommended pension minimum of 50 percent of pre-retirement incomes, unless they start to make additional contributions'. A few years later the Pensions Board (2005:44) noted in a review of the national pension system that:

> There does not appear to be any improvement in the adequacy of pension provision. Defined benefit schemes represent a reducing proportion of employer sponsored second pillar pensions, and such schemes usually provide higher benefits than defined contribution arrangements, so adequacy may well be deteriorating. There is no evidence of significant increase in the level of typical defined contributions: indeed it is questionable whether the contribution rates are even keeping pace with the increase in pension costs due to improvements in life expectancy.

The latest IAPF (2014) survey of 6430 defined contributions schemes shows that contribution rates for such schemes continue to remain inadequate and the loss of pension assets in the financial crisis suggests that adequacy continues to deteriorate for both defined benefit and defined contributions schemes.

An Alternative Policy Trajectory

Ireland's pension system reforms point towards the influence of the neo-liberal paradigm shift from state to private responsibility for social protection. Less well articulated by international discourse supporting the trajectory towards the privatisation of the pension system is that the shift from public to private provision does not remove a tax burden from the public. The tax support for market-based pensions is a frequently ignored part of welfare states (Ebbinghaus and Whiteside 2012:275). This has been highlighted in Ireland by groups such as the Pension Policy Research Group (based in Trinity College Dublin and who support and develop research and dialogue about pension systems), TASC (a think tank for action on social change), and Social Justice Ireland (an advocacy organisation providing social policy analysis). These groups consistently argue that the most effective pension system which will achieve improved coverage, adequate income in retirement and at the lowest cost, is likely to consist of a basic universal pension with a contributory supplementary pension organised through the social welfare system and based on a pay-as-you-go method of funding (Stewart 2015:1). They point to how the public system has been far more effective than the private system in delivering pensions to the great majority of pensioners and in providing the bulk of retirement income for 80% of pensioners. Despite support from the State in the form of very generous tax expenditures, which mainly benefit high earners, the private pension system has suffered catastrophic losses in periodic collapses of equity markets and it has failed to deliver the defined benefit promise for workers.

Policymakers should give consideration to a policy of supporting the public pillar of the pension system. The employer and employee social insurance contributions in Ireland are among the lowest in the EU and there is scope for increasing them in the future. Another source of revenue for the social insurance fund could be provided by giving the tax relief for pensions at the standard rather than the marginal rate of tax in the same way as for mortgage interest tax relief and for tax relief on medical expenses. Callan et al. (2007) examined what effect giving pension tax relief at the standard rate of tax would have on revenue for the Exchequer and its distribution across income deciles. They estimated that in 2005 the increase in revenue for the Exchequer would have been about €1.1 bn with little or no impact on the bottom half of the income distribution because 80% of the net losses in income would be concentrated in the top two deciles. Although the revenue which the Exchequer could raise by standardising pension tax relief will have changed since 2005, the policy option remains of rebalancing public/private provision of pensions and using the revenue released to support State pension benefits rather than reducing them in the future.

Conclusion

The public/private architecture of the Irish pension system developed out of a time at the beginning of the twentieth century when the role of the State was to prevent destitution through a means-tested flat-rate pension which would provide the bare necessities of life for older people. Various proposals were made over the following half century which succeeded in 1960 in extending the role of the State to organising a contributory social insurance pension which would prevent poverty in old age. A private work-based occupational pension system was built on these foundations in which the strong preference of the pensions industry was the State should continue to provide only a flat-rate benefit to prevent poverty while the private sector would provide earnings-related occupational and individual pensions. A proposal by the FG–LP government in the early 1970s to break out of this rigid framework by offering an earnings-related State scheme were opposed by the pensions industry. The industry argued that the State's role should be to provide pensions for the needy and that it should not hinder the development of the private pension system.

This vision of the pension system has largely prevailed over the last 40 years. It has been reinforced by the emergence of neoliberal principles which assert that the most effective way to pay for pensions is through funding on private markets and that financing public pensions on a pay-as-you-go basis is unsustainable due to increasing life expectancy and falling birth rates.

Reform in line with these principles is currently under consideration by Irish policymakers. Instead policymakers should test rather than follow the dominant discourse especially as funded second pillar pensions have proved fallible, and do not guarantee either security or adequacy of income in old age. In contrast, the state pension system has proved effective at lifting older people out of being at risk of poverty, is efficiently administered and gives value for money. Its critics point to limitations based on a sustainability argument: limitations that can be addressed through increased social insurance contributions and adjustments to the tax support for private pensions. Recognising an alternative opens up an opportunity for policymakers to think innovatively about the balance between public and private parts of the system and to set Ireland on a path of sustainable adequate pension provision for future generations.

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6

Personal Finance: Financial Services, Access to Credit and Debt Management

Stuart Stamp

Introduction

Finance dominates modern life in market economies across the world as illustrated by the ongoing fallout from the economic crisis at governmental, business and household levels across Europe. While not traditionally a concern of social policy, as financial markets have become increasingly influential, social relations in market economies such as Ireland have become increasingly financialised (Gloukoviezoff 2011), and those without access to mainstream financial services can become excluded from conventional societal norms. Those without a bank account, for example, can encounter difficulty in taking up employment or accessing accommodation and can incur extra costs in paying for certain goods and services (Corr 2006). Lack of access to appropriate savings and insurance facilities can lead both to a sense of financial insecurity and to inability to cope with events both expected

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and unexpected; as a result, people may turn to others, including in some cases the state, for assistance (Sinclair 2001).

There is also an important social policy or welfare dimension to credit access in that it facilitates consumption smoothing, traditionally a key function of the welfare state more generally (Castles et al. 2010) but one which has given over to something more like privatised Keynesianism in recent times. Credit can, for example, facilitate the purchase of relatively expensive items over time, such as a family home or motor vehicle. Access to credit further acts as a safety net against external shocks, enabling people to cope with unexpected events over a manageable period; it can also act as a buffer to enable those with insufficient incomes to provide essential items for their families, which would otherwise be unobtainable at certain times (Corr 2006).

Those unable to access credit from the mainstream, or at reasonable rates through, for example, credit union (mutual co-operative) membership, can find themselves dependent on non-mainstream or 'sub-prime' sources such as (doorstep) moneylenders—both licensed and unlicensed—which traditionally carry a considerably higher cost (Conroy and O'Leary 2005). Associated interest and repayment costs can serve to reduce the disposable income available to the household in question for essential and social purposes, with the result that people can find it increasingly difficult to make ends meet (Gibbons et al. 2011) and thereby fall into over-indebtedness. The consequences of the latter can be severe particularly on the mental and physical health of those involved; debt problems also contribute to social exclusion and economic vulnerability, increase demands on state systems and public services, impact adversely on family relationships and impoverish those directly affected (Alleweldt et al. 2014). Developments in the financial service, credit and debt management domains can thereby have important welfare impacts, and social policy has a key role to play in each area as recognised by the EC (2008a, b) and the Council of Europe (2007).

Changes in Financial Service (Including Credit) Provision

There have been significant developments over the past 20 years or so in each of the three domains but it is those emanating from the private sector that have proved to be the most significant. Prior to the 'boom', there were few financial service providers in Ireland apart from major high street banks, building societies and credit unions. The establishment of the International Financial Services Centre (IFSC) in 1987 led to an influx of international financial service providers into Ireland (Stewart 2013), and as the boom gathered pace, a number of credit providing institutions also began to offer services in Ireland, many of which have since exited the market post-Crash (Joyce and Stamp 2014).

Accompanying such an increased range of credit sources was a boom in credit intermediaries—principally mortgage brokers and garages—offering to arrange the best deal for consumers; hire purchase, for example, became a major source of finance for those wishing to purchase motor vehicles (Joyce and Stamp 2014:5). As a consequence, as the boom neared its end, in addition to more traditional sources, financial service users and potential borrowers were now faced with a complex network of banks, subsidiaries, finance houses, sub-prime lenders and brokers. There was also significant structural change domestically, through the de-mutualisation or conversion of building societies into banks. This process provided for by the Building Societies Act 1989, enables such organisations to convert from member-ownership to for-profit shareholder ownership, thereby undermining attempts to encourage more socially inclusive forms of delivery for personal financial services (Marshall et al. 2003).

In addition to a wider range of sources, a broader range of products became available including equity-release mortgages, income protection policies, educational savings schemes and private pension options to name but a few. The mode of financial service provision has also changed significantly and continues to evolve. Personal banking, for example, has moved from a traditional personalised, branch-based, community-centred network to one which increasingly relies much more on remote, impersonal, internet-based access (Banking and Payments Federation Ireland 2015), a move supported by a national electronic payments strategy. As 2015 draws to a close, the Irish financial service landscape post-crisis has reverted to a much more domestic one, concentrated around a small number of major banks (Beck 2014); product diversification and innovation, however, remain key features.

Alongside the private sector, civil society also provides financial services, including payment, savings and insurance services, via a national movement of community and employer-based credit unions available to members, a network which has its origins in the 1950s, but receives little or no financial support from the state. The credit union movement has also undergone significant structural change in recent years with the number of credit unions having declined notably (Commission on Credit Unions 2012:13). Irish credit unions have been significantly affected by the financial crisis, with both interest income received and amount of loans granted significantly reduced (Irish League of Credit Unions 2014), and regulatory moves are underway to re-structure the movement as a whole to ensure the stability and sustainability of both individual credit unions and the sector at large. For those unable to access credit services via the private market or civil society, a thriving sub-prime market exists, consisting mainly of licensed moneylenders charging interest rates of up to 188% APR (CBI 2013a:3). Anecdotal reports further suggest the re-emergence post-crisis of unlicensed moneylending targeting those with no or damaged credit histories, who thereby find themselves with no other source of credit (Riegel 2014).

Changes in Debt Management Provision

Significant re-structuring has also taken place in the debt management domain. Prior to 1992, there were no dedicated debt or money advice services in Ireland. The major change in this area was the government's decision to fund, through the then the Department of Social welfare (DSW), five pilot schemes (1992–1993) to tackle a specific dimension to debt problems, namely moneylending, an issue that had re-emerged in the late 1980s. Following a positive evaluation (Dillon and Redmond 1993), these pilots were subsequently expanded into a national network of state funded, but locally managed, Money Advice and Budgeting Service (MABS), supported by a Helpline.

The period since the crisis has seen the emergence of a more mixed economy in the debt management arena, reflecting a number of diverse—and sometimes competing—interests. The private sector has expanded significantly with a number of fee-charging companies having entered the market in recent years. In respect of people left insolvent by the downturn, the state's decision to eschew a public insolvency service in favour of a more privatised model, has led to the development of a network of Personal Insolvency Practitioners or 'PIPs' provided for by the Personal Insolvency Act 2012. This network consists mainly of accountants (and some solicitors) specifically authorised by the statutory body charged with overseeing implementation of various insolvency provisions, the Insolvency Service of Ireland (ISI).

Another noteworthy development post-crisis has been the emergence of a number of civil society groups, each of which has focused predominantly on one aspect of personal debt, namely addressing mortgage arrears, The Irish Mortgage Holders Organisation (IMHO) and New Beginning are among the most prominent examples, and advocate for distressed mortgage borrowers both individually and collectively. In recent years there has also been the emergence, albeit on a relatively small scale, of a 'polluter-pays' debt management type model in Ireland, whereby the finance industry contributes to or pays for independently run debt management services. The IMHO model, for example, involves receipt of funding from certain financial institutions but the provision of a service that is free to the end user. This model is based on a web/telephone mode of delivery, as compared to MABS' more face-to-face approach. At the time of writing, five retail Irish banks are entering into a similar arrangement with a UK charity in terms of debt management more generally (Hancock 2015).

The upshot of all of this is that the debt management sphere has evolved into a variety of services, paid for through different mechanisms both public and private, some of which were established for social reasons and others for commercial ones. What is clear from the above overview is that there has been significant change in each of the three domains which are the subject of this chapter. Less clear perhaps, is how and why such change has come about, and the impact these developments have had in a welfare context. To explore these dimensions, three associated themes are now examined, namely: (i) reliance on market logic; (ii) the role of the state; and (iii) changing attitudes around personal finance.

Reliance on Market Logic

When one examines the various financial service-related developments outlined above, one feature stands out: the priority repeatedly assigned by public policy to the 'market' and to 'market logic' (Gloukoviezoff 2011). The state has been a major facilitator of the market since the late 1980s, through its initial and continued support for the IFSC. Corporate tax incentives, provided for by the Finance Acts 1986 and 1987, have succeeded in attracting international companies and investment to Ireland (Stewart 2013). The positive economic impacts of financial service development are noteworthy, and estimated to contribute around 10% to GDP (Everett et al. 2013). However, the IFSC also arguably facilitated development of the so-called 'shadow-banking' (or off-balance sheet, unregulated, financial intermediation) system, a major factor in the US sub-prime—and subsequently global—financial crisis (Stewart 2013).

Growth in financial services has opened up a range of choice for certain Irish consumers, but it is also clear that many have effectively been left on the sidelines as a result of the market deciding some households are 'non-profitable' or 'too risky'. As shown in Table 6.1, as the

Table 6.1 Incidence and characteristics of banking, savings, and insurance exclusion: Most at risk households, 2008

Households most at risk	Banking exclusion (no current account) percent	Savings exclusion (inability to save) percent	Insurance exclusion (no structure or contents) percent
All households	20	51	27
Unemployed	34	88	55
Illness/disability	52	77	53
Younger person (under 25)	18	52	89
No educational qualifications	40	65	40
At risk of poverty	36	80	46
Consistent poverty	60	94	75
Bottom quintile	38	78	47
Local authority tenants	50	82	89
Lone parents	34	73	68

Source: Russell et al. (2011)

boom came to an end, a fifth of Irish households possessed no current bank account, just over a quarter lacked basic home-related insurance and one in two households were unable to save even if appropriate facilities were available. As regards the latter, data for 2013 show that just over one in ten households (11.4%) did not even possess a savings account (CSO 2015a). The move towards electronic banking and payments may further exclude those without access to the Internet or unable to use it.

As regards access to personal credit, the financial markets also enabled or enticed many to borrow considerable amounts of money during the boom years. According to the Household Finance and Consumption Survey 2013 (CSO 2015a), 57% of Irish households have some form of debt, averaging out at €63,000 per household, the majority of which relates to mortgages. According to the CBI (CBI 2015a), outstanding non-mortgage consumer loans stood at €11.4bn in March 2015, with a total of approximately €114.3bn outstanding on loans for house purchase.

In contrast, prior to the mid-1990s, credit was not widely accessed or accessible in Ireland and mortgage lending in particular was hard to come by as a result of restrictive lending criteria and high interest rates. However, during the boom, following Economic and Monetary Union (EMU), banks were able to borrow cheaply on the international money markets, and as a result the charges passed on to consumers of credit were historically low for those borrowing through the mainstream (Whelan 2013). Irish banking statistics (Fig. 6.1) illustrate that the majority of borrowing during the boom related to housing loans, partly as a result of the financialisation or commodification of the family home as a source of relatively cheap money (Aalbers 2008). At the peak of the housing boom, for example—2005 to 2007—around a third of all loans issued were equity-release/withdrawal loans, amounting to around 15% of total mortgage drawdown (Downey 2014:124). Overall, loans for house purchase have continued to make up the bulk of consumer lending, the total value having peaked just before the bubble burst.

Financial institutions, both prime and sub-prime, clearly decided that certain borrowers could afford to repay significant amounts of money, even though many were in receipt of incomes from precarious sources; it is now known that a large number could not if subject to a major income shock (McCarthy 2014). During the Celtic Tiger years,

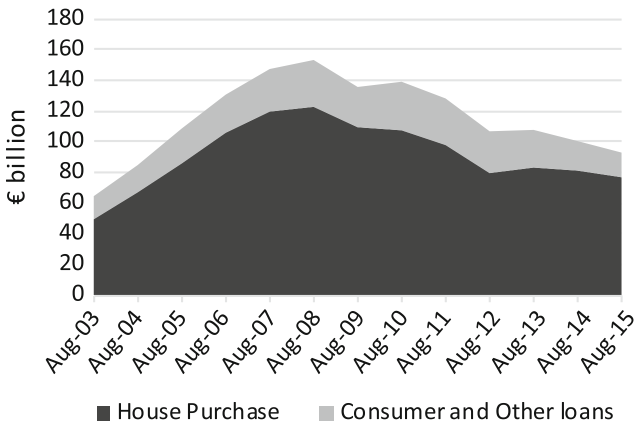

Fig. 6.1 Outstanding amounts for household loans Q1 2003–Q1 2015 (*Source*: CBI Money and Banking Statistics, various years).

relaxed lending criteria combined with low interest rates and increasing property prices to leave many owing considerable amounts of debt as a percentage of income, a ratio which rose from 48% in 1995 to 176% in 2009 (Oireachtas Library and Research Service 2010:2). A related mortgage arrears crisis, which arose as a direct consequence of the downturn, peaked in mid-late 2013 and though its incidence has since been gradually decreasing, longer-term arrears and legal proceedings have become increasingly prevalent as the crisis has deepened (CBI 2014a).

More broadly, significant increases in incidences of bill and loan arrears and particularly in enforced deprivation post-crisis (CSO 2015b) are suggestive of financial difficulties among a larger section of the population as a whole including non-mortgage holders. There are indications that market logic also spread to civil society during the boom, with some credit unions clearly having engaged in 'over-lending' (CBI 2013b).

On the other side of the coin, as the boom drew to a close in 2008, around one in ten Irish households have been described as 'credit excluded' in that they lacked three forms of credit (credit/loans; overdraft facilities and credit/store cards) for reasons other than 'not needing to borrow' (Russell et al. 2011). As with financial exclusion more generally, groups experiencing the highest levels of credit exclusion were social tenants (38%), those who were ill/disabled (31%), lone parents (27%), those who were unemployed (21%), and those on a low income (21%). Using an amended category termed 'credit constraint', the CSO (2015a) found subsequently that over a three-year period (2010–2013), refusal of credit, either in full or in part, combined with the expectation of an application being rejected, resulted in almost a fifth (18.4%) of Irish households being credit constrained.

The impacts of over-dependence on market logic are also evident in the changing profile of those using debt management services since the downturn. In terms of the MABS service, the changing demographic is striking. At the outset, the five Pilot Projects, located mainly in areas of high unemployment, were used overwhelmingly by social welfare recipients owing debts predominantly to moneylenders, utilities, local authorities and credit unions (Dillon and Redmond 1993). As MABS developed over the following 15 years, social welfare recipients continued to comprise the majority (around two-thirds) of the client base, and a notable gender dimension also emerged with a greater ratio of females to males; in terms of age, those in the 26–40 age group proved consistently to be those most likely to use MABS services (MABS statistics, various years). During the latter years of the boom, this demographic began to change considerably and as of 2015, males formed a larger proportion of service users (around 45%) than previously, mortgage holders had replaced tenants as the largest cohort of service users by tenure (comprising just under half of all MABS clients), the age profile had increased with those aged 41–65 forming the largest cohort and debts to financial institutions far outstripped those owed to other types of lender. Social welfare users continued, however, to make up around two-thirds of the client base by income source. Taken together, this changing profile is indicative of considerable market-led promotion of lending to a more mature cohort in precarious income or employment situations.

The Role of the State

As described above, the state has tended to play an important supporting role in facilitating or sometimes encouraging financial service development, but in some instances—as in the case of development of the

IFSC—the state has been more directly involved. The bank guarantee, for example, effectively consists of a significant payment to such institutions, a bill that the Governor of the Central Bank has estimated will amount to around €40bn when the dust finally settles (Gartland and Carroll 2015) and a prime example of corporate welfare. The policy prioritisation of the interests of service providers is also evident in Irish consumer protection architecture, where a significant imbalance has been identified between provider and consumer in terms of legislative provisions, regulatory emphasis and associated redress mechanisms (Joyce and Stamp 2014). Much reliance has been placed on informing consumers of their rights and options and important though this is, placing prime responsibility on the consumer to vindicate rights may not serve to adequately protect him/her given the range, complexity and sometimes cost of the types of products involved (Lunn 2012).

Between 2004 and 2007, sub-prime lenders, for example, apparently sensed an opportunity to profit from those unable to access sufficient mainstream finance to purchase increasingly expensive properties. In a prime example of 'light-touch' regulation, such lenders were effectively authorised by the Financial Regulator to charge up to the rate at which a moneylending licence would be required; international banks could, and sometimes did, charge even more (Joyce and Stamp 2014:7–8). In certain instances, mainstream practices have gone unchecked often for several years, as in the case of the mis-selling of Payment Protection Insurance to over 77,000 policyholders since mid-2007 (CBI 2014b). There has, however, been a notable change of emphasis in the regulatory area in recent times with the Central Bank now laying down more stringent (albeit contentious) requirements in terms of mortgage lending particularly (Statutory Instrument Number 47, 2015).

A number of statutory funding obligations are placed on financial service providers and although these make an important contribution to the personal finance domain, in the round, these contributions appear relatively limited in comparison to the considerable amounts of financial support provided to them. Levies are imposed upon institutions to fund both the Financial Services Ombudsman's Bureau, and the financial education/information functions of the now Competition and Consumer Protection Commission, formerly the National Consumer Agency. The industry has also covered the cost of once-off consultations with accountants under the government's Mortgage Information and Advice Service, a service which has had limited take-up since its inception in 2012 (DSP 2013), and is to be superseded by a government-funded financial and legal advice scheme to assist people who are insolvent and in mortgage arrears. The industry has further contributed to financial inclusion initiatives, both in terms of piloting a basic payment/bank account as part of the government's national financial inclusion strategy (the limited impact of which is discussed below) and through discharging limited corporate social responsibilities imposed upon it for a period following the bank guarantee.

In terms of service provision, the state's main involvement has been through the DSP's Household Budget Scheme available to certain social welfare recipients. The state has, however, had little direct involvement in the provision of banking, savings or home/life-related insurance facilities, although it did support one major savings initiative, the Special Savings Investment Account Scheme (SSIA), which had an economic as opposed to a welfare ethos, and proved to be of more benefit to those on higher incomes with more to save. The seemingly stalled Strategy for Financial Inclusion (Financial Inclusion Working Group 2013) following the low uptake of applicants to a 2012–2013 Basic Payment Account Pilot (an initiative designed to offer basic banking facilities to those without current accounts), appears indicative of a current lack of political will to drive forward the welfare of financially excluded citizens, although subsequent state and finance industry support for a pilot micro-credit scheme is more encouraging in this regard (Gloukoviezoff 2015).

Lack of such will or commitment is also evident in other areas of personal finance-related policy. Delays have persisted both in implementing provisions to allow people to pay fines by instalments, and in putting in place a centralised credit register to support informed, responsible lending by providing potential lenders with a comprehensive database on prospective borrowers' liabilities. Even the much heralded personal insolvency legislation discussed earlier did not reach Irish shores until 2012, much later than many other European countries (Kilborn 2015) and even then, arguably due more to external pressure from the Troika under the terms of the Irish bailout programme (EC 2010:7). Among other provisions, this legislation reduced the bankruptcy term in Ireland to three years from a previously prohibitive 12 years (the term has since been further reduced to one year by virtue of the Bankruptcy (Amendment) Act 2015). It is also noteworthy that fee-charging debt management companies remained unregulated until late 2013, and that when their practices were subsequently examined, the sector was the subject of an extremely critical CBI (2015b) review, with particular deficiencies identified around transparency and competency. Legislation permitting imprisonment relating to non-payment of civil debt dating back to 1926 and 1940—albeit amended in 2009 to make this less likely as a result of the McCann case (McCann v The Judge of Monaghan District Court & Others, 2009)—remains on the Irish statute book, despite recommendations for reform by the Law Reform Commission (2009) among others, although some reform in the civil debt enforcement area appears to be belatedly in train (as discussed below).

As with financial services in general, the state also plays a limited role in the provision of credit. The notable exceptions here are schemes to enable social housing tenants to purchase their dwellings, and the Shared Ownership Scheme (1991 and 2002) whereby the state—in the form of the Housing Finance Agency in conjunction with local authorities—effectively assumed the role of a sub-prime housing lender for those unable to access credit on the mainstream market. Although official figures are unavailable, media reports suggest the economic downturn to have resulted in widespread default on such loans (Kelly 2013). The state has been at its most active in the debt management area, through its development of MABS, and more recently, by way of enactment of personal insolvency legislation, and the establishment of the ISI.

It is notable, however, that the policy response to the personal debt crisis has tended towards the creation of facilitative frameworks within which debtors can do business with their creditors, whilst leaving the fundamental power imbalance between the two unchanged, and arguably bolstering it. Examples here are the failure to give MABS statutory powers when advocating with financial institutions, and the assignment of ultimate decision-making power to major creditors in relation to certain arrangements provided for under the Personal Insolvency Act 2012 (FLAC 2012). The Central Bank's Code of Conduct on Mortgage Arrears (CCMA) is a further example of limited intervention in that although conferring important responsibilities on regulated institutions, it does not confer rights on consumers; it is argued that the Code has been considerably weakened as a direct result of institutional influence (Joyce and Stamp 2014:43–56), and the Supreme Court has recently ruled that it is of very limited use to borrowers in repossession proceedings (Carolan 2015). More generally, those affected by the sales of properties and mortgages to so-called "vulture" funds are particularly vulnerable.

At the time of writing, there are signs that the government is moving, albeit somewhat belatedly, towards reform of some of these provisions. The Civil Debt (Procedures) Act 2015 abolishes imprisonment for certain types of civil debt and provides for payment via attachment of earnings and deduction from certain social welfare payments (the Act does not, however, apply to debts owed to creditors authorised by the Central Bank, which has led to speculation that its enactment, at least in part, may be intended to provide a method to recover state levies, such as unpaid water charges). Furthermore, the Personal Insolvency (Amendment) Act (2015) gives the courts power to overrule creditor refusals to accept proposals in certain circumstances, and makes certain provisions more accessible to debtors by, for example, increasing the threshold for Debt Relief Notices aimed at low-income, low-asset debtors. The recent transposition of the Mortgage Credit Directive by way of the European Union (Consumer Mortgage Credit Agreements) Regulations 2016, is a notable debt preventative development, but resolving existing, longer-term mortgage arrears situations is likely to require more radical, household-centred, solutions.

Changing Attitudes Around Personal Finance

Personal finance is an evocative, polarising topic in Ireland, and there is a strong moral dimension to much of the debate. Ongoing discourses around 'debt forgiveness' and 'moral hazard' indicate that a moral undertone still permeates personal debt discussions to this day, despite it now being widely recognised that financial problems frequently arise from external factors such as unemployment and ill-health, and persist through inability to pay, rather than unwillingness to do so (Alleweldt et al. 2014). Drawing on work done by Schwartz and Seabrooke (2009) in the mortgage credit area, and by Groth (2000) in the debt policy sphere, it is possible to draw up a typology of attitudes to personal finance and to thereby explore changing Irish societal attitudes both pre and post boom.

The first type of approach or model may be described as a *liberal-economic/liberal-market* one, characterised by entrepreneurship in terms of ready access to credit (e.g. for property purchase), encouragement to consume and speedy rehabilitation of over-extended debtors by way of fast-track bankruptcy; an example here being the USA. The second type of approach is a more *social-liberal/statist developmental* one, with more emphasis on social provision (e.g. of housing and universally provided services) and where debt problems are primarily seen as being 'force majeure' in nature, best addressed by a systemic earned fresh start. Denmark is a good example of such a model. The third and final type of approach may be described as a *Catholic-familial/conservative* one, which plays out as a minimal interventionist approach centred around limited state intervention and emphasis on self-help, whilst assigning primary power to creditor institutions. In this model, debtors are largely viewed as the authors of their own downfall and creditors as the wronged parties, thus the system is designed more to 'punish', rather than 'rehabilitate' the debtor.

Pre boom (i.e. up to 1995) the Irish approach to personal finance would best correspond to the third of these models, namely a Catholic-familial/conservative one. Imprisonment arising from non-payment of civil debt, punitive bankruptcy provisions, and a service-based emphasis prioritising budgeting and information, are together indicative of such an ethos (Stamp 2011). Things became somewhat less clear during the boom, a period when seemingly confusing signals were being sent out. Whilst on the debt management side the emphasis remained on budgeting and self-help, on the credit access side, a more laissez faire approach emerged towards credit provision, with the market and individuals now largely left to their own devices against the backdrop of what is now seen as predominantly 'light-touch' or 'non-intrusive' regulation. This clash between liberal-economic and catholic/familial approaches has given way post-Crash to another interesting conflict. A more social-liberal ethos is identifiable in earned 'fresh-start' provisions of the Personal Insolvency Act for example; in contrast, a moral conservative view still holds sway in terms of a reluctance to grant widespread 'debt forgiveness' to Irish borrowers (Dineen 2012), the term itself being indicative of which party is deemed to be at fault when difficulty arises.

There has also been a shift in who is seen as primarily deserving or undeserving of assistance in the personal finance area. In the early 1990s, there was an emphasis on assisting families in difficulty with moneylenders as evident in the government's establishment of MABS and the specification of its primary target group, namely social welfare recipients and low-income families (Stamp 2011). Since the economic crisis, another group has now assumed prominence, namely owner-occupiers adversely affected by the economic downturn. It is striking that two expert groups have been tasked specifically with finding workable solutions to address mortgage arrears (The Cooney Group 2010, and the Keane Group 2011). The Expert Group on Repossessions 2013 was subsequently established, on foot of a Troika commitment, to examine the effectiveness of statutory repossession arrangements. In contrast, there has been a relative lack of policy focus on non-mortgage holders in financial difficulty and by extension, the types of debts commonly owed by such households such as rent and utility arrears.

This emphasis may be reflective of the ongoing public policy prioritisation of the family home (Kenna 2011)—almost 70% of Irish households remained owner occupied according to the most recent Census (CSO 2011). However, interestingly given the amount of political and media attention devoted to the mortgage arrears crisis, even at its peak, fewer than one in ten of Irish households were in such arrears, suggestive that those more interested in the balance sheet than the person—namely financial institutions and the markets—held particular policy sway. Attitude to repayment has also come to be seen as important, and a clear distinction is now made between those who 'cannot pay' (deserving debtors) and those who 'will not pay' (undeserving debtors), a distinction that dates back to work initially undertaken by the Law Reform Commission (2009). Contested discourses around 'strategic default' (Weston 2013), a term which refers to deliberate non-payment in the hope of getting a better deal from one's creditors (or from new legislative developments), are further indicative of a continuing moral dimension to personal finance in Ireland.

A recent domestic development is the idea that people should be able to live reasonably whilst repaying debts as opposed to being unduly punished for incurring them. In accordance with s23 Personal Insolvency Act 2012, the Insolvency Service of Ireland (2015) has issued 'Reasonable Living Expense Guidelines', which draw heavily on the work of a social justice advocacy group on minimum income standards, namely the Vincentian Partnership for Social Justice (VPSJ) (Collins et al. 2012). These guidelines could in time play a wider role, for example, in terms of providing a benchmark for the assessment of personal creditworthiness, ability to save and affordability of insurance premiums. Given that in some cases, the amounts suggested in the Guidelines as minima are higher than social assistance payments for certain household types, these Guidelines may in time impact on the personal finance factor which is probably the most important of all, namely the amount of resources available to households in the first instance.

Data Deficiencies

Evidence-based policy development requires reliable, timely data such as that produced by the VPSJ, but with the exception of the mainstream mortgage arrears and public debt advice spheres, data deficits are a notable feature of the personal finance landscape. These deficiencies relate both to lack of information on the general nature and extent of financial service access and difficulty among Irish households as a whole, and more specifically, on the compositions and socio-economic characteristics of the households concerned. The year of the Global Financial Crisis, 2008 marks the end of the period of financial service expansion in Ireland, but also the last (and indeed only) time to date that comprehensive data on financial exclusion—and indeed over-indebtedness—has been gathered in Ireland, although the Household Finance and Consumption Survey (CSO 2015a) provides important insights into financial service and credit use at the household level.

On the debt side, mortgage arrears statistics gathered from individual institutions, and then collated and published by the Central Bank, and more recently by the Department of Finance, provide an important quarterly snapshot of account trends, but not of the characteristics of the households involved. MABS statistics provide a much more personalised picture of those using its services, as do those published by the ISI, but more could be made of other sources, for example, anonymised data held on credit registers or gathered by local authorities, utility providers, credit unions and other forms of financial service provider.

It is currently impossible to quantify the incidence and amounts of 'debt write-downs' by financial institutions, as these are often subject to confidentiality agreements between creditor and debtor and thus rarely reported.

There are no data available with respect to use of private debt management services, and civil society groups also tend not to publish data on user demographics. Perhaps the most important deficit, however, relates to the absence of periodically available data on those who are over-indebted in general, a deficiency compounded by lack of consensus on how to measure this (EC 2008b). Without such information, it is not possible to know, for example, how many of the over-indebted population are actually using the services or provisions that are there to assist them, nor the broader impact of such interventions. Evaluation of policy outcomes is rarely undertaken in this sphere, with the emphasis being more on throughputs and outputs (or to put it another way, on numbers rather than impacts). Periodic data is also lacking on spatial dimensions, and on the experiences of particular cohorts not commonly captured by household surveys (such as Travellers).

Conclusion

As this chapter shows, there is a distinct welfare dimension to each of its policy themes namely financial services, access to credit and debt management, a dimension which if factored in appropriately, could promote social inclusion, household security and personal well-being. Significant change has taken place in each domain over recent years. In terms of financial services, the state has played a key role both as facilitator and guarantor. In the credit access domain, it is the institutions themselves that—again facilitated by the state—have driven change with processes such as financialisation, commodification (particularly of housing) and de-mutualisation playing a major role following EMU. Finally, in the debt management sphere, following notable state-backed development in the mid 1990s, a period of stagnation followed until structural change, mainly influenced by mortgage arrears and insolvency concerns, gradually took root post-crisis. Irish society thus appears to have travelled within a relatively short period from the Catholic-familial, via the neo-liberal in the case of financial services and access to credit, to the moderately socio-liberal in each domain, albeit with a persistently strong moral overlay.

Whilst corporate welfare has been a major factor both in terms of the initial expansion and subsequent rescue of the financial service sector, at household level, service delivery has been largely left to the private sector with civil society in the form of credit unions also playing a major role. In comparison, the state has been more actively involved in delivering services in the personal debt sphere. Hence, whilst financial service use is largely paid for privately by the individuals who use (and thereby can afford to use) these services, debt management services have up until fairly recently been predominantly publicly funded; the recent funding of such services by financial institutions is, thus, a noteworthy development, though the motivation for this may lie more in the balance sheet than the public good.

As to the future, continuing high levels of financial exclusion and latterly personal over-indebtedness imply a need to re-balance the mixed economy of welfare that has developed more towards 'the person' or '(potential) recipient', and away from 'the provider' or 'service'. The welfare dimensions to financial services and credit access require a much more strategic, interventionist, 'social' role for the state in terms of supporting appropriate service provision, given that market logic has clearly failed, and continues to fail, large numbers of Irish citizens. In the personal debt sphere, there are tentative signs of such a re-balancing in recent developments, but as yet, there is little indication of more commitment being required of the private sector in any of the three domains, nor of substantive desire to resolve (as opposed to manage) protracted mortgage arrears difficulties.

Finally, there is a need for stronger political leadership in three respects. Firstly, to ensure the timely and comprehensive collation of data to inform policy development; secondly, to more forcibly drive the implementation of measures which have a positive welfare dimension; and thirdly, and perhaps most importantly, to address the power imbalance in favour of institutions that persists within our consumer credit and debt policy architecture, an imbalance compounded by the absence of a strong consumer sector. Overall, there is a strong argument that a more welfare-centric policy approach to each of the three domains may ultimately better serve not just the financial welfare of Irish individuals and households, but also the longer-term interests of institutions and indeed, those of society as a whole.

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7

Irish Water Services Reform: Past, Present and Future

Fiona Dukelow

Introduction

Of the extensive range of austerity measures introduced, at first glance water seemed an unlikely issue to become a major source of conflict and resistance. Initially estimated to raise about €300 m annually, in the context of austerity budgets which had raised almost €10 bn in total between 2008 and 2014 water charges appeared a relatively minor austerity measure. However, the introduction of charges and new thinking about how water should be provided proved a flashpoint leading to the largest and most sustained movement against austerity and how Ireland's economic crisis has been handled. At its core is an assertion of water as a human right against its rescripting as an economic good which must be paid for at 'full cost' (Hearne 2015). The reform of water services, that is, water supply and sanitation, therefore makes for a significant case study in how the

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Irish welfare state is being transformed. While much research and literature on the economic crisis and austerity has to date concentrated on the 'roll-back' of the welfare state, the examination of water spotlights ways in which the 'roll out' (Peck 2010) of new institutions is also occurring. Such roll-out amplifies the already blurred public/private distinctions in the definition, financing and provision in a number of services, including water, and it is a process which, at the time of writing, remains unsettled.

Under this 'roll-out/roll-back' process, the chapter focuses in particular on two dimensions of the analytical framework informing this volume: that is, changes to how water is paid for and to how water is delivered. Policy drivers are examined and located in a wider discussion of the place of water in the evolution of welfare states which sets the context for looking at the articulation of these drivers in the Irish context. The discursive contest between water in social and economic terms in Irish reforms is then briefly examined before analysing changes to how water services are paid for and delivered. Attention is paid to processes of commodification, commercialisation, privatisation and financialisation in the roll-out/roll-back processes involved, which are, at the same time, marked by particular inflections of the politics of the Irish welfare state. While recognising that the mobilisation against water charges is potentially a significant expression of twenty-first century struggle over collective welfare the chapter does not focus on the movement in its own right but on where it lends significance to analysing policy challenges and change.

The Early Evolution of Water Policy and Services

Concern with water supply and sanitation was a key element of early state welfare efforts in developing public health systems and infrastructure. Edwin Chadwick, who occupied a pivotal role in the sanitary reform movement in the UK, established the importance of water as a social good in the *Report from the Poor Law Commissioners on an Inquiry into the Sanitary Conditions of the Labouring Population of Great Britain* (1842). The influence of reformers was reinforced by the pressures posed by outbreaks of waterborne diseases such as cholera and growing understanding of their causes; it made sense to publically provide water and sanitation as a social good, so the poor as well as the rich had access, in order to control the spread of disease and epidemics. Such factors led to assumption of governmental responsibility for 'environmental goods' such as clean water, clean air, safe food and sanitation and the gradual regulation of the quality of water supply and water markets. At the time, these were characterised by a mix of public supply such as fountains and public taps, and private water sellers. This was followed by the gradual municipalisation of water supply and an 'infrastructural spree' (Spar and Bebeneck 2009:676) internationally, with a widespread pattern of investment in waterworks in the late nineteenth and early twentieth centuries. This concentrated on the construction of reservoirs and aqueducts to 'fetch' large volumes of water and to pipe it to distant urban centres. Later technological developments allowed the use of more local sources of water and investment shifted to treatment plants for both the supply of water and the disposal of wastewater (Barraqué 2003). Municipalisation did not preclude charging and this continued in many European countries as a specific water charge (Barraqué et al. 2015). France was an exception to municipalisation; private companies continued to operate, and over a century later two French companies, Veolia and Suez, are major transnational players in water services provision (Hall and Lobina 2008).

The evolution of Irish water services follows this thread. As in the UK, reports into the situation in Ireland, particularly Dublin, drew similar attention to the consequences of impure drinking water and inadequate sanitary systems in tenement housing in the early 1800s (Fleetwood 1983). From the 1840s onwards, Irish local authorities began acquiring powers related to water supply and drainage. After the 1898 Local Government Act, Haslam (2003:28) notes schemes were taken in a 'progressive spirit' by town councils who embarked on water and sewerage schemes alongside the expansion of other social services such as homes for the working classes. And unlike continental Europe, Ireland followed the UK domestic rate system under which water charges were subsumed (Barraqué et al. 2015).

This phase of water provision, in place until the 1970s, has been variously labelled as the municipal (Swyngedouw 2005), the hydraulic (Bakker 2005) or the public provision utility (Feldman 2012) model of water provision. Water was treated as a plentiful resource and provision was supply led, with an emphasis on hydraulic development as a means of satisfying demand. From a welfare point of view, emphasis was placed on social equity and universal provision. Water was paid for primarily through general taxation and user charges were generally treated as a supplementary form of income. For infrastructure needs too great for general taxation to bear, government bonds were issued to cover the cost of capital infrastructure (Feldman 2012).

Water Services: Challenges and Change

Mirroring the crisis of the welfare state, crises in municipal water services also date from the 1970s. At this point mature/ageing infrastructure required new investment in a strained financial climate whilst water pricing was also kept low for political reasons. Consequently, private involvement in the water utility sector grew in a variety of complex, hybrid relationships. However, with the exception of England and Wales, ownership of water supply systems in Europe has remained in public hands. Regardless of type of ownership what followed was a rise in water bills (Barraqué 2003). Pressure came from a number of sources: the cost of developments in water treatment technologies, higher health and environmental standards for drinking water, and threats to supply induced by climate change, with drought and flooding impacting on the quality and continuity of supply (EUREAU 2009). The influence of full cost pricing in public services since the 1990s is also a factor, although this has not been fully achieved in practice (Jones 1998).

In broad terms, the municipal, hydraulic model has given way to what Bakker (2005, 2010) terms a market environmentalist model. The underlying shift in ideas marks the confluence of the rise to dominance of neo-liberal thinking about the role of the state and the gradual growth in influence of market-based thinking in solving environmental problems. The hallmarks of the market environmentalist model are that it is demand led and fully costed. The underlying assumptions are that the price signal is a key policy instrument for regulating demand and supply, as well as key to changing behaviour, 'valuing' the environment and conserving scarce natural resources. In this way, concern for the environment and the importance of environmental policy, once seen as the antithesis of economic growth, dovetails with the primacy given to the market by neo-liberalism. Moreover the language of environmentalism, in particular the concept of sustainability is appropriated by financial concerns so that sustainability applies as much to how water services are financed as it is used to refer to the sustainable use of resources. Consequently, debates about water services and water services reform are dominated by financial issues, all concern is narrowed to the 'financing gap' between what it is assumed governments can provide and what water services require (Bayliss 2014). This is in turn underpinned by a discourse of 'state failure' (Swyngedouw 2005). The state is berated for its neglect of water services infrastructure, yet public funding and public management is also assumed to be a suboptimal solution leading to inefficient and unaccounted for subsidies which private sector involvement and commercial pricing rules will overcome.

Internationally the influence of market environmentalist thinking can be seen in the repositioning of water, which was cast as an economic good in one of the four 'Dublin Principles' set out at the International Conference on Water and the Environment held in Dublin in 1992. This suggested economic principles, such as placing an economic value on water by pricing it, needed to be applied to water in order to ensure its efficient supply across competing demands (Woolf 2004). At European level the negotiations involved in the EU Water Framework Directive (WFD), included the idea of 'getting prices "right"' (Kaika 2003:308). Adopted in 2000, the WFD introduced 'the recovery of the costs of water services' along with 'an adequate contribution of the different water uses, disaggregated into at least industry, households and agriculture' (Article 9.1), due to be in place by 2010.

This shift towards market environmentalism has not been one way. Pressed by an international campaign which mobilised against the Dublin Principles and the growth of water privatisation, in July 2010 the UN General Assembly adopted the resolution that 'recognised the right to safe and clean drinking water and sanitation as a human right that is essential for the full enjoyment of life and of all human rights' (A/RES/64/292 pf 18 July 2010 in Sultana and Loftus 2012:1). By September 2010, the UN Human Rights Council 'confirmed that it was legally binding upon states to respect, protect and fulfil the right' (Sultana and Loftus 2012:1). However, the guarantee of water as a human right does not preclude charging for water or private provision, as long as states ensure affordability and access (Doorn 2013). Thus, instead of posing as an antidote to privatisation, state guarantees of water as a right is potentially seen as a business opportunity (Bakker 2012). Such an issue is beyond the scope of this chapter but it prompts the question of what other models of water provision may need to be considered in the twenty-first century in order to secure public ownership, public financing and accessible provision.

In unpacking the influence of market environmentalism in a particular country context, it is important to recognise number of different processes at play in the shift to this model and the multiple ways neo-liberalisation occurs (Bakker 2005). Moreover, it requires appreciation of ways in which neo-liberalism is 'actually existing' (Brenner and Theodore 2002) which often contradicts with its espousal of the minimal state. Thus, the neo-liberalisation of water provision can involve the roll-out of new institutions and processes of re-regulation, including the commercialisation of institutions and the commodification of services, rather than complete state withdrawal, via privatisation (Bakker 2005). To these processes financialisation might also be added, though it is as yet an underexplored area of the neo-liberalisation of water services (Bayliss 2014, 2015; March and Purcell 2014). The financialisation of water in the sense of water as a traded asset on financial markets is still more of a corporate aspiration than a reality, however concern with financial sustainability marks the increasing influence of financial motives in how water is funded and managed, not only where it is fully privatised such as the UK, but also where public management is corporatised as in Ireland.

In all of this, debates about the challenges of providing water services have been dominated by economic and environmental objectives and perspectives. Social policy objectives such as access and equity, and social problems such as water poverty, have more typically been discussed in the context of water reform in low- and middle-income countries (Sullivan 2002). These countries have seen the roll-out of private systems of supply and their subsequent failure, in many cases, to provide universal and affordable water services (Bayliss and Fine 2008; Hall and Lobina 2008). Issues with the provision of water services within developed economies and European welfare states have received relatively less attention. There is some focus on water poverty in the UK context (Snell and Bradshaw 2009;

Bradshaw and Huby 2013) and in the USA (Wescoat et al. 2007) where problems of access and affordability are increasing in the context of privatised water contracts (Gottesdiener 2015). Overall as Fitzpatrick (2011:175) comments, debates about market-based instruments in environmental policy raise long-standing questions about progressivity, redistribution, targeting and stigma and return us to arguments about 'universalism and means testing similar to those within the familiar institutions of the welfare state. Eco-social reforms are likely to offer new territories to some very old combatants'.

Prior to the economic crisis, Ireland's model of water services provision was neither a full municipal hydraulic model nor a market environmentalist model. As the following discussion demonstrates elements of market environmentalist thinking and practice were not absent from the Irish regime, but the fiscal crisis and the conditions associated with Troika funding provided the pressure that pushed these ideas to the point of attempting wholesale transformation of the institutional architecture and financing of water services. Specifically the establishment of Irish Water and the introduction of metered domestic water charging marks a turn to the commodification, commercialisation and financialisation of water. On the other hand, the water protest movement which pushes against the commodification of water and reasserts its social nature, demonstrates how controversial these ideas are and resistance is something Ireland shares with many sites of water reform (Bakker 2010; Sultana and Loftus 2012). From a social policy point of view the struggles against water charging bring us back to the tension between water as a commodity and a human right and raise issues of welfare, citizenship and social justice which are not countenanced in the market environmentalist model and its world of water customers. The political response also reflects the messy and contradictory processes of water reform.

Rolling Back the Citizen, Rolling Out the Customer

At a fundamental level conflict over water charges brings into question water's identity and its status as a social good or economic good; an entitlement for citizens or a commodity for customers. Though initially mooted as a purely revenue raising measure, as the anti-water charge movement gathered momentum political discourse on the necessity of charging for water brought into play its status as an economic good which must be accurately priced in order to manage it properly. The DECLG (2012:2) for example described water as an 'expensive product', while by 2014, the notion of state failure to properly treat water as a commodity was also evident in political discourse: 'we produce water to Ballygowan standards, if you like, and we have up to now not been charging for it, and it's been run in a poor fashion, so we have to manage this resource effectively' (Bruton cited in Connolly 2014). Only by the end of 2014 was attention drawn in political discourse to Ireland's infrastructural deficit as the reason why water services needed to be reformed and water charges introduced (Kelly 2014). The fact that the message shifted so much did little to garner support for metering and water charging.

As the new company charged with the delivery of water as a billable commodity, much of Irish Water's early activities attempted to rescript how people think about water and relate to it. A marketing campaign aimed to inform and educate the public about the processes water goes through from rainwater to tap water, with the underlying message that water is something which is produced, costs money and has to be paid for on the basis of individual use. The notion of water as a social good, collectively paid for is evaded in the under the equation of citizenship with 'free water'. As characterised by Irish Water (see Fig. 7.1), the campaign invokes a new form of governing and subjectivity, converting citizens, who it is assumed, think water is free, into customers, specifically Irish water customers, who value water because they pay for it and identify with water as a branded utility.

Resistance to this conversion process by the anti-water charge movement encompasses a range of motivations, objectives and tactics (Hearne 2015), including opposition to what is essentially seen as an 'austerity tax' imposed to pay for the economic crisis (Collins 2014). Initial protest began within local communities, with groups variously campaigning for a boycott of water bills and engaging in direct action against the installation of meters by Irish Water. The emergence of an umbrella group, the Right2Water, to which many but not all local groups are associated, also led to expression of a fuller counter position to the rescripting of water as a commodity,

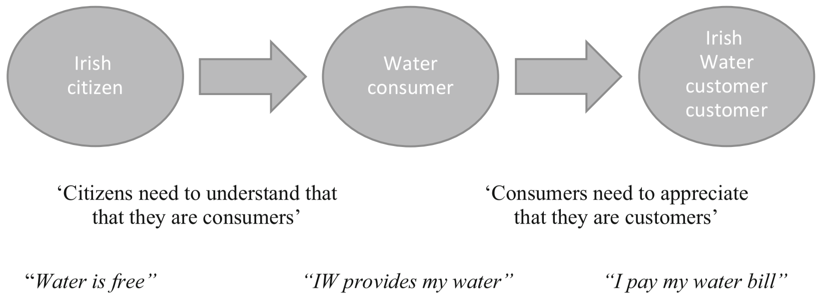

Fig. 7.1 Converting Irish citizens to Irish water customers
(*Source*: adapted from Tierney 2013)

based on the principle of water as a human right, which is paid for collectively through general tax revenue rather than at the point of use, thus ensuring its universal accessibility. In so doing, the movement draws on the 2010 UN articulation of water as a human right (Right2Water n.d.). As mentioned, establishing water as a human right does not necessarily preclude charging or privatisation, while on the other hand anti-water charge movements face difficulty in articulating how water is to be paid for especially in the context of the financial demands of infrastructural deficits and poor water quality. These challenges, which are not exclusive to the Irish anti-water charge movement, also sit in the wider context of declining taxability within welfare states, with Ireland's low tax model posing a particularly intractable version of the pressures outlined by Streeck (2015, see also Chap. 2). Yet the government response to the movement, while trying to manoeuvre around the level of charges, has not seriously engaged with the idea of any alternative to individual charging and the roll-out of commercial semi-state company delivery.

Paying for Water

Until 1977, local government water services were paid for under domestic rates paid by householders. Pressure to address domestic rates had grown as rate bills, payable as a lump sum, increased substantially in the context of mid-1970s inflation, and an outdated valuation system meant that bills took little account of ability to pay (NESC 1985). After the 1977 election, won by Fianna Fáil (FF), the party followed through on its promise to abolish domestic rates by transferring liability from the householder to central government via a 'domestic rates grant' paid to local authorities. However, the 1980s economic crisis meant this new regime quickly failed. Local government power to levy charges for water, sewage and waste was reintroduced in 1983 and most councils availed of this. This move also prompted resistance by householders who saw charges as a double payment in a climate of 1980s tax increases (NESC 1985). In Dublin, resistance to the proposed introduction of water charges and a by-election that saw the near election of an anti-water charges candidate led to a provision in the Local Government (Financial Provisions) Act

(1997) of withdrawing local government power to charge domestic users for water (Scott 2003). Moreover, Ireland and some southern European member states sought a derogation from the water charges element of the EU WFD (Kaika 2003). Article 9.4, known as the Irish exemption, provided that Member States would not be in breach of the directive if in accordance with established practices they decided not to apply the provisions of Article 9.1 to 'a given water-use activity, where this does not compromise the purposes and the achievement of the objectives of this Directive'. This essentially absolved Ireland from charging domestic users for water at the time.

However, the prospect of domestic user charges never fully disappeared. In the context of a setback in economic growth and the aftermath of a 'giveaway' election in 2002, an Independent Estimates Review Committee, was set up to review public expenditure. It recommended the reintroduction of domestic charges and then Minister for Finance, Charlie McCreevy, proposed a flat household fee of €200 per year with the option of household water metering. Opposed by the Minister for Environment, the policy idea did not progress (Sheahan 2003). Recommendations for water charges reappeared in a review of local government financing commissioned by then Minister for Environment Dick Roche, published in 2006. The review recommended local government charges, including water charges, which again were dismissed as running 'counter to Government policy' (Roche cited in Irish Times 2006) A thread since the late 1970s can therefore be observed of opposition to service charges and of political reluctance to venture forward with unpopular taxation.

A scant three years later, the fiscal crisis put water reform back on the agenda. Prior to their appearance as Troika conditions, a range of domestic policy documents and proposals mentioned the idea of establishing a water utility at national level and/or domestic water pricing along cost recovery lines. Emphases differed however. Reform ideas were first mooted by Fine Gael (FG) in its March 2009 document on jobs—*Rebuilding Ireland A 'NewEra' for the Irish economy.* The document proposed a new semi-state company, to be called Irish Water, with responsibility for investment in water infrastructure. In July 2009, the McCarthy Report also recommended a single national authority responsible for water and sewerage services. Domestic water charges were mentioned in context of 'increased cost recovery' and a flat-rate fee was suggested pending metering (Special Group on Public Service Numbers and Expenditure Programmes 2009:48). In September, further recommendations were made by the Commission on Taxation (2009) reflecting a strong market environmentalist approach. The Commission proposed that user-based charges be introduced over a period of five years on the basis of full cost recovery. This was advocated to boost local government revenue, incentivise water conservation and obviate the need for both central government subsidisation and cross-subsidisation between water users. More concrete plans came in the *Renewed programme for Government*, agreed between FF and the Green Party in October; these were reiterated in the *National Recovery Plan 2011–2014* published on 24 November, and included in the Minister for Finance's budget speech on 9 December (Lenihan 2009), shortly after the programme for financial assistance had been agreed with the Troika. In these three texts plans were articulated to introduce domestic water charging, based on water use, in order to fund local authority water services. The FF/Green government position therefore differed from FG and McCarthy Report stress on a single water utility.

Some divergence is also evident with the text of Troika conditions which raises questions about the specific nature of Troika actor influences on water reform. Not unlike the framing of water charges as an expenditure saving in the *National Recovery Plan 2011–2014*, in the initial Memorandum of Economic and Financial Policies agreed with the IMF the introduction of water charges was firmly couched in fiscal terms, water charges were seen as an aid 'to secure our fiscal targets' (Memorandum of Economic and Financial Policies 2009:9). The principle of full cost recovery, reflecting typical IMF structural adjustment conditions (Grusky 2001 in Hall 2001) was also mentioned in this document. However, the Memorandum of Specific Economic Conditionality, signed with the EC, stipulated the establishment of a water utility. It stated that by quarter four 2011 'the government will have undertaken an independent assessment of transfer of responsibility for water services provision from local authorities to a water utility, and prepare proposals for implementation, as appropriate with a view to start charging in 2012/2013' (Memorandum of Specific Economic Conditionality 2010:26). As the plans progressed, albeit to a delayed timetable, updated conditions on water included that plans would be made to work out how Irish Water would be self-funding over time. While not quite adhering to the initial timeframe, the Troika conditions led to very rapid institutional change.

By July 2014, the proposed pricing framework for domestic users was announced by the Commission for Energy Regulation (CER). The CER was established in 1999 as an independent regulator of gas and electricity services, including price regulation, and its remit was extended to water in 2014. To regulate water prices the CER evaluates a Charges Plan which Irish Water submits to the CER. CER water pricing also take account of Ministerial direction, which as announced in April 2014, stipulated that annual average household charges should not exceed €240 and a universal annual free allowance of 30,000 litres should apply, with an additional allowance for children, so that charges would only apply to adult household members. This regime would be fixed until the end of 2016 and the government subvention to Irish Water would be conditional on this average charge being achieved. The CER proposed, in addition to the annual allowance, a metered rate of €2.44 per 1000 litres for one service (water or waste) and €4.88 for both. Where households were not metered, assessed charges of €176 for the first adult member and €102 for all other adult household members were proposed, with charges halved where only one service was provided. People with medical conditions requiring high water usage would have their charge capped at the assessed level.

As the CER (2014:17) noted 'the implementation of social policy does not fall under the responsibility of the CER as an economic regulator nor Irish Water as a water utility. Instead, this responsibility rests with Government. The Direction issued by the Minister bears reference to this right by introducing a basic 30,000 litre annual water allowance for all primary households within the state as well as an additional annual allowance to cover the normal consumption of children under the age of 18'. However the social objectives of the Minister's direction were problematic. The idea of a universal free allowance, potentially in response to the growing protest against water charges and to keep charges low across the board, is an expensive measure that does not sufficiently address problems of water poverty (McDonnell 2014). This view was also expressed by the

Interdepartmental Working Group on Affordability Measures (2013) set up to advise on affordability in the design of the water charging prior to charges being announced. There is no agreed definition of water poverty, but thresholds vary between households spending more than 3–5% of disposable income, as used in UK research (Bradshaw and Huby 2013) and by Gorecki et al. (2013) for the Interdepartmental Working Group. Based on CER calculations of a bill of €278 for a two-person household, the first set of CER pricing proposals would have potentially meant that all households in the bottom income decile would be at risk of water poverty, with water bills constituting 3.2% of their disposable income (McDonnell 2014). Unable to economise on 'luxury' water use, poorer households alter their everyday lives and restrict their use of water in ways which impact on their health and quality of life (Huby 1998). This contrasts with the modes of behaviour change of higher-income households who have the means, if they desire, to purchase water saving appliances and who in the case of the first CER proposals would have paid between .5% in the case of the seventh income decile and .3% in the case of the top income decile in water charges.

The first CER announcement provoked major anger at the cost of water charges and attention was drawn, for example, to the very high rates in instances of households with adult children (over 18) and mass rallies gathered momentum. In a move which bypassed the Ministerial direction to the CER, the government announced a revised set of charges at the end of November 2014. The second announcement altered the charging structure from an allowance and unit price system on an individual adult basis to a capped annual charge rate on a household basis. Thus in the second iteration, due to remain in place until the end of 2018, the charge is a capped flat rate €160 for single household and €260 for all other households. If under metered recording usage is lower than that, a unit rate €1.85 per 1000 litres applies for waste or water and €3.70 for both. The flat cap rate was also effectively reduced by the introduction of a 'water conservation grant' of €100 per year.

From a social policy point of view, while the new charging regime increased affordability for both low-income households and all other households, it is even more regressive than the first set of proposals and less effective on both economic efficiency and environmental incentive grounds. Under the new regime, households in the bottom income decile pay 1.9% of their disposable income and households in the top income decile pay .15% on water services.[1] The capped charge means that any environmental incentives are lost and are replaced by the blunt instrument of a cash grant which applies to all households, not only those billed by Irish Water. Moreover, the rationale of financial sustainability was also compromised by the conservation grant. While the aim of market environmentalism is to phase out the practice of subsidisation, the water conservation grant ironically represented the introduction of a new subsidy. It was framed as a universal grant to try to ensure that Irish Water conformed to European Market Corporation Test rules which require that over 50% of Irish Water's funding comes from customers, implying that if the grant is paid to all households it cannot be categorised specifically as part of Irish Water's funding model. In the event, Eurostat's ruling on the Market Corporation Test found that the conservation grant amongst other issues, such as the capping of charges and the extent of Ministerial control over Irish Water, meant the company was not run according to commercial best practice and current water pricing is not economically significant (Eurostat 2015). The charging episode, which at the time of writing remains unsettled as resistance to paying continues, demonstrates that the commercialisation and pricing of water remains deeply political with contradictory effects. This is not something exclusive to Ireland given the way that water acts as an 'un-cooperative' commodity (Bakker 2005) and the pricing of water requires the creation of a market with elaborate market rules. In the Irish case pricing is inflected by the legacy of ill-fated local government charges and typically responding to resistance in way that does not have any clear policy rationale, social or otherwise.

Besides what Eurostat deemed as Ireland's flawed commercial pricing model, if social objectives are to be given more weight in how water is being reformed there are several other options which would produce more equitable outcomes. These include income-related water credits (McDonnell 2014; TASC 2014) which would mean that water would remain 'free' for lower-income households, or stepped block tariffs,

[1] Author's calculations using the same household income data as McDonnell (2014).

which sees the price of water increase at different thresholds of consumption (Hall 2001). Even then, there is little agreement on what makes water pricing fair and where to set thresholds for credits or tariff blocks (Feldman 2012). As Feldman (2012:140) puts it, 'if, as many human rights groups contend, water should be provided to people regardless of their ability to pay, in accord with what their needs dictate, then defending variable rates is always going to be difficult without agreement over how to define need, ability to pay, and the processes that determine both'. Besides sidestepping these issues by offering ameliorative payment rates to everyone with highly regressive effects, ability to pay issues have been overshadowed by political concentration on what to do with 'un-cooperative' customers. Recent legislation has introduced measures that levy late payment charges on bills in arrears[2] and provisions for the deduction of arrears from non-compliant customers from social welfare payments or wages.[3] Though less draconian than the power originally granted to Irish Water to reduce the supply to households with unpaid bills provided for in the Water Services (No.2) Act 2013 and subsequently removed in the Water Services Act 2014, they still mark new types of disciplinary power in connection with the commodifcation of water. They also contrast with the fact that, on Irish Water's takeover of local authority non-domestic water billing, approximately €150 m was owed by non-domestic users and of this €50 m is due to be written off (Duncan 2015).

A final issue to be considered in how payment for water is being transformed is the matter of how capital costs are to be paid for. Besides charging for operational costs, in the longer term, Irish Water is due to become 'self-funded' by acquiring funds for capital investments from financial markets, and as a commercial semi-state company these borrowings are recorded 'off balance sheet' for the purposes of general government debt rules. Much has been made in political discourse of the 'self-funded' nature of Irish Water and its 'off balance sheet' borrowing in an effort to defend the setting up of the company. This obscures

[2] €30 for a single adult household for each year in arrears; €60 for households of two or more adults per year, Water Services Act 2014 Section 4.

[3] As provided for in the Civil Debt (Procedures) Act 2015.

the fact that it is still borrowed money that needs to be paid for in the future, likely increasing water charges. As stated by the EC (DG-ECFIN 2013:31), self-funding 'implies the gradual phasing-in of charges at a level sufficient to cover operating and capital costs'.

Delivering Water Services

Prior to the establishment of Irish Water in 2014, responsibility for the delivery of water services rested with 34 local authority bodies. Though delivery was municipal in scale, since the late 1990s private sector involvement via public–private partnerships (PPPs) has grown significantly in the ways water services infrastructure has been developed and upgraded. As well as the general push towards PPP in terms of its reputed value for money, risk transfer, speed of delivery and so on, drivers in the water services sector included the poor state of water infrastructure and poor water quality, upgrading required to comply with the Urban Wastewater Directive (1991), increased need associated with population growth and the construction boom, and the decline of EU structural funds as a source of investment. Another factor is the 'off balance sheet' method of accounting associated with PPPs under which capital expenditure is added to general government debt on a phased basis of up to 20 years (Reeves 2013a), even though the extent of budgetary surpluses over the 2000s did not necessarily require this arrangement (Hearne 2009).

Since the PPP model was adopted in 1999, initially on a pilot basis, projects in water treatment and wastewater have been the largest share of PPPs rolled out. Approximately, 63% all PPPs in operation were contracted in the water sector with the Department of the Environment, Community and Local Government specifically favouring a PPP approach (Reeves 2013b). PPP contracts in the water sector have tended to operate on a design, build and operate procurement model, with contracts awarded to private companies typically for 20 years. Previous local government procurement practice involved issuing separate contracts for the design and build element of infrastructure and, on completion of construction, the takeover of facilities by the relevant local authority. Though in existence for a shorter period of time compared to the use of

PPPs in some other countries such as the UK and Spain, Ireland, along with Greece had the second highest level of public/private operation of wastewater services in Europe in 2008 (45%) (EUREAU 2009).

A strong element of the rationale for preferring PPPs is the assumed value for money (VfM) over traditional public sector procurement, which as Reeves (2011) has found undermines the objectivity of VfM tests. Moreover, there is very little transparency involved in the procurement process; detail available in the public domain about the financial aspects of contracts awarded is restricted due to 'commercial sensitivities', which is justified as an incentive to ensure continued private participation (Reeves 2013a). The long-term implications of the turn to PPP also raise questions. Existing contracts have still some years to run, however on termination, because of the switch in government role from provision to regulation and monitoring, skills and expertise in the public sector in the operation of water services will have been lost increasing the likelihood of recontracting the service to private operators (Hearne 2009). Under the Water Services Act (No.2) (2013), 970 contracts for water services were transferred from local authorities to Irish Water (SIs No. 96/2014 and No. 188/2014). Not all of these are for full design, build and operate services, but they do give an indication of the range of transnational water corporations involved in providing services in Ireland. These include Veolia Ireland which operates more than 30 plants, and Glan Aqua a subsidiary of a Portuguese group Mota-Engil, also operating approximately 30 water treatment plants. Other companies include Aecom whose global headquarters are in Los Angeles and is involved in design, build and operate infrastructural projects across 160 countries. Companies with their origins in UK water services such as Severn Trent Response, Northumbrian Water Projects, Anglian Water International (the latter two now owned by global investment consortia) also have a presence in Irish water services. Since the establishment of Irish Water a total of 115 design build operate contracts, operating across 232 different sites were transferred from local authorities (Dáil Debates 2015). As the outright privatisation model of water provision has failed in many developing countries it appears that many private companies are retreating and consolidating their core sites of interest, which means a turn towards a more bankable PPP model than outright ownership (March and Purcell 2014; Global Water Intelligence n.d.).

With the establishment of Irish Water the water services functions of 34 local authority bodies were transferred and up-scaled to the commercial semi-state company. For the anti-water charge movement a significant element of resistance is prompted by the fear that the creation of a single national utility sets water services on the road to full privatisation, with the public shareholding sold (Hearne 2015). In the European context, the UK sets a precedent when water services were regionalised into ten authorities in 1973 paving the way for full privatisation in 1989. Indications that privatisation is a future possibility were evident in the PricewaterhouseCoopers (PwC) consultant report commissioned in 2011 to advise the government on the setting up of Irish Water. PwC briefly considered the idea of establishing Irish Water as a competitive company under a liberalised water market, but recommended, given the challenges of transforming the existing model, that this was currently a step too far. It did however suggest future competition possibilities should be kept in mind: '…the Government and Regulators may wish to assess international experience of the introduction of competition in water and sewerage services to identify whether Ireland could benefit from competitive markets in the water sector at a later date. …when undertaking the detailed design of the new organisational structure for Irish Water, the possibility of future retail competition should be taken into account' (PwC 2011:122). Given the strength of opposition to this future scenario, the government moved to insert a section in the Irish Water Services Act (2014) which indicates that at the least if privatisation is pursued by a future government the decision will be subject to a plebiscite on the ownership of Irish Water.

However, aside from the idea of privatisation as ownership, as a commercial entity with the aim of being self-funded over time, in essence Irish Water acts is required to act as a private company. Under self-funding, approximately 50% of Irish Water's funding is to come from consumer (domestic and non-domestic) charges covering operational costs and the other half, for infrastructural needs projected to be at least €500 m annually, from money raised on capital markets. This paves the way for growing financialisation, in terms of the influence of financial motives, in how the company operates. In particular, the cost of that funding will depend on the 'investment grade' or credit rating attached to Irish Water. In turn besides depending on the general competence and size of the company, because 'the level of external funding available is normally based on earnings, the extent to which operating costs are reduced through the rationalisation, consolidation and simplification of the delivery model increases the level of borrowings available to the company' (PwC 2011:12).

Irish Water's performance is therefore subject to the scrutiny of financial analysts and investment funds, whose investment decisions depend on the company's 'profitability'. There is a conflict here between acting in the interests of investors, whose investment decisions are based on the financial credentials of the company in terms of its 'revenue stream' (customer charges) and reduced operating costs, and the interests of customers, who presumably also want to see rationalised operating costs but in the interests of maintaining charges that are as low as possible. Moreover, those charges are vulnerable to the vagaries of interest rates on international capital markets. Whether investor or customer interests prevail, in any case the business of Irish Water becomes further removed from the idea of a social contract between the state and its citizens, where delivery of water is underpinned by the values of equity and universal access.

Conclusion

This chapter has suggested that water services reforms have shifted what were the remnants of a municipal hydraulic model towards a fuller market environmentalist model, at least in aspiration if not in reality. Though the conditions laid down by the Troika were the final push and the process has been highly contested, the chapter has shown how elements of the neo-liberalisation of services were evident prior to the crisis. This is most evident in how the sector was opening up since the late 1990s to a form of privatisation under PPPs in which private sector companies were involved in the delivery of services under design, build and operate contracts with particular local authorities. On the other hand have had a more uneven backstory. With the onset of the crisis ideas to reintroduce water charges and to rationalise the sector by creating a single water utility burgeoned in domestic policy proposals on how to deal with economic crisis prior to the arrival of the Troika. In the Troika's conditions that charges for water be introduced on a full cost recovery basis and that the establishment of Irish Water comes with the aim of eventually being self-funded, new elements of neo-liberalisation, namely, commercialisation and financialisation have been added to how water services are paid for and are delivered. The introduction of the former in particular demonstrates the contradictory and messy processes of neo-liberalisation in local policy contexts. Though trade-offs between policy objectives across different domains is probably inevitable, the politics of the introduction of water charging have produced an as yet unsettled outcome, but one which is socially inequitable, economically inefficient, financially and environmentally unsustainable. Social inequity is in itself is not surprising because social objectives are not counted in the market environmentalist model of policy making. In market environmentalism's own terms however, the rate at which charges are levelled have pushed the timeline of full economic costing further out (though it is also questionable whether this is actually ever achievable) and there are no economic incentives to conserve water unless one has faith in a €100 cash grant fulfilling that aim. Looking at reforms in terms of financialisation has to date not been fully considered in the market environmentalist literature. The brief analysis here suggests that this is another way in which the roll-out of new state institutions are neo-liberalised and conform to financial market prescriptions without being in direct private ownership. Thus in the way that Irish Water is eventually required to be self-funded, means that there will be little to distinguish how it operates from a private company—concerns with revenue streams, profitability and credit rating potentially move to the centre of its operations. Yet as resistance to water charges continues, it remains to be seen whether and how the reforms will realise a market environmentalist model of water services in the longer term.

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8

Reform of the Irish Healthcare System: What Reform?

Sara Burke

Introduction

All Irish citizens at some stage of their lives depend on the public health system. The vast majority are born in public hospitals. At various stages of one's life, everyone goes to an Emergency Department (ED) and to visit one's general practitioners (GP). For those with chronic diseases, disability and poor health, the use of the health system will be much more frequent and necessary. Most people towards the end of their lives are reliant on some aspect of publicly funded health and social care.

These experiences of the Irish health system are varied, some good, some bad, some essential, some catastrophic. Yet why is it that when it comes to healthcare in Ireland that private is perceived as good and public as bad? And despite this public perception, why is it that the moment

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citizen's access to the public health system is withdrawn, there is public outcry and protest?

In October 2008, hundreds of older people who filled a church on Westmoreland Street, Dublin, angrily shouted at politicians when medical cards were removed from wealthier older people. The withdrawal of discretionary medical cards in 2013 and early 2014 was named as the main reason for voters' anger in the exit polls of the local and European elections in March 2014. This hammering of the government parties in those elections led to a virtual u-turn on discretionary cards and a cabinet reshuffle that ultimately lost James Reilly his much-desired job as health minister.

Despite the 'public bad, private good' view of the Irish health system, the moment any government measures results in the threat or actual withdrawal of access to the public health system, people are up in arms. Even though the vast majority of health and social care is publicly funded and much is publicly provided by Health Service Executive (HSE)-run or funded agencies, some services are largely privately provided (such as GPs and nursing homes) but even these are still mostly publicly funded.

During the 2000s, there was a significant increase in private hospitals, nursing homes and some aspects of social care such as homecare. And alongside cuts to the health budget was a decline in the proportion of public spending, most evident in increased costs transferred from the health system onto people. This complexity of public and private funding and provision is a result of the historical development of Irish health and social care and the fact that no government set about radically reforming it until 2011.

This chapter will explore these issues over six sections. The chapter will firstly give a brief overview of Irish health policy. Recent health system organisation and reorganisation will then be chronicled, and this will be followed by an exploration of the unusual public–private mix and delivery of health and social care. The chapter then turns to detailing what happened the health system during the economic crisis and describing who pays (what) for access to key health services and who utilises or benefits from them. The chapter concludes with an examination of the key drivers of and obstacles to health system reform.

Irish Health Policy

Irish health policy is often best characterised by policies and choices not made, rather than those made. When places such as the UK were adopting the National Health Service and other European countries pursued universal access to healthcare through different forms of social insurance, Ireland did not introduce a national or universal health system and maintained the unequal system which has its origins in the early nineteenth century Poor Law (Barrington 1987).

This type of system—of a poor service for poor people and other services for those who could pay for them—prevailed and was formalised in 1970 Health Act which divided the population into two categories—those who qualified for medical cards and those who did not (Keane 2014). The 1970 Health Act still largely determines who qualifies for what in the Irish health through these two categories. This is dealt with later in the analysis of the public–private mix.

The last national health strategy, *Quality and Fairness—A Health System for You*, was published in 2001 (DHC 2001a). It set out four guiding principles and four main objectives. The guiding principles were (a) universal coverage; (b) solidarity in financing; (c) equity in access; (d) high quality healthcare. Despite the intent in its title, *Quality and Fairness* did little if anything to improve quality or fairness in the health system (Smith and Normand 2010). The vast majority of its 117 actions were not implemented ten years after its publication (Burke 2009).

Up to the early years of this century, Ireland was largely a health policy-free zone (Burke 2009). After the 2001 health strategy, there was a plethora of specific health policies and strategies published including the *Primary Care Strategy*, the Prospectus Report, the Brennan Report, the Hanly Report, *A Vision for Change*, a carer's strategy, a dementia strategy, *Healthy Ireland*—the new public health strategy, yet most of their key recommendations have not been implemented (DHC 2001b, 2003a, b, c, 2006; DH 2012a, b, 2013a). The 2011 programme for government (PfG) committed to free GP for all by 2016 and the introduction of Universal Health Insurance (UHI) in 2016 (Government of Ireland 2011). Specifically, it stated its intention 'to develop a universal, single-tiered health service, which guarantees access based on need, not income… through Universal Health Insurance' (Government of Ireland 2011:31). Government saw free GP care and UHI as the mechanism for delivering universal healthcare.

This was the first time in the history of the Irish State, where any government committed to end the two-tier system of access to care, with preferential access to those who can afford to pay privately (Government of Ireland 2011). In 2012, government published *Future Health* which was flagged as the road map for their PfG commitments (Department of Health 2012a). The health section in the PfG and Future Health, if delivered, could have resulted in radical change of the Irish health system.

The 2011 PfG, which at the time of writing was four years old, remains largely unimplemented. Of its 85 health actions, just 17 of them had been acted upon. The primary commitment of introducing a single-tiered health system, with universal access, remains an aspiration. The plans for free GP care for all by 2016 were not delivered, although the government introduced free GP care for under sixes and over 70-year olds by the end of 2015. In April 2014, the government published a White Paper on UHI which delayed its implementation until 2019 and failed to clarify either the cost or the basket of services to be covered in the insurance scheme (DH 2014). The FG/LP version of UHI, of competing, private health insurers managing billions of public money, has been postponed and although not officially acknowledged by mid-2015, its introduction seemed very unlikely.

Health System Organisation and Reorganisation

While the 2001 health strategy had many actions, the main focus of health policy change in the years after 2001 was imposing new structures on the health system. In 2001, the old Eastern Health Board was split up into 3 area health boards, increasing the number from eight health boards to 11 and a new Eastern Regional Health Authority was established (Burke 2009). In 2005, the 11 health boards were abolished and a new HSE was set up made up of the old health boards and a raft of other agencies amidst much controversy (Burke 2009).

The 2005 reform also resulted in the establishment of Health Information and Quality Authority (HIQA) in 2007, a regulatory body responsible for ensuring quality and safety in the Irish health and social care system. From 2009, all nursing homes were inspected for quality standards and from 2013 all residential services for children and adults with disabilities were inspected.

The 2006 Health Service Reform Programme published by the HSE, set out specific objectives similar to *Quality and Fairness*: to deliver an improved health system so as to ensure consistent national, regional and local patient centred care; to provide a better planned, managed and performance measured system in which needs, services, funding and outputs are systematically interlinked; to develop a health system that maximises the use of resources by delivering the right care in the right setting; to provide a better working environment for staff (HSE 2006). Originally, the HSE was set up with a pillar structure, made up of three pillars—the National Hospitals Office (NHO), Primary, Community and Continuing Care (PCCC) and Shared Services, and an independent board (Burke 2009). In 2009, the NHO and PCCC pillars were reorganised into integrated service areas (ISAs) organised under four newly formed regional structures—Dublin North East, Dublin Mid Leinster, South and West (Brick et al. 2010). Under the regional structures, there were 32 local health offices (LHO) and eight hospital groups.

In 2013, under the Health Service Executive Governance Act, the HSE Board was abolished, a new directorate set up, under the leadership of the Director General. Under this a new national divisional structure was established made up of hospitals, primary care, mental health, social care, health and well-being and shared services (HSE 2014b). In 2013, the hospital groups report was published and in 2014 the new hospital groups and Community Health Organisations (CHOs) were established. The CHOs are made up of all services except hospitals (DH 2013b, c; HSE 2014a). In January 2014, child and family services were separated out from the HSE into a new agency called Tusla.

The HSE is funded through the DH to provide health and social care. Much of this is provided directly by HSE hospitals, community and public health services and staff, while many services are contracted out to the voluntary sector. Many services perceived as public health services are provided by private contractors be they voluntary or for profit. HSE-funded voluntary organisations are known as section 38 and 39 organisations. They run many of the voluntary hospitals and large social care providers. Traditionally, these voluntary services were run by Church-based organisations.

All GPs in Ireland work as self-employed contracted providers. At the end of 2013, there were 2,888 GPs providing care without charge to medical cardholders (HSE 2015c). Some GPs work as part of a primary care team in state-run or privately run primary care centres. Here they work alongside HSE primary care staff such as public health nurses, nurse practitioners, occupational therapists, physiotherapists and social care staff. However, there are also large numbers of private stand-alone therapists who provide services directly to citizens who are charged the full cost for the care they receive.

Traditionally, nursing home care was largely provided for through state-run public nursing homes and some privately, usually Church-run private homes. Over the last 15 years, there has been a complete transformation in who provides nursing home care from being largely publicly and voluntary provided to now being largely privately, for-profit provided homes (NHI 2011). This trend of increased private providers was encouraged through tax breaks for building private hospitals and nursing homes, introduced in 2001 and 2002 and reflected the international trend of increased privatisation of health and social care (Maarse and Normand 2009; Burke 2013). In 2009, the government introduced the Nursing Home Support Scheme (NHSS), known as the 'Fair Deal' to fund residential nursing home care for older people. This is administered by the HSE and in November 2014, 22,618 people were funded under this scheme. Under the NHSS, people can choose public, private or voluntary nursing homes. There has also been a proliferation of private, for-profit homecare providers. These are not regulated and while there are preferred providers vetted by the HSE, anyone who can afford to can buy private homecare services which are not regulated. There was a large increase in private for-profit hospitals in 2000. Previously, there were just a handful of private, for-profit hospitals in Ireland. After tax reliefs were introduced in 2000 and 2001, there was a proliferation of private nursing homes and hospitals as government gave tax breaks to developers to build them. Between 2002 and 2012, there was a 34% increase in private hospital beds, whilst public hospital beds grew by just 3% (Burke 2013). There is no regulation of private hospitals in Ireland. It is planned that all hospitals will be regulated and licensed but there is no date for when this will actually happen.

FG ran for the 2011 election with a promise to rid the country of many quasi-autonomous non-governmental organisations, including abolishing the HSE. Under the 2011 PfG and Future Health documents, the HSE was to be abolished in 2015 (GoI 2011; DH 2012a). Extraordinarily, this was boasted about by the then health minister, James Reilly, without any plan as to what would be put in place to provide care for the millions of people the HSE care for every day, not to mind the 98,000 staff. In 2014, after a cabinet reshuffle, the new health minister pledged to maintain the HSE. In mid-2015, the hospital groups were at a very preliminary stage of development with significant problems emerging over governance. For example, the HSE Acute Hospital Plan allocates budgets for 2015 to the hospital groups, but as the groups have no legal governance structure and therefore no legal standing, the hospitals receive their public allocation direct from the HSE. And ultimately, despite the existence of groups per se, it is still the hospital CEO and in the case of the large voluntary hospitals, their independent boards that are accountable for the money allocated.

Meanwhile, all other parts of health and social care are to be part of the nine newly formed CHOs (HSE 2014a). Their chief officers have been appointed but much confusion reigns in relation to new structures, for example, how do the old LHOs and regional structures fit with the CHOs? The new CHOs are not co-terminus with the hospital groups. Given the overall plan that 'money follows the patient' (subsequently referred to as Activity Based Payment—ABP) through all services from primary to acute to community care, it is problematic that the administrative boundaries between the hospitals and all the rest of the health services do not match. It is well established nationally and internationally, that significant organisation change causes huge upheaval and often it takes three to five years for the change to settle down and for services to get to the same point they were at when the organisation change started (Normand and Thomas 2009). Yet in Ireland, between 2001 and 2015, health services were under constant reorganisation and restructuring of both governance and structures. One possible explanation for this constant reorganisation is that it was easier to restructure than to reform many of the intractable access and quality issues that prevailed in the Irish health system (Burke 2009). Another is that in the absence of clarity of the health reform goals in the 2001 health strategy, the system was constantly reorganised instead of actually reformed (Normand 2015).

While the initial restructuring of the Irish health system took place during a time of increasing health budgets, much of the reorganising took place during unprecedented health budgetary and staff cuts. Staff were not only having to cope with service cuts but doing so in an ever-evolving structure that never had three years to bed down due to the perpetual change. Most significantly little, if any, of the endless structural or organisational changes had any positive impact on patient care or patient's experience of negotiating the Irish health system.

Ireland's Unusual Public–Private Mix in Irish Health and Social Care

Ireland has never had a universal system of healthcare with access to care often determined by ability to pay (Keane 2014). Technically, eligibility to healthcare is still determined by the 1970 Health Act which categorises people into category 1 or 2. Those deemed eligible for category 1 are means tested and largely determined by low financial means, although a small number of people get medical cards on the basis of 'discretion' if over the income limits, which are very low (Keane 2014). For example, a single person's income must be below €184 per week, a couple with children must be on less than €266.50 per week to qualify for a medical card.

A medical card entitles people to drugs at a low cost (€2.50 per prescription item, capped at €25 per family, per month), access to GPs, inpatient and outpatient hospital care, without cost. In April 2015, 1,741,333 people have medical cards, representing 37% of the population (HSE 2015a).

Category 2 are those without medical cards. In mid-2015, 63% of the population are without medical cards. These citizens pay between €40 and €70 for each GP visit and up to €144 per month for prescription drugs. While everyone is entitled to public hospital care, those in category 2 also face charges of €100 per ED presentation (if presenting without a GP referral) and €75 a day capped at ten days per year (€750). While everyone is entitled to public hospital care without charge (category 1) or at a charge (category 2 capped at €750 per year), these public hospital patients have to wait for a long time for essential diagnosis and treatment (O'Riordan et al. 2013).

Long waiting times for outpatient and inpatient hospital treatment have been a problem in the Irish health system for decades (Wren 2003). The government prioritised reducing these after their 2011 election success, however similar to previous governments' any progress made was quickly eroded. Between 2012 and mid-2015, waiting lists increased (Burke et al. 2014a). For example, the numbers of people waiting for an outpatient appointment has increased year on year between March 2014 and March 2015. In March 2015, there were 678 people waiting over four years, 2,034 waiting three to four years, 6,857 waiting two to three years, 67,750 waiting between one and two years and 107,209 waiting between six and twelve months for their initial outpatient appointment (NTPF 2015a). (See Fig. 8.1). Once they get that appointment, there were 16,067 adults and children waiting over nine months for inpatient hospital and day treatment in March 2015 (NTPF 2015b). (See Fig. 8.2).

If people can afford to pay privately, they can pay for more rapid access to diagnostics and the initial outpatient appointment privately and still be referred into the public hospital system, faster than the patient who cannot afford to. Anyone can opt for private day and inpatient care in a private hospital, providing they can afford to pay private fees or are covered by their private health insurance. Not all health insurance packages cover treatment in private hospitals. Some services are universally available such as are the maternity and infant care scheme. This entitles pregnant women to GP and hospital specialist care without charge, as well as follow-up visits by the public health nurses and GP visits for the new born babies and preschool vaccinations. Nine month follow-up visits from the Public Health Nurse, the school screening and vaccination programme are also universal and without charge.

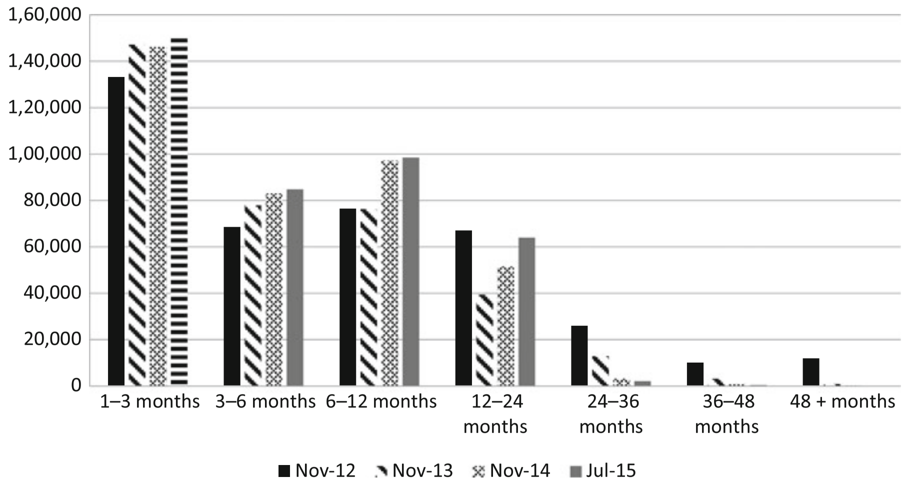

Fig. 8.1 Numbers waiting for an outpatient appointment, November 2012 to March 2015

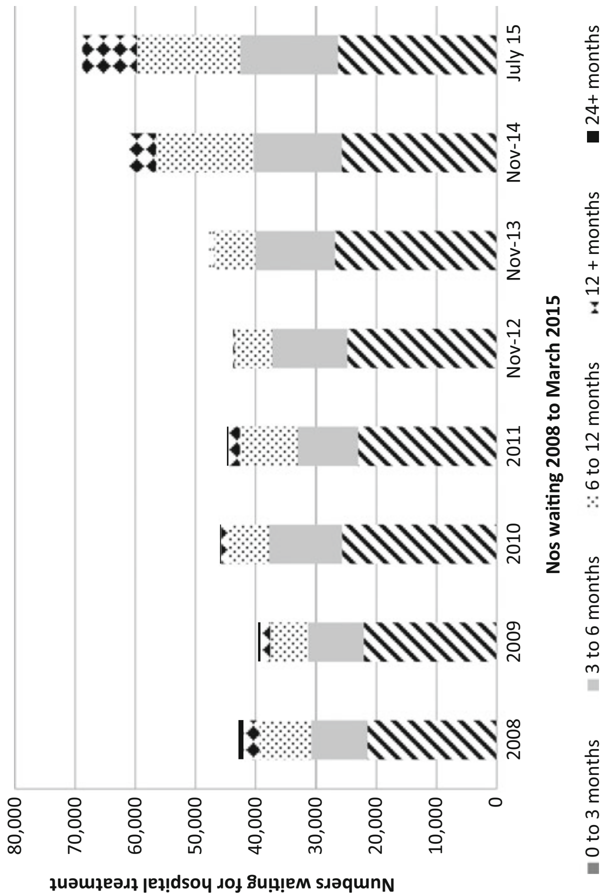

Fig. 8.2 Numbers waiting for an inpatient or daycase hospital treatment 2008 to March 2015

There are a range of other primary and social care services provided publicly which have varying degrees of eligibility depending on one's category 1 or 2 status. For example, public health nursing is considered a universal service however access to it for older or disabled people may depend on local policy decisions as to whether they are available to everyone or just those with medical cards.

Many people do not have access to services such as optical, audiology, dentistry unless they can afford to pay privately. This is true of access to a range of allied health professionals as well as aids and appliances. Even those deemed eligible might not actually gain access to these services due to very long waiting lists or quite simply the service does not exist in a particular area. In such instances, people end up without a service or paying out-of-pocket if those services exist privately, such as counselling or physiotherapy. All of these are of significant cost to people who are sick or disabled.

Child and adolescent mental health services are a good example of the under provision of essential services. Under the 2006 mental health policy, *A Vision for Change*, it was envisaged that there would be Child and Adolescent Mental Health Teams (CAMHTs) across the country to meet the mental health needs of children and young people (Department of Health and Children 2006). Nine years after its publication, these teams are at 51.6% of the staffing level recommended in *A Vision for Change*. In December 2014, there were 2,818 children and adolescents waiting for a first appointment with a CAMHT, and of these 405 are waiting over one year for that appointment (Children's Mental Health Coalition 2015). The 2014 Annual Report of the Mental Health Commission (2015:6) found that 'staffing in mental health services continued to be adversely affected by the continued implementation of the employment moratorium'. The government committed to 'end the practice of placing children and adolescents in adult psychiatric wards' in 2011 (Government of Ireland 2011:38). In 2014, there were 89 children or adolescents places on adult wards, a decline on 2012 and 2013 but a significant number nonetheless (Mental Health Commission 2015).

Even though there are just two categories for eligibility to health services without charge—those with medical cards and those without, in reality, there are many more categories that make it more complicated. In 2005, the government introduced a GP only visit card, which solely covers the cost of a GP visit for those on a low income, but not low enough to get a medical card (Burke 2009). There are other schemes such as the Long Term Illness Scheme—which allows those who qualify to get drugs, medicines, and medical and surgical appliances directly related to the treatment of their illness, free of charge. The Long Term Illness Scheme does not depend on your income or other circumstances and is separate from the Medical Card Scheme and the GP Visit Card Scheme. In 2015, 45% of the population had voluntary private health insurance which covers some of the costs of some of their care, but largely covers the costs of privately provided hospital based care (HIA 2013). Recent work done by the WHO in Ireland identifies key gaps in health service coverage and some of the challenges of introducing universal access to healthcare.

> Ireland is the only EU health system that does not offer universal coverage of primary care… Ireland is already an extreme outlier among EU countries when it comes to users chargers… A recent assessment of coverage in the Irish health system found that gaps in population and cost coverage distinguished Ireland from other EU countries, particularly for GP services… given Ireland's health challenges and its outlier status in terms of health coverage, commitments to establish universal access to primary care and to strengthen service delivery are important steps. To achieve these commitments, however, the health system will require additional revenue. (Thomson et al. 2014:42)

As detailed above, Ireland has an extremely complex system that is costly and extremely difficult for patients and citizens to negotiate. These will be dealt with in more detail in the discussion on who uses and benefits from health services below.

What Happened to the Health System During the Economic Crisis

Reflecting increased levels of unemployment and declining incomes, the numbers of people covered by medical cards increased from 1,352,120 in December 2008 to 1,875,707 in December 2014—a growth in over half a million people (HSE 2009, 2014c). Alongside this, there was a decline in the numbers of people covered by private health insurance from a peak of 2,297,113 million in December 2008 to 2,025,258 in December 2014—a decline over quarter of a million people (HIAI 2015). Many more people with private health insurance have traded down their policies for cheaper options which means that they are not covered for care in private hospitals—all these combined have resulted in significantly more people dependent on the public health system. A public health system with declining budgets and staff between 2009 and 2014 (Burke et al. 2014a). As one of the biggest spending government departments, health spending was curtailed from 2009 onwards (Burke et al. 2014a). Of 27 European countries, Ireland experienced the most severe health cuts between 2008 and 2010 (EC 2013). Also health was disproportionately cut compared to the other high spending departments of education and social protection (Connor 2014).

Between 2009 and 2014, the health budget was cut by €1.7 bn (Burke et al. 2014a). Most of the health budget cuts took place between 2009 and 2011. Attempts were made to cut the health budget in 2012, 2013 and 2014. Despite attempted health budget reductions between 2012 and 2014, there were no actual cuts after 2011 as there were supplementary health budgets at the end of each year to meet the health overspend. That said, the health system was providing more care to more people in need, with significantly less money and fewer staff, so in effect a levelling off of the budget was in fact a cut. Per capita health spend fell from €3,400 per person in 2019 to €2,770 in 2014. After a change in health minister and secretary general in the health department and improving national economic circumstances, Budget 2015 allocated a small increase to the health budget.

A key driver of the health budget reductions was cuts to staff numbers, from 111,025 in 2008 to 99,505 in January 2015. Through a series of agreements, there were also cuts to pay and more flexible working arrangements, which allowed for more efficient working practices. Savings were also achieved through an increase in day cases, a decline and then levelling off of inpatient care, as well as shorter length of hospital stays (Nolan et al. 2014). The government used the Financial Emergency Provisions in the Public Interest (FEMPI) legislation to introduce cuts to fees paid to health professionals who are paid directly by the HSE for services provided including pharmacies, GPs and dentists. A range of measures led to a reduction in pharmaceutical prices. These include better deals done with pharmaceutical industry, the introduction of reference pricing, increased use of generics and better prescribing practices under the HSE's preferred medicines programme (Brick et al. 2014).

Hospital activity between 2008 and 2014 shows clear trends. Increased trends were evident for all activity between 2008 and 2012. But from 2012 on, it also shows declines and a levelling out of in inpatient and day cases and increased demand in emergency presentations and admissions. This demonstrates a health system that managed to do more with significantly less between 2008 and 2012, however from 2013 onwards, it could no longer do more with less and began to do less with less (Burke et al. 2014a).

Long waiting times in EDs is one of the longest-standing difficulties in the Irish health system where all patients, both public and private, have to wait to access treatment (Burke 2009). Two Emergency Task Force reports were published in 2006 and in 2015 (Department of Health 2015a). Between 2013 and 2014, there were 6.8% increase in ED admissions (Department of Health 2015a). Some of the increased ED demand reflects the ageing population with increased incidence of chronic diseases. However, some of it is also likely to reflect cuts to other parts of the health system, higher levels of unmet need, poor access to diagnostics outside of hospital, as well as longer waiting for planned hospital treatments.

Another way of 'saving' public money in the health system during the economic crisis was to shift the cost of care from the State onto people. In 2008, 75% of total health expenditure was publicly funded (largely through the HSE), by 2012, the most recent year available, this had decreased to 68% (OECD 2015). While charges and fees for drugs and services have always been part of the health system in Ireland, a part of the government response to the crisis was increased charges for ED attendance and public hospital stays, the introduction of prescription charges for medical card holders and higher threshold for paying for drugs for non-medical cardholders. These alongside the removal of medical cards for over 70-year-olds in 2008 meant that citizens paid €450 million more in 2013 than in 2008 due to increased charges (Thomas et al. 2014).

A prescription charge was introduced in January 2010 for medical cardholders at 50 cent per item, capped at €10 per family, per month. This rose to €1.50 per item, capped at €19.50 in January 2013 and to €2.50 per item, capped at €25 per family per month in December 2013. For the two-thirds of the population without medical cards—the cost of medicines paid out-of-pocket rose from €80 per month in 2008, to €144 per month in 2014. This alongside measures to reduce the cost of drugs for the public purse, including increased use of generic drugs, the introduction of reference pricing, reduced money paid to pharmacies and better price deals with the pharmaceutical industry. As a result of the cost of drugs going down and the increased threshold in the drugs payment scheme, a quarter of a million fewer people were covered by the drug payment scheme.

The above assessment of the transfer of cost from the state onto people does not quantify the increased costs of other services for citizens as the data is not there to quantify it. For example, 12.2 million homehelp hours were provided by the HSE to the sick, disabled and older people in the community in December 2008 compared to under 8.3 million hours in January 2015 (Burke et al. 2014a; HSE 2015b). How many families paid for additional hours privately is not known or counted. However, it is expected that much of this rationing is supplemented by private care paid for out-of-pocket by families who could afford it or by citizens, usually female relatives that take up the slack of the absence of publicly provided care (Murphy et al. 2014).

It is simply not possible to quantify what happened to the quality of health and social care services during the economic crisis as there were no measures of patient outcomes before 2014. In 2015, the Department of Health published its first report on healthcare quality indicators in the Irish health system so it will be some years before we can track progress over time (DH 2015b). However, there was a series of very-high-profile adverse incidents in the health system which have resulted in a new focus on quality and patient safety. A series of misdiagnosis scandals in the late 2000s led to a reform of cancer services (Burke 2009). More recently there have been a series of maternal and baby deaths in the maternity units in Irish public hospitals. The most high-profile case was the death of Savita Halappanavar—a healthy young Indian woman who died in a maternity unit in Galway university hospital in October 2012 when she was 17 weeks pregnant. She died from sepsis and an enquiry into her death found there was 'a failure in the provision of the most basic elements of patient care' (HIQA 2013:23). The report details 13 'missed opportunities to intervene in the care', of Savita Halappanavar which, if acted upon, could possibly have saved her life (HIQA 2013:56).

The death of Savita Halappanavar attracted national and international attention to Ireland's abortion laws which result in thousands of Irish woman travelling abroad every year for abortion. In July 2013, the government passed the Protection in Life during Pregnancy Act which legislated for abortion in Ireland only if the life of the mother is at risk. Many Irish women continue to have to travel abroad for abortions. Savita Halappanavar's death focused attention on the standard of care in Irish maternity services and in Irish public hospitals in general. Prior and subsequent to the death of Savita Halappanavar, there were other maternal deaths including Jennifer Crean, Bimbo Onanuga, Dhara Kivlehan, Nora Hyland and Sally Rowlette as well as the exposure of deaths of five healthy babies in one maternity unit in Portlaoise Hospital (Burke 2014). The deaths of babies in Portlaoise was quite clearly found to be impacted upon by staffing levels (HIQA 2015). Speaking on the launch of the HIQA report into the death of Savita Halappanavar, HSE director general, Tony O'Brien said 'although care costs, poor quality care costs more. Patient safety is paramount' (O'Brien 2013). The HIQA report highlighted how if recommendations from previous enquiries such as that into the death of Tania McCabe had been acted upon and implemented across the public hospital system, lives could have been saved (HIQA 2013). The Halappanavar report's publication coincided with the publication into the enquiry into hundreds of unnecessary deaths in an English hospital—Mid Staffordshire—between 2005 and 2008. The findings of two previous reports were reinforced in the 2013, each criticising the cost-cutting and target-chasing culture that had developed at the Mid Staffordshire Trust, which ran the hospital. As a result of the above patient safety crises and deaths, the HSE Service Plans of 2014 and 2015 have a strong focus on patient safety, quality and ensuring standards of care.

The Irish health system proved relatively resilient during the early years of the economic crisis, continuing to provide more care to more people with less money and fewer staff. However by 2012/3, the HSE had to do less with less. While some efficiencies made have been beneficial such as cuts to drug prices paid for by the public and out of public money, others have caused severe hardship. This is most evident through increased rationing of care evident in longer waiting lists and increased cost of out-of-pocket payments paid for by patients. It is still too soon to tell the more long-term impact on the quality of care in the health system, but indicators are that the quality of care was severely impacted upon and that these scars will be stark and long lasting.

Who Pays (What) for Access to Key Health Services and Supports and Who Utilises or Benefits from Them

The Irish health system is financed by a mix of public and private expenditure. Public resources made up of tax and non-tax revenue have consistently accounted for the largest proportion of total health financing in Ireland. In 2013, private health expenditure made up 32% of health funding, of this 41% is spent on private voluntary health insurance and 52% of out-of-pocket expenditure (WHO 2015). In 2009, out-of-pocket spending was 16% of total health expenditure, rising to 17% in 2013 (WHO 2015). International comparative data shows the decline in public expenditure, evident in nearly half a billion of the cost of some aspects of healthcare which was transferred from the State onto people between 2008 and 2013 (Thomas et al. 2014). While there has been a shift towards private, out-of-pocket expenditure in the last few years, the majority of health expenditures still come from public money. Also these do not include tax reliefs which are given to people who pay for some medical services and for private health insurance which most recent estimates show at €400 million (Revenue Commissioners 2015).

Out-of-pocket expenditure on health includes money spending on GP visits which cost between €40 and €70 per visit, other professionals' fees for opticians, dentists, private outpatient appointments which cost from €100 up, spending on medicines (up to €144 per month), other medical equipment and services and hospital charges. The proportion of out-of-pocket resources in terms of total health resources has remained stable during the 2000s but has substantially increased since then, as detailed above. Also it has been noted that data on private health expenditure should be interpreted with caution due to concerns about their actual precision (Tussing and Wren 2005).

A separation between healthcare financing and healthcare delivery was implied in the 2001 national health policy and was part of the rationale for establishing the HSE. However, as can be seen from the previous section, during the economic crisis substantially more care previously directly paid for by the HSE was financed out-of-pocket by the public and this section shows how the complexity of our financing system increases inequity and is inefficient. As there is not a unified health system providing care to the whole population, it is not possible to give accurate population level break down of who utilises and benefits from what in the Irish health system. The only comprehensive utilisation data is on those who use HSE services, for example, the numbers of hospital inpatient, day cases and emergency admissions but these data are not broken down by whether one is a medical cardholder or not. Previous research has shown that medical cards are an effective pro-poor measure as they ensure access to health services without charge (Layte et al. 2007). However, since that research was carried out, there are increasing charges even for medical cardholders such as the prescription charges and greater rationing of healthcare resulting in longer waiting times for diagnosis and treatment for hospital care.

People who pay for private health insurance or who can afford to pay privately, may access faster care. However, not all services are available in the private system, for example, the management of acute neurological conditions and emergency care is largely provided for in the public hospital system. The people who fare worse in the Irish health system are likely to be those whose income is too high to qualify for a medical card but who do not have private health insurance. These are likely to be young working people and families. While private health insurance numbers declined between 2008 and 2014, they begun to rise again in the second half of 2014. On 1 May 2015, the government introduced 'life-time community rating', which brought into effect 'late entry loadings' for those who take out private health insurance over age 35. The purpose was to make the health insurance market more sustainable by encouraging people to purchase private health insurance at a younger age thus spreading the costs of care across the population.

However, there is concern that in the absence of any plan for UHI, life-time community rating exacerbates existing inequalities by maintaining two-tier access to hospital care and making it more expensive for poorer over 35-year-olds to take out health insurance. An additional 74,000 people signed up for health insurance before the May deadline. Despite promises of delivering, a universal single tiered health system in 2011, the Irish health system remains as complex and complicated in 2015 as it was four years previously.

Drivers of and Obstacles to Health System Reform

As part of the Resilience project 2011–2014, qualitative research was carried out to understand and to explain why certain decisions were made, or not made in the health system, in response to the economic and financial crisis and to get insight into capacity of the system to cope and reform. Nineteen in-depth semi-structured interviews were carried out in two waves for this research. Senior policymakers and health service managers were interviewed between 2010 and 2014 (Burke et al. 2014b). There was some consensus in the interviews that the economic crisis and austerity allowed for a fast tracking of some reforms which were already under way such as clinical care programmes and agreements between government and unions which increased efficiencies and brought about service and quality improvements in some areas.

However, overtime there were diminishing returns on efficiencies with budget cuts resulting in service cuts and real concerns over patient safety by 2012/2013. The interviews detail the extent of reform planned by the new government in 2011 and how it was impossible to deliver on them in the midst of such austerity. The constant change in structures and personnel and the politicised nature of unclear health decisions were dominant findings from this research which were identified as destabilising factors during this time. The research highlighted the inherent tension between efforts to reform, improve quality, and implement austerity measures and demonstrate that austerity was the driving force behind health service decision making during the economic crisis from 2009 to 2014.

During 2013 and 2014, significant concerns over the impact of patient safety and the ability of the system to maintain and improve quality emerged; however, it was not clear of how capable the system was to implement this. After a change of government in 2011, there were considerable efforts and intent on major health policy reform, yet the research found that attempts to reform were continuously stymied by economic imperatives and the need to reduce budgets and staff. The transfer of additional charges for essential health and social care from the state on to people was another impact of health system change between 2008 and 2015. While this shows the path dependency on the Irish health system, it was exacerbated by austerity and the drive to save public money. Despite the intent of introducing a universal health system, the only attempt at reform that took place was another few rounds of reorganising the public health system, without any real reform or any evidence of it improving patient access and quality of care.

Conclusion

From 2009 to 2014, there were five years of persistent cuts to the health budget and staffing numbers despite a growing, ageing population with a greater burden of disease. Against all the odds, one of the quiet success stories of the last ten years in the Irish public health system has been the clinical care programmes. Initiated under Prof Tom Keane for cancer care, it is now been applied to the care of all conditions across all services with some improvements in patient care in areas such as stroke and epilepsy (HSE 2014b). Budget 2015 saw a small increase for the health budget, but still insufficient to meet demand. Mid-2015, the Irish health service stands at a critical juncture, can future reforms ensure universal access based on need not ability to pay and put the patient and quality of care at the centre of any future reform? Or will the status quo be maintained, where those who can afford to gain faster access to essential care, where the quality of care is dubious, where the public are not the primary concern of health system reform? In the run up the general election in 2016 and the anniversary of the 1916 rising, there is no better time to undo the harms of past and really begin to provide universal access to quality health and social care in Ireland.

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9

Early Childhood Education and Care: A Neglected Policy Arena?

Nóirín Hayes

Introduction

Service development for young children in Ireland was, until the 1990s, largely driven by the voluntary sector. However, a combination of increased national demand, a growing awareness of the positive benefits of Early Childhood Education and Care (ECEC) on children and society and the availability of EU funding led to a more concerted demand for comprehensive policy action in this area. By the turn of this century, the rapidly changing demographic, social and economic context of Ireland consolidated the need for a comprehensive policy response to ECEC. Alongside these influences, and as a consequence of Ireland's ratification of the UN Convention on the Rights of the Child in 1992, there was also an increased awareness of the responsibility to include children's rights in policy development in general, including the right of young children to quality ECEC (UNCRC 1989).

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The policy response to this growing attention to children was most evident in the publication of the *Our Children-Their Lives: The National Children's Strategy* (Ireland 2000) and, for young children in particular, the *National Childcare Strategy* (Ireland 1999a) as well as the *White Paper on Early Childhood Education, Ready to Learn* (Ireland 1999b). *Our Children—Their Lives* committed to giving voice to children, researching their lives and improving the quality of services for children, including early childhood services. These influences made ECEC visible as a public policy concern where previously it had developed in an ad hoc and inconsistent manner. This history of unsupported, haphazard development of ECEC reflects the absence of a coherent government understanding of, or commitment to effective investment and development of this first level of educational provision.

As the field of ECEC grows internationally, it has been necessary to refine terminology to reflect its unique focus. In this chapter, the term early childhood education and care (ECEC), the preferred term of the Organisation for Economic Co-operation and Development (OECD), will be used in place of the term childcare. ECEC applies to early years services for children under the compulsory school age of six years. It incorporates early years settings including childminding, crèche/nursery settings, the Free Pre-School Year (FPSY)[1] and the infant classes of the primary school but excluding family care. The terminology used in policy documentation is a useful lens through which to understand the position of ECEC within a state's welfare frame. Moss (2008) observed in the UK, where ECEC has been largely marketised, it is conceptualised in three different ways:

- childcare for working parents
- targeted services for the disadvantaged
- early education for young children as a school readiness initiative.

This fragmented conceptualisation inhibits provision of a cohesive, integrated and high-quality ECEC services critical to children's early learning and development. A similar trend can be seen in the emerging policy approach in Ireland. This chapter addresses the questions of

[1] In many department documents, the FPSY scheme is also referred to as the ECCE scheme. This paper only uses the term FPSY to avoid confusing this limited scheme with the wider field of ECEC.

what ECEC is for, who delivers and who pays by reviewing the evolution and implementation of Irish 'childcare' policy, and exploring aspects of governance, regulation and costs. It considers the factors influencing the current direction of policy and reflects on the question of who benefits by looking at implications for children, their families and Irish society.

Early Developments and Influences on ECEC Policy Making

The dependence of the ECEC sector on voluntary and community organisations is not unusual in Irish policy. Scott (2014:93) has noted that the Irish State has distanced itself from direct service delivery and regulation 'from the earliest days of independence' resulting in a poorly developed Irish welfare state dependent on state-supported voluntary provision particularly in the health and education services. Until recently, the primary voluntary partner has been the Catholic Church, a situation Inglis (1998:79) has argued '… inhibited a rational differentiation between religion and politics which, in turn, had a limiting effect on social, political, and economic development in Ireland'.

In addition to employing a distancing strategy in relation to direct service provision, the state has also maintained a very clear distance from interfering in the private sphere of family life. The Irish Constitution, reflecting the conservative influence of the Catholic Church, has been particularly influential in this respect condoning intervention by the state into family life only under certain circumstances of extreme neglect or abuse. The recent passage of two Amendments to the Irish Constitution may provide a context for legislative and policy reform. Of particular relevance to this chapter is the signing into law in April 2015 of the Thirty-First Amendment to the Constitution (Children) Act 2012. The new Article 42A.1 reads 'The State recognises and affirms the natural and imprescriptible rights of all children and shall, as far as practicable, by its laws protect and vindicate those rights.' It replaces Article 42.5 and explicitly identifies children as rights-holders shifting the focus away from the previous position where they were characterised as passive members of the primary unit of the family. Article 42A also affirms the 'welfare principle' recognising that the child's best interests is the paramount consideration.

With the waning power of the Catholic Church, Moran (2010) argues that the state incorporated the social partners (representatives of business, unions, farmers and civic society) into the policy-making process, continuing the tradition of maintaining its distance from direct responsibility for service provision and management. However, the view that this form of 'shared governance' has been of value to social policy development has been contested, with scholars contending that economic policy has risen to the forefront at the expense of wider social policy (NESF 1997; Zappone and McNaughton 1999). While the partnership approach was a powerful agent of change, the mechanism was insufficiently sensitive to deeper ideological issues that needed consideration in, for instance, the development of child policy and family policy. Such issues include the tension between the Constitution, legislation, policy and the lived experiences of families and children, which require more nuanced, deep-seated conceptual and structural changes (Hayes 2002).

Notwithstanding its limitations, the social partnership agreements had a profound impact on the Irish economy and on Irish policy development (Moran 2010; Murphy 2010; Carney et al. 2011). Although initially excluded from the process, the Community Pillar was later incorporated into consultations bringing wider issues of social policy to the negotiating table and giving voice to a number of marginalised groups including that of children. One important outcome of the partnership process was the implementation of the Child Care Act 1991 which redefined state responsibility to protect children within the wider community and clarified and extended the role of the state in child welfare and protection. The Child Care Act of 1991 marked a turning point in the non-interventionist approach highlighting the value of prevention and early intervention services moving policy focus from a paternalistic, reactive approach to children towards a more accountable, proactive approach. It encouraged the development of preventive, family support services and the regulation of children's services, which were previously considered outside the remit of the public sector. Section 7 was particularly relevant to ECEC as it gave a new and wider responsibility to the state in the regulation and supervision of preschool services for all children rather than only those considered 'at risk'.

Children did not feature in *Partnership 2000* (Government of Ireland 1996) as a specific constituency. However, under the heading of combating educational disadvantage there were commitments to develop an early years intervention project for disadvantaged three- to four-year-olds, whilst under the heading of equality there was a commitment to support measures to develop the childcare sector so that parents, particularly women, could access the labour market. This singular attention to service development for targeted groups without addressing the more complex, interdependent *impacts* of wider policy on family life and children's learning and development reflects a short-sighted, cautious policy approach.

Policy Drivers

Initial policy development focused on two of three conceptualisations of childcare noted by Moss (2008)—childcare for working parents and childcare as targeted services for the disadvantaged. With no history of a separate nursery/early education system in Ireland, there was no established context for considering ECEC as a unique educational level. In fact, ECEC was embedded within the primary school where infant classes were categorised, somewhat misleadingly, as early childhood education (OECD 2006). Coming from different perspectives, the collective voices of the business, union and community pillars led, through *Partnership 2000* (Government of Ireland 1996), to the establishment of a working group to develop a national childcare strategy to increase childcare places.

The primary engine driving the development of the *National Childcare Strategy* (Ireland 1999a) was gender equity in terms of labour market participation. The working group was requested to consider a wide range of childcare services for children from birth to 12 years of age. This brought the sector of after-school care, as well as ECEC, into the policy arena compounding the definitional difficulties with the term childcare and contributing to uncoordinated strategies and fragmented implementation that continue to haunt the ECEC sector (Hayes and Bradley 2006; Hayes 2010). The long-standing definitional confusion suggests a limited understanding of the international recognition of ECEC (birth to six years) as the first stage of education (UNESCO 2012). Policy and planning persists in drawing a distinction between childcare and early education despite comprehensive and nuanced arguments encouraging the development of a coordinated and integrated policy approach (OECD 2004; NESF 2005; Hayes and Bradley 2006). Within this distinction, education is always privileged over care in terms of funding and conditions of service.

The publication of the childcare strategy coincided with the period of the National Development Plan (NDP) 2000–2006. The strategy provided the context within which to access EU funding and led to the establishment of the *Equal Opportunities Childcare Programme* (EOCP) from 2000 to 2006 and its successor the *National Childcare Investment Plan* (NCIP) from 2006 to 2011. The NDP allocated over €400m of primarily EU funding to the EOCP and laid the foundation for continued, though less extensive, investment in the childcare sector in subsequent years. Initially administered through the Department of Justice, Equality and Law Reform, funding is currently managed by the Department of Children and Youth Affairs (DCYA) and Pobal, a not-for-profit organisation that manages various funding programmes on behalf of the Irish Government.

An interim report in 2003 indicated that the performance of the EOCP in terms of the number of childcare places and geographical distribution was disappointing. It suggested that the EOCP was constrained by the requirement to meet the dual objectives of increasing supply of childcare places for children of working parents while also promoting social inclusion through provision of affordable childcare. In response, the pace of development was increased through incentivising investment to the private sector. Under the NCIP (2006–2011), private providers could apply for funding up to a maximum of €100,000 per facility and a maximum of €500,000 for multiple services. With such a strong policy focus on increasing ECEC places, there was little parallel investment in a strategic quality assurance programme for these settings.

Despite the various investment strategies, the level of public investment in ECEC continues to be problematic, with recent estimates suggesting that Ireland invests less than 0.4% gross domestic product (GDP) annually in services for children from birth to six years, compared to the OECD average of 0.7%. When one removes the investment in the infant classes of primary school, actual public investment in the sector is less than 0.2% of GDP (Start Strong 2014). A number of reports on wider socio-economic policy development emphasised the inadequacy of investment in a coherent ECEC policy and infrastructure. *The Developmental Welfare State* report (NESC 2005) argued that Ireland's underdeveloped services made it more difficult to tackle educational disadvantage or to increase the workforce participation of lower-educated women and this impacted on child poverty. It drew attention to the fact that the Irish education spend was lowest in the area of ECEC where the international evidence has shown the return on investment is highest.

In 2009, the National Competitiveness Council called on the government to support the long-term development of a formal pre-primary education system in Ireland (NCC 2009). In line with findings from research, the Council called for a redirection of funding away from parents towards supporting settings directly to provide affordable, high-quality and integrated early childhood services for young children. More recently, the European Commission (EC) in the *Irish Country Report* (EC 2015:64) noted that there has been 'no progress on improving access to affordable and full-time childcare'. More specifically, the report highlighted that the costs of ECEC in Ireland are higher than any other EU country and that the quality of the service 'remains a problem' (EC 2015:59). It is no surprise that quality continues to be a problem given the narrow focus of policy and the direction of investment guided by the design and aim of the EOCP/NCIP initiatives, which was to increase the number of childcare places to facilitate women to access employment.

The second engine driving ECEC policy was social inclusion through combating educational disadvantage. In response, the Department of Education and Skills (DES) produced a *White Paper on Early Childhood Education, Ready to Learn* (Ireland 1999b). This document outlined a coherent and integrated strategy for developing the ECEC sector for all children from birth through to six years of age and included recommendations for the whole spectrum of early childhood services. It also recognised the need for increased investment to support early childhood curriculum development, quality enhancement and associated training and continuing professional development across the whole ECEC system.

Failing to get the level of funding unlocked by the EOCP, the *White Paper* has remained largely unrealised in practice. There was limited opportunity for inter-departmental coordination or funding for a parallel investment in qualified staff to work in the increased places and provide a quality service to the growing number of young children attending. Such apparent resistance to addressing the wider context is hard to understand, particularly given the extensive evidence on the societal returns on investing in quality ECEC (Heckman and Masterov 2007). Nonetheless, the DES did support development of two practice frameworks, *Síolta—the National Quality Framework for Early Childhood Education* (Centre for Early Childhood Education and Development 2006) and *Aistear—the Early Childhood Curriculum Framework* (National Council for Curriculum and Assessment [NCCA] 2009). Both frameworks fall under the remit of the Early Years Education Policy Unit of the DES and refer to policy development for children from birth to six; they are sufficiently broad to be applied in any early learning setting from the home, across varied early years settings through to the infant classes of the primary school.

The absence of sufficient funding and a coherent implementation plan for the frameworks created a climate where they were largely considered in isolation resulting in a fragmented, and sometimes confusing, application across ECEC practice nationally. One consequence of this, apart from inefficiency and ineffectiveness, was that Síolta has been perceived as a framework for enhancing the quality of care, while Aistear has been perceived as an education framework. This distinction between care and early education is misguided as both frameworks complement each other and act as an excellent basis from which to review setting practice, enhance knowledge and skills, maintain and sustain quality and monitor and evaluate progress. Recently, there have been moves to integrate the frameworks (Hayes 2013) and the DCYA now expects all funded settings to show evidence of working within both frameworks. To complement this, the National Council for Curriculum and Assessment, supported by the DES, is developing a practice guide for ECEC, which integrates both Síolta and Aistear.

The failure to create a mechanism for sharing the recommendations and outputs from both the *National Childcare Strategy* (Ireland 1999a) and the *White Paper* (Ireland 1999b) contributes to the fractured evolution of the sector and reflects an unwillingness at government level to grapple realistically with this difficult but critical policy area. The absence of a strong link between the development of ECEC places and support for quality practice has contributed to the poor practices revealed in some childcare settings, exemplified by the *Breach of Trust* documentary aired on RTÉ in 2013.

Governance

The unsupported, haphazard implementation of the frameworks for practice reflects the absence of coherent governmental commitment to effective governance of this new field of educational provision for children. The *National Childcare Strategy* (Ireland 1999a) laid the foundation for a fragmented policy response and failed to recognise the wider potential of ECEC as a period of education and a resource for all children, their families and society (Hayes 2008). It rendered the term 'childcare' empty and misleading, focusing primarily on the provision of safe, largely custodial, 'spaces' for children whilst their parents work and failed to capture the potential of resource-rich early childhood settings providing early learning environments supporting the learning and development of young children as a social good.

This legacy has created significant problems for clear and unambiguous governance of the ECEC sector. In their report on early education in Ireland, the OECD criticised the fragmented and dispersed responsibility across the sector noting that 'no one Department or Agency had been given clear responsibility to lead integrated policy or to provide coherence across the various childhood bodies and services' (OECD 2004:23). The confusion over nomenclature reflects and compounds the lack of integrated policy engagement to supporting and enhancing ECEC for the purpose of facilitating children's development and early learning. Furthermore, it failed to integrate the care and early education dimensions of policies covering the same age range and services. This approach is characterised as a 'split-system' typical of more liberal states in which early education services, with professional qualified staff, for over-threes are supported by the state in order to enhance and develop the 'human capital' of children (Heckman and Masterov 2007). By contrast, subsidised services for the under-threes are supported only to facilitate the employment of targeted parents, and funding supports are limited to care with no identifiable educational aim—a failure to recognise the crucial developmental importance of this period of early learning and the educative nature of care (Hayes 2008, 2010; O'Donoghue-Hynes and Hayes 2011).

The rhetoric of integrated ECEC policy development abounds and some efforts were made to facilitate structural integration at departmental level (Langford 2007). Langford (2006:65) cautioned, however, that integrated policy development 'would take time to establish and would be incremental in approach given that responsibility for areas relating to children's policy and services was spread across Government Departments and agencies'. One attempt at integration was the co-location of the Childcare Directorate and the Early Years Education Policy Unit (from the DES) within the Office of Minister for Children (OMC) in 2006. Over the years, this office has evolved into the current DCYA, with a full ministerial post appointed for the first time in 2011. Despite the potential of co-location to enhance cohesion of policy impacting directly on young children's lives, Irish macroeconomic policy continues, structurally and conceptually, to maintain a clear distinction between childcare and early education, a fact supported by the continued separation of the childcare and early education policy units within the DCYA.

A Private or a Public Sector?

In states committed to developing affordable, accessible and high-quality ECEC, such as Norway, Finland and NZ, policy implementation includes capacity-building, quality improvement strategies and educational and informational supports to ensure families have the capacity to make informed decisions. Features include universal provision, capping the fee portion paid by parents, investment in ECEC training and quality evaluation and stipulating minimum qualification for staff (OECD 2006). Research suggests that when these policy measures are used in more liberal states, they tend to be limited and support more advantaged groups while poorer communities are exposed to policy tool that maintains the divisions in society (Schneider and Ingram 1990); a finding supported in a review of an ECEC parent subsidy design in Ireland (O'Donoghue-Hynes and Hayes 2011).

Funding mechanisms for ECEC are designed for either supply- or demand-side investment. The overall aim of supply-side funding mechanisms is to stimulate an expansion in the supply of and demand for services. Supply-side measures are prevalent in social democratic states where adequate funding and regulation are key design features supporting quality affordable ECEC services. In Ireland, there is greater reliance on demand-side funding including parent subsidies and cash benefits. These policy measures do not construct the provision of ECEC as a benefit of social citizenship provided by the government but rather as 'a service-customer transaction' (Rigby et al. 2007:103). One consequence of the move, in Ireland, to increase childcare places rapidly from a low and poorly resourced base was to strengthen a mixed model of private and community-based ECEC provision. The dominant assumption in relying on the private sector is that places will be provided more quickly and flexibly than can be achieved by the state. The hope is that quality will be achieved through competition. Private ECEC has now outstripped all other forms of provision in a number of countries. This approach reflects a reliance on market solutions to tackle the 'childcare problem' and enables policy makers to remain distanced from the problem deferring the need to consider a clear rationale for investment in the development of an integrated ECEC policy (O'Donoghue-Hynes and Hayes 2011). We can see the effect of this trend in Ireland today, where over 70% of services are privately owned and smaller community and not-for-profit settings are struggling to remain viable. This is a cause for concern, as we know that the childcare market approach benefits rich families more than poor ones (OECD 2013). Furthermore, poor children, when they do attend, are more likely to receive poor-quality care.

In their review of the rise of the market model, Penn and Loyd (2014) noted that most governments recognise the increasing demand for more high-quality ECEC and the obligation to guarantee equal access for all children, particularly the most vulnerable children from the poorest households, since they tend to benefit most. However, in market-driven environments there is a strong tendency towards unequal access to services, and the services which exist are highly variable in terms of quality. In some countries where a majority of provision was previously community-based or not-for-profit, the model has been unable to compete in a market environment and has shrunk (Penn and Loyd 2014). The dangers of the 'corporatisation' of early childhood services that accompanies a market-led approach is illustrated in examples from Australia demonstrating the damaging impact this can have both on smaller services and on children and families (Sumsion 2006).

A second consequence of the focus on increasing spaces was the investment in centre-based institutional ECEC settings. With incentivised funding available for investment in building more spaces, there was a robust response from the construction industry and a rapid development of centre-based full-day childcare without the concomitant development of smaller, sessional services and family-based ECEC. This trend continued despite evidence that Irish families prefer a wider choice of settings for young children with different preferences across different ages and family requirements. A recent report from the *Growing Up in Ireland* study found that among the infant cohort studied, 'the most common main form of childcare was that provided by a relative (42 percent, predominantly grandparents), followed by non-relatives (31 percent, predominantly childminders), with centre-based care such as crèches coming third (27 percent)' (McGinnity et al. 2013:8).

Alongside private sectoral development, the government continued to target investment in ECEC places in designated disadvantaged areas. Capital funding and fee supports towards community-based childcare centres were made available under both funding programmes, so that less advantaged parents would have increased access to ECEC at fees which were less than the economic cost of providing the service. This placed pressure on voluntary and community settings and resulted in many settings relying on untrained staff and the Community Employment Scheme to meet the regulations on staff to child ratios thus increasing the likelihood of compromised quality early learning experiences for children attending. In effect, the policy of combining a dependence on the private sector with limited investment in targeted services in pursuit of social inclusion could be said to perpetuate social exclusion.

Regulation and Inspection of ECEC

Despite that absence of investment in quality initiatives and supports for training to enhance the qualifications of staff and associated quality of provision, the demands on the ECEC sector have increased with a danger of it becoming seriously overinspected and regulated. Scott (2014:89) suggests that such situations reflect policy where 'priority is being given to markets and market failure over traditional welfare concerns with redistribution'. In considering the well-funded and supported Irish education system, Scott (2014:101) notes that 'Across primary, secondary and higher education there has been little evidence of the kind of hyper-regulation seen in the UK'. This is not the case in relation to underfunded and poorly supported ECEC where settings, particularly those providing the FPSY, must conform to a growing number of requirements, national standards and guidelines. This places many administrative demands on setting providers, which are not covered by funding.

There are three separate government departments involved with the regulation and inspection of ECEC. Since 1997, the Department of Health (DH) has been responsible for the Preschool Inspectorate, which inspects settings under the Preschool Regulations Act (DH 2006). Despite the rapid growth in settings since 2000, the inspectorate was poorly resourced and inspections were irregular with some settings never inspected. Arising from the *Breach of Trust* documentary shown on RTÉ on May 29, 2013, the DCYA announced a reforming Quality Agenda, focusing almost exclusively on inspection and regulation. In relation to enhancing the inspection process, the DCYA, DES and DH, through Tusla, the Child and Family Agency, agreed to review the inspection process with a view to including the assessment of educational components of ECEC settings. The extent of the fragmented nature of policy implementation in ECEC—which continues to compromise the quality of the early learning experiences of young children—is manifest in the resultant bizarre situation where there are now two separate inspection services, one under Tusla (comprising public health nurses) and a second under the DES (comprising early years and primary teachers). Alongside both these inspectorates, a separate mentoring service, Better Start, has been established under the direction of Pobal. Working within the Aistear/

Síolta frameworks, Better Start has a regional reach through a network of mentors whose role is to facilitate and enhance the quality of practice in all ECEC settings. It is a remarkably fractured system with no consideration given to the disruptive implications of three separate inspection/support systems visiting small ECEC settings, many only providing the three-hour FPSY programme.

The Cost of ECEC

ECEC costs in Ireland rank among the most expensive across OECD countries. The rapid growth of ECEC places during the early 2000s required an equally rapid growth in the workforce. To meet the staff to child ratios, and in the absence of a cohort of well-trained practitioners, many settings were forced to recruit untrained staff who they employed at a minimum wage. Within the private sector, costs to parents grew to meet the requirements of an expanding service. In response to the shortage of staff in poorly resourced community-based settings, the EOCP funded staffing grants to allow services expand and meet the ratio regulations. However, this investment was time-tied and wound down under the NCIP. The government reconfigured the funding mechanisms, replacing the staffing grant with the Community Childcare Subvention Scheme, which provided a scaled fee subsidy to service providers based on the number of parents in receipt of welfare (O'Donoghue-Hynes 2012) in an effort to address affordability for the local population. Nonetheless, it has been estimated that the average fee for childcare nationally was €152 per child per week, amounting to almost €16,000 per year for a two-child family. As a percentage of wages, childcare costs are higher than in any other EU country (EC 2015:59)

In line with the market focus of Irish ECEC policy, the preferred policy instrument for supporting families to access and pay for services has been direct cash payments to all parents, irrespective of the age of their children or their use of ECEC services. This avoids the direct provision of ECEC services that might be seen as a restriction of parental choice in relation to care options. The main financial support for families is Child Benefit (CB), an unconditional, monthly cash payment to the primary carer of every child in the State. Over time, there have been attempts to reconstruct CB as both an anti-poverty payment and a support to parents in meeting the cost of childcare (Wolfe et al. 2013). CB was increased in successive budgets from 2000 until 2007. However, to address continued concerns about the cost of ECEC the government, in 2006, at the height of the Celtic Tiger, also introduced an Early Childcare Supplement (ECS) for all children under six years of age. This was a direct, non-taxable payment of €250 per quarter year, in respect of each eligible child at a cost of €350m exchequer funding annually. While the ECS was designed to assist all parents of children under six years in covering their ECEC costs, there was no obligation for parents to spend the money on ECEC. It is clear that the scheme was not designed to strengthen the ECEC sector, address affordability or improve and sustain quality. It seems that, notwithstanding the changing social context, the need to treat all families in the state the same way in terms of investment in ECEC, rather than address the rights and needs of the young children actually attending early years settings to receive quality developmental experiences, has dominated (Wolfe et al. 2013).

In response to the economic crisis, the Irish Government sought to reduce spending significantly. Measures included reductions in CB and the abolition of the ECS. In its 2009 budget statement, the government announced that, while moving to abolish the ECS, an element of the funding would be ring-fenced to provide the FPSY for all children aged between three years three months and four years seven months. This change in policy direction was unexpected but welcomed as it was in keeping with calls from many individuals and policy bodies over the years. The FPSY brought Irish ECEC policy a little more closely in line with international policy development and brought a modest change in policy language. For instance, the press release characterised the introduction of a FPSY for children as ‘ a highly significant step in the development of Ireland’s early childhood care and education (ECCE) policy’ (OMCYA 2009) rather than locating it within a childcare frame.

Wolfe et al. (2013) suggest that in some respects the introduction of the FPSY scheme could be seen to signal a change in ECEC policy in Ireland. Funding for the scheme goes directly to services, free places were introduced for the first time and there was a universal ECEC scheme outside the infant classes of the primary school system. However, the ECEC system does not reflect the primary school system in terms of investment or support. For instance, the FPSY funding only covers minimum payment rates for staff covering only the time they are working directly with children—3 hours per day, 5 days per week over 38 weeks. Staff must meet a minimum qualification requirement with a financial incentive for FPSY settings employing more qualified staff. The level of qualification accepted is basic, a certificate at Level 5 or 6 as compared to the Level 8 required for primary teachers of children from four to six years of age. Participating FPSY settings are also expected to implement both framework documents, Síolta and Aistear. In recognition of the challenge for the sector in meeting the qualification requirements, the government made available a Learner Fund. This fund supports an expansion of training courses so that staff who wish to meet the qualification requirements have greater access to training. However, staff members taking a training course must do so in their own time and at their own expense (Hayes 2015).

In response to the FPSY, over 90% of eligible children have participated each year suggesting a strong interest in ECEC among parents of young children. However, when compared to the funding of services for children of four to six years within the primary school system the FPSY service is under-resourced and could be considered exploitative of the staff employed. It is also insufficient to meet the needs of many families who have to pay high fees for extended hours of provision. A reform of the funding model is required for ECEC costs to come down and for services to remain viable, high quality and effective. Such a reform would require the state to reconsider its obligation to assist parents in the early care and education of their children in a society where employment is recognised as the most effective protection against poverty.

Future Direction

Unfolding policy developments in ECEC can be characterised as incremental, reactive and hesitant. In response to the previous lack of an explicit national policy, the Minister for Children and Youth Affairs announced the development of Ireland's first National Early Years Strategy in January

2012. To this end, an Expert Advisory Group (EAG) was established to advise the minister on matters relating to a strategy. The report of the EAG, *Right from the Start*, was published by the DCYA in October 2013 (DCYA 2013). Working within a children's rights framework and supporting the concept of '*progressive universalism*' the report identified five issues that needed to be addressed in parallel over the lifetime of any strategy. These were to (i) increase investment, (ii) extend paid parental leave, (iii) strengthen child and family supports, (iv) insist on good governance, accountability and quality in all services and (v) enhance and extend quality ECEC services.

The publication of an Early Years Strategy was delayed with the establishment of an Inter-Departmental Group (IDG) to consider '*Future Investment in Childcare in Ireland*' continuing the trend of merging ECEC and after-school provision under the title of 'childcare'. Working within the context of *National Policy Framework for Children and Young People Better Outcomes: Brighter Futures* (Ireland 2014), the IDG report (Ireland 2015:7) identified two drivers for change placing a 'recognition of the value of early years provision in ensuring that children get the best start' as the key driver followed by a 'recognition that the availability of affordable childcare is either a barrier or an incentive to labour market participation'. This shift away from equality and educational disadvantage as policy drivers is welcome. However, the report cautions that despite arguments suggesting that children's developmental outcomes, from a societal point of view, should be first among equals, the IDG considers that these objectives should work in a complementary way notwithstanding 'the inherent potential for tension between them' (Ireland 2015:8).

Overall, the IDG report is a carefully crafted report that treads a fine line between various positions and departmental responsibilities while reflecting current evidence about the educational and developmental value of ECEC in terms of child. It concludes that there is robust international evidence 'that we can have more confidence that supply-side measures can have a verifiable impact, can support durable increases in supply and support quality within a more cost-contained framework' (Ireland 2015:81). It presents a series of recommended and costed actions, many focusing on supply-side measures.

The report does not, however, show any tendency to move towards a more integrated and cohesive policy approach to ECEC as the first stage of education and is a victim of the difficulties that exist as a result of the piecemeal policy developments across different departments. It notes that '[O]ne of the issues faced by the Group has been how to devise a model for incremental investment, which is progressive in approach, affordable to the State and good for both children and their parents' (Ireland 2015:84). It proposes a two-pronged approach to (i) extend some universal provision and (ii) introduce new arrangements for targeted provision. Acknowledging the difficulties that have existed in terms of inter-departmental coordination and governance, it goes on to note that the 'DCYA, DES and Tusla should develop an integrated framework for communicating and responding to matters identified in the various compliance, evaluation and inspection systems' (Ireland 2015:72). However, the report is disappointing as it offers limited guidance on achieving reform with no time frame, mechanisms or targets identified.

Conclusion

Peter Moss (2005:1) observed that, 'the protagonists of "childcare" take a highly instrumental and narrow approach. They see childcare as a technical question, a means to their particular ends … and avoid having to engage with profound issues about practice and the complexities of multiple perspectives on issues such as childhood, care and learning'. As a statement of what ECEC is for, a review of the position of ECEC within the Irish policy framework shows a resistance to considering this broader, multiple perspective approach to considering the issue of support and sustainability for a newly emerged educational system. The limitations reflect a continuing difficulty in taking a realistic policy approach to developing ECEC sector, which meets the needs of those families who, in line with a changing society, share the care of their children. A well-developed, quality ECEC system would allow parents to access employment, training and education with the assurance that their children are receiving high-quality ECEC in quality learning environments equipped to meet their needs in the company of well-trained staff.

In terms of who delivers and what is delivered, the power of the historic distancing of the state from direct involvement in family affairs is still evident in ECEC policies. The continued consideration of raising CB as a measure to support parents in accessing affordable ECEC, despite the evidence that such direct payments to parents will address neither the real cost of ECEC nor the quality of the provision exemplifies this. The language of ECEC policy is moving away from the economic and social inclusion arguments towards recognition of the value of a high-quality ECEC system, to children, families and society in and of itself. However, the recurring references to incremental approaches and the absence of any commitment to realistic funding or time frames for reform suggest that the policy approach to ECEC continues to be poorly coordinated and fragmented. ECEC is not conceptualised as part of a public policy brief and the continued reliance on the markets to develop the sector in the hope that it will yield affordable, accessible and quality services is misplaced. Despite this being recognised in a variety of policy documents, it is mere rhetoric when not followed through by a reform agenda.

As for who benefits and who pays, it is recognised that 'ever more children at ever-earlier ages and for ever-longer hours' are participating in ECEC (UNICEF 2008:3). Services in Ireland are under significant pressure to meet regulations in the absence of structural and financial supports to do so. They offer precarious employment opportunities to staff and very little by way of profit to providers. Parents cite the cost of ECEC as one of reasons why one parent, often the mother, gives up work on the birth of a second or subsequent child. Services continue to be costly to parents, underfunded for the providers and of variable value to the young children attending. In this current situation, it is questionable whether anyone is really benefiting from Irish ECEC.

The absence of a coherent National Early Years Strategy, the limited investment and persistent structural distinction between care and education has resulted in the maintenance of a fragile but costly ECEC system of variable quality and consistency under pressure to meet increasing demands of supply and compliance. Without significant reform, there is no evidence that the long-term educational and developmental outcomes of ECEC anticipated in the rhetoric of policy documentation will be achieved.

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10

New Managerialism: A Political Project in Irish Education

Bernie Grummell and Kathleen Lynch

New managerialism was the mode of governance used by the Irish government to promote neo-liberal economic and social policies since the 1990s. The varied ways in which new managerial practices were incorporated into Irish education in recent years reveal the complex ways in which modes of governance intersect with the nuances of local welfare systems. The new managerial project was framed as one of 'modernisation', but the practices were not just 'modernist'; the processes involved in new managerialism were distinctly political in terms of the values and mores incorporated into systems of governance, regulation and accountability. This chapter explores how new managerial practices were incorporated into Irish education, arguing that this illustrates a radical transformation of the socio-political landscape of the Irish welfare state.

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At the organisational level, new managerialism comprises three overlapping elements: a narrative of strategic change (persuading others towards new understanding and actions), a distinctive organisational form (inculcating market values and practices) and finally, a practical control technology that challenges established practices among professionals (Deem 2004). It focused on outputs over inputs, measured in terms of performance indicators; emphasised the language of choice, competition and service users; and it promoted the decentralisation of authority to line managers as well as project-led contractual employment arrangements (Clarke and Newman 1997; Clarke et al. 2000; Chandler et al. 2002). These changes have profound implications for the purpose and operation of the welfare state, including education, as this chapter explores.

New managerialism is not a neutral management strategy; it is a political project, borne out of a radical change in the 'spirit of capitalism' (Boltanski and Chiapello 2005). As outlined in earlier chapters, new managerialism was not only exported through the veins of neo-liberalism between countries (Boltanksi and Chiapello 2005; Harvey 2005) it was also transported systematically from the private to the public sector as a mode of governance. When applied to the welfare state, it involved structural transformation of the Irish welfare and governance system. This process has been nuanced by the varied features and specific contexts of Irish education as we examine throughout this chapter. The experiences of the primary and second-level school sectors have been very different to that of further and higher education settings, revealing the complexity of new managerialism in a changing welfare state.

The Historical Context of Irish Education

The historical context of Irish education is important to understand how new managerialism took hold in the post-independence era. Education was one of the key factors held to account for Ireland's failure to deliver the technologically skilled work force that was deemed essential for an industrialised age in the post-World War II era. Under the guidance of the OECD, a review of education was initiated in 1962 and the *Investment in Education Report* published in 1965. This report strongly endorsed human capital theory as a guiding principle for the future development of Irish education policy (O'Sullivan 1992). Over the next three decades, educating students for employment, especially in science, engineering and technology became the primary focus of government policy (Clancy 1998; O'Sullivan 2005).

Despite this expansion of second-level education to facilitate the modernisation and 'scientisation' drive, the Irish economy continued to struggle and patterns of emigration of the young (and increasingly educated) continued into the 1980s. This was allied with a continued conservative nationalism and anti-intellectualism in the socio-political sphere (Garvin 2004). This context provided a fertile ground in which to breed neo-liberal policies (Lee 1989; Phelan 2007), not only with respect to economic policy but regarding public welfare services generally. Rising indebtedness led to neo-liberalism being adopted through political pragmatism and opportunism. By the late 1987, there was acceptance of three core principles of neo-liberalism that: (1) public spending had to be cut back, (2) tax cutting was the key to encouraging enterprise by individuals and companies and (3) wage costs had to be reduced and union power restricted through legislation (Allen 2000:14–15).

Accompanying this economic curbing of the welfare state was the incorporation of commercial values into public service provision. This involved offloading the cost of the welfare state from capital to labour through processes of marketisation, deregulation and privatisation of what were once public services. This was set within a broader context of the global capitalist marketplace, as the Irish state sought to attract transnational investment through a low regulation and taxation regime (Allen 2000; O'Hearn 2003). Education was to become a central strategy in the promotion of this new global knowledge economy.

The Neo-liberal Project of Education

The success of neo-liberal marketisation is evident in the way education has become a major sector within the global economy. It operates 'both as a basis for national economic competitiveness, particularly in the race to develop "high skills" labour, and as a traded good' (Ball et al. 2010:523). The pressure to make public services including education into marketable services was a specific goal of the General Agreement on Trade and Services; the purpose of which was to liberalise service in all sectors of the global economy (Robertson et al. 2002). EU policy supported the promotion of a market ideology in education by tying the purposes of education closely with that of the economy in the Lisbon Agreement.

The move to marketise sectors of education was and is an objective that Ireland endorsed, most notably in higher education. There continues to be an expectation that higher education institutions service the knowledge economy by gaining additional revenue streams from international students, research funds and commercialism (Europa 2011; Ball 2012). For example, the principal beneficiaries of global student flows are English-language-based education systems, in particular those in OECD countries (Marginson 2007). This is evident through the recruitment drive of Irish higher education institutions for international students who pay significantly higher fees. Private higher education is worth $400bn globally with almost one-quarter of all higher education students now in private colleges (Ball 2012).

In Ireland, the sale of education and ancillary services contributed approximately €900m to the economy in 2010 (DES 2010). Selling education as a commodity is now a key component of the services economy at all levels. The Further Education and Training (FET) sector in Ireland has also become more commercial in its operation, with private providers competing to tender for service provision. Like higher education, its commercial orientation is also evident in the expectation that it creates capacity for employability and flexibility amongst the learners it serves (Murray 2014). The Irish state also facilitated the private for-profit sectors of education to expand into upper second-level schooling (through so-called 'grinds' or examination preparation schools) and into teacher education.

Implications of Commodifying Education

Shifting the purpose of education from a public service to a market-driven service radically altered Irish education and welfare discourses. Concerns about inequalities in access, participation and outcomes of education were sidelined in favour of analyses about market relevance and the saleability of education services (DES 2011; DJEI 2011). Sharp distinctions emerged in Ireland as elsewhere between the development of so-called 'high-skilled' and 'low-skilled' knowledge workers required by a global knowledge economy (Brine 2006). The neo-liberal distinction between high-skilled knowledge workers trained through higher education for

R&D (research and development) work in the global knowledge economy and the low-skilled knowledge workers trained through the FET sector to service this knowledge economy became central to Irish government's employment and education strategies. The Irish promise was to provide high-skilled knowledge workers capable of R&D work for the knowledge economy, as well as 'skill-upgrading' for lower-skilled workers servicing the knowledge economy (Solas 2015). Running throughout this transformation of the welfare state was a discourse of flexibility and employability of a mobile and transferable workforce primed to respond to the needs of a global marketplace and supported by national government agencies (such as Enterprise Ireland).

This move to make education into a marketable commodity has had profound implications for the purposes of education in terms of what is taught (and not taught), who is taught and what types of subjectivities are developed in schools and colleges (Rose 1989; Olssen and Peters 2005; Lolich 2011, 2014). In terms of who receives education in a market-led system, the student is defined as an economic maximiser, governed by self-interest. There is a glorification of the 'consumer citizen' construed as willing, resourced and capable of making market-led choices. Education becomes another consumption good (rather than a human right) paralleling other goods, with the individual held responsible for her or his own 'choices' within it (Lynch et al. 2015). The State's role as deliverer of education is one of enabler of the consumer and market-led citizen (Rutherford 2005). Neo-liberalism not only embeds a unique concept of the learner in education but also maps on a new set of goals to education that transforms education's purpose as a key institution and public good protecting people's human rights.

New managerial reforms also curbed the power of professionals in public welfare sectors through the enactment of performance indicators and the availability of surveillance mechanisms (Farrell and Morris 2003). Accountability was one of the key principles informing policy development in the *White Paper* in 1995 and Department of Education and Skills (DES) policy since then. Management complicity was vital for delivering the new managerial project, with the role of the senior manager or leader being reconstructed since the early 1990s in a new managerialist form (Gleeson and Shain 2003; Houtsonen et al. 2010). The concept of the school leader as a chief executive officer (CEO) gained considerable ground in the 1990s and 2000s. Both primary and second-level principals formed their own management networks (the IPPN, Irish Primary Principals' Network and the NAPD, National Association of Principals and Deputy Principals). School leadership became an area of training and development in its own right, often following a technicist and executive focus that narrows the scope of professionals delivering education. Principals felt under pressure to conform to new managerial principles (Lynch et al. 2015).

There was a strong push within the neo-liberal framework to weaken the power of the teaching profession and to casualise labour in education to reduce costs (Mooney Simmie 2014; Ivancheva 2015; O'Keefe and Courtios 2015). Casualisation has long been evident in the further and adult education sectors, where professional status and funding streams have been more precarious for many decades (Grummell 2014). O'Keefe and Courtios (2015) contend that 'unpaid and low-paid labour and navigating between unemployment and under-employment are no longer transitory and characteristic of early academic careers [in higher education]. Instead, for many precarious academics, pay and working conditions are likely to keep deteriorating over time'.

Primary and second-level teaching is being increasingly deregulated, casualised and privatised in recent years. In the school sector, approximately 35% of post-primary teachers are employed on a part-time and/or fixed-term basis while 9% of primary teachers are employed on a part-time and/or fixed-term basis (Ward 2014:3). The universities are no longer the main provider of teacher training (where the numbers of teachers qualifying in different subjects could be regulated by the State). The opening of a for-profit teacher education college (Hibernia) in the early 2000s has been a significant development in this regard. Hibernia is now the biggest single provider of primary teachers in Ireland, as well as a significant provider of second-level teachers.

How Social Conditions Militated Against New Managerialism in Irish Schools

There are a number of social conditions that have militated institutionally and culturally against new managerialism in Irish education and welfare services more widely. Religious bodies and boards, most of which are Catholic, control the management of the majority of schools nationally.

The Catholic Church's focus on a person-centred, holistic purpose for education as a public good is in opposition to a market-centred rationale:

> A Catholic vision challenges conceptions of education which are aggressively market oriented and individualistic in approach… It challenges educational practice where the focus is solely on success measured in narrow academic terms. In the face of the populist demand for league tables and high performance feeder schools, 'a Catholic conception of education…[is]…primarily moral and spiritual, concerned with principled behaviour and focussed upon community and public good outcomes.' (O'Reilly 2009)

While not mobilising against new managerialism per se, and indeed endorsing certain 'reforms', the Churches have silently resisted others, not least by not opposing or challenging teachers' resistance to league tables and performativity measures.

The local context of Irish social life also militates institutionally against new managerialism, with primary schools in particular, and many second-level schools, deeply integrated into the fabric of local communities, towns and villages. There are over 3000 primary schools and 740 second-level schools in a small country of 4.5m; schools tend to be small by international standards. Their size alone militates against a managerial model. Moreover, the principal is also a teacher in most small primary schools and in some smaller second-level schools. The online-manager and worker divide that is assumed within the new managerial frame does not apply. This means the management and delivery education remains integrated and integral to education. The dominant ownership pattern of schools by the religious orders and their denominational status have also encouraged socio-cultural and institutional hegemony.

Teachers as deliverers of education are not a distant professional elite in the Republic of Ireland. They are deeply embedded into local communities and operate collectively as a highly organised body both inside and outside formal party politics; they work through trade unions, local community associations (including sporting bodies such as the Gaelic Athletic Association which operates in every community in the country), the churches and community politics. While some unions are more active than others, collectively they have mobilised against new managerialism. Evidence from schools suggests that not much may have changed at the classroom and teacher level.

> One of the great paradoxes of modern Irish education is that, while the official discourse is replete with references to change and reform, much of the available evidence suggests that little change has occurred in teachers' beliefs and values. (Gleeson and O'Donnabháin 2009:37)

Teachers' willingness to work collectively to protect their members' conditions, and their consultative relationship with state and other statutory groups (Drudy and Lynch 1993; Allen 2007) places them in an influential position in education policy-making relative to teachers in other countries. Teachers in Irish primary and second-level schools were and are highly unionised, with their unions holding a powerful position in the negotiation and implementation of Irish education policy and practice (Coolahan 1981; Cunningham 2009). Allen (2007:112) argues that 'the Irish state has taken an active interest in restructuring the union movement itself so that fits with the needs of Irish capitalism'. State strategy attempted to incorporate union leadership through negotiation and lobbying, so that they come to share the same logic and objectives as the employers and state officials.

This occurred within the context of social partnership agreements negotiated between state, employers, trade unions and civil society groups across Irish society from its inception in 1987 to its collapse in the later 2000s (Ó Riain 2006). It provided a forum for policy-making particularly in regulating wages; but over time, it became a cloak behind which deep inequalities were ritualistically named and then largely ignored (Allen 2000; Meade 2005). Teachers were party to this partnership process and managed it to good effect in terms of their own professions' pay and conditions over many years. However, the power of the teacher unions to drive the education agenda was tested in the wake of the collapse of the social partnership arrangement between government and mediator groups and the ongoing economic crisis and austerity response since 2008.

However, Irish education unions were still powerful enough to mediate many of the key demands of the new managerial norms and values in ways that was not true in other countries. They were strategically located as a professional body and are formally represented in all major decision-making bodies that design and implement education policy, including the Teaching Council, NCCA (National Council for Curriculum and Assessment) and QQI (Quality and Qualifications Ireland). Additionally, they held extensive political and social capital.

> The teachers' unions collectively, between them, had become the most powerful group in Congress… As a professional body, when they moved politically they were akin to the IFA [The Irish Farmers' Association]. They had that solid institutional political clout, insofar as they permeated every parish in Ireland, every political party in Ireland, every cultural, sporting and recreational body. (Mulvey in Cunningham 2009:217)

How Performativity was Mediated in Irish Education

Performance indicators such as school league tables were not introduced in Ireland due to the constraining impact of these social conditions, in particular the resistance of teacher unions, with the support of parents and the religious bodies that owned the majority of primary and second-level schools. Teacher fears of invidious comparisons between schools and teachers were shared by religious bodies and were aligned with parental fears that such league tables would place too much pressure on children, and possibly make individuals visible in small communities. Moreover, as there are no public assessments or examinations at the end of primary education, there was little scope to have league tables at this level. Instead, the net outcome was the introduction of a system of Whole School Evaluation, where evaluations of schools take place on a partnership basis between the school, the management body, parents and the inspectorate of the DES (McNamara and O'Hara 2012). The work of individual teachers is not assessed in the reports.

While the government adopted the rhetoric of new managerialism at official levels and in practices such as performance indicators, measures of accountability, strategic plans (High Level Goals) for schools (Gleeson and O'Donnabháin 2009), the available evidence would suggest implementation of the reforms are less honoured in practice than in theory in many cases, as reflected in Harvey's (2015) finding of 'contrived compliance' towards school self-evaluation amongst teachers. Most of the focus remained on policy implementation at a general school (rather than individual) level (Gleeson and O'Donnabháin 2009).

However, a focus on performativity is becoming evident in other ways across Irish education. Both the policy emphasis and the language of analysis for schooling have changed and is becoming more market-led, most notably at second level (Mooney Simmie 2012; 2014). And, while school-level examination results are not published as league tables, newspapers have created a type of second-level league-table system by using Freedom of Information (FOI) requests to identify the percentage of children from different schools who go to higher education (Lynch et al. 2015). Although this practice has been strongly critiqued, it has had parental support, especially middle-class parents who can afford to choose schools (Lynch and Moran 2006).

More widely, the power of the media to create agendas in education continues to be increasingly evident in Ireland as elsewhere (Blackmore and Thorpe 2003; Lynch et al. 2015). Although the media are not usually identified as major players in education policy-making, they are increasingly powerful in setting public agendas that school managers must heed in a media-driven age. In an increasingly competitive and diverse society, reputational criteria and entry to what is perceived as the 'best' school becomes even more pronounced (Lynch and Moran 2006; Devine 2011). Principals become ever more conscious of how 'their' school is positioned in the competitive stakes. This is allied with the apparent objectivity of rankings systems which 'become naturalised, normalised and validated, through familiarity and ubiquitous citation, particularly through recitation as "facts" in the media' (Lynch 2013:8).

Higher Education Accommodating New Managerialism

The situation in higher education, especially in the university sector, is quite different to the primary and second-level school sectors. The government-initiated OECD review of higher education in Ireland in 2004 (OECD 2004) was a watershed in Irish higher education. The report strongly critiqued the lack of investment in higher education research in the sciences and technological areas in particular, emphasising the key role of higher education in developing a 'skilled work force for the economy'. There was almost no reference in the body of the report to the developmental role of the Universities or higher education in enhancing the civil, political, social or cultural institutions of society, either locally or globally. While the government terms of reference for the OECD group did make reference to the importance of identifying strategies for developing skills and research needs 'for economic and social development', there was no reference to these social objectives of education in the published report.

The National Strategy for Higher Education (DES 2011) known as The Hunt Report (from the name of its chairperson) was even more heavily laced with the new managerial language of efficiency, flexibility and accountability. It was adopted by the Higher Education Academy to form the framework for the future development of higher education in Ireland. The focus of the report was on the role of higher education in rebuilding 'an innovative, knowledge-based economy' having graduates who will be 'the productive engine of a vibrant and prosperous economy' (DES 2011:1). Reviewing the work of academic staff 'continuously…in all institutions as part of a robust performance management framework' was seen as central to the realisation of the new goals (DES 2011:2). It proposed to curtail university autonomy by ensuring that '[i]nstitutional strategies will be defined and aligned with national priorities' (DES 2011:4). It proposed to introduce 'up-front fees and [an] income-contingent loan scheme' and to have greater '[c]onsolidation, economies of scale, greater productivity and commercial activity' (DES 2011:5) to help fund higher education into the future. It called for the consolidation of the Institute of Technology sector through the creation of a small number of multi-campus technological universities and the modernisation of the institutional governing bodies of institutes of technology (DES 2011). Such widespread reforms would shift higher education's purpose from a publicly funded service to a private activity.

Performativity and ranking scales play a more significant role in Irish higher education than at school level. Bibliometric measurement databases, such as the Science Citation Index and the Social Science Citation Index, catalogue individual publications both in subject-specific domains, and profile colleges nationally and internationally in terms of university ranking systems. And as higher education has increasingly been defined as a traded commodity in a global market, new modes of ranking have been developed (including the Academic Ranking of World Universities, the Times Higher Education World University rankings and the Quacquarelli Symonds rankings) (Lynch 2013:6). The apparent objectivity of such ranking systems disguise the highly selective nature of their measurement scales (heavily reliant on data provided by Thompson Reuters and Elsevier which own many journals used in rankings), conceals the numerical and hierarchical ordered nature and their bias towards the sciences.

The arts, humanities and social sciences are under-represented in rankings (due to persistent biases in bibliometric indicators which favour journal articles over books and monographs). Consequently, universities with strong traditions in arts, humanities and social sciences do not feature highly on global rankings. Furthermore, these global rankings exclude over 90% of the world's universities (Hazelkorn 2011), while the individual nature of rankings encourages migration towards wealthier states and universities that can afford to offer globally competitive salaries, scholarships and working conditions (Lynch 2013:8).

While there has been some resistance to the increased marketisation of higher education, the power of the unions in the higher education sectors, especially in the seven Universities, is not comparable to that of their colleagues at primary and second level. This occurs not only because there are a range of unions representing different staff but also because union density among academics is much lower than that among teachers. In addition, many junior academics are on temporary and/or part-time contracts and are not unionised. Many general services in higher education have been outsourced over the past 20 years. All of these factors reduce the scope and influence of unions at the higher education levels, especially in the universities.

What is notable about the changes in the last ten years is that higher education is being pressurised to change from being 'a centre of learning to being a business organisation with productivity targets…to transfer its allegiance from the *academic* to the *operational*' *(my italics)* (Doring 2002:140 citing McNair 1997). As the operational has encoded within itself many of the values of the commercial, adopting a purely 'operational focus', or treating change as a purely 'technical problem', means that the values of the commercial sector can be encoded in the heart of the higher education systems and processes almost without reflection (Lynch 2006), marking a profound shift in values away from the public good.

Further Education as Susceptible to New Managerialism

Further education as a sector was more susceptible to the effects of new managerialism in the Irish education context (Murray et al. 2014). It seemed incapable of stemming the flow of new managerialism into what was already a vulnerable sector. Future education's position between and on the borders of second and higher education positioned it at the margins. This was combined with a diverse student cohort, many from non-traditional backgrounds, often accessing education through alternative routes, a diverse workforce on casualised and precarious contracts and a complex funding and organisational structure.

Consequently, it has been precariously positioned, responding to the needs of diverse student groups and defined by what is not (Grummell and Murray 2015). For example, the Qualifications (Education and Training) Act (1999) defined FET as 'education and training other than primary or post-primary education or higher education and training' (Qualifications (Education & Training) Act, 1999). Similarly, the professional regulatory body, the Teaching Council, defined further education as 'education and training which usually occurs outside of post-primary schooling but which is not part of the third-level system' (Teaching Council 2011:2). This places further education in a vacuum-like position; defined by absence and lack.

Further education traditionally represented the vocational, technical and practice-based forms of education. This vocational ethos tended to focus on the training of the working classes in particular (Anderson et al. 2004); it provided alternative routes to education and training to the academic route of school and higher education. Clear gendered patterns were evident, with the apprenticeship programmes of further education (such as construction or carpentry) training a predominantly male student body. In the wake of the global economic crisis and collapse of the Irish construction industry since 2008, these working class and male-dominated apprenticeship training programmes were decimated, with a consequent concern about the further education and employment challenges for these workers (OECD 2010:8). The Post-Leaving Certificate sector continues to cater for a largely female student body in the 'feminised' occupations such as hairdressers, beauticians and childcare (Watson et al. 2006:8).

As a consequence of this historical positioning, the further education sector was particularly targeted by neo-liberal discourses of performativity aimed at upgrading the employability of low-skilled and marginalised sectors of the population (Brine 2006). The training agenda in FET focused initially on vocational education and more recently on building employability for a so-called knowledge economy in Ireland and elsewhere (Gleeson et al. 2005; Hardiman 2012). The specific orientation of this training discourse emphasises employability and labour activation—a readiness to work rather than actually becoming employed. This feeds into the service requirements of the global economy for labour-ready and flexible workers.

This shift to employability (of any kind) and labour activation occurred through a performativity model of an outcomes-based system which continued to privilege employer perspectives and needs; as such it acts as a mechanism for social power (Wheelahan 2009:203). It has profound implications for the type of learning and teaching that occurs within the sector. Increasingly, it focuses on learning outcomes that the learner can visibly display rather than on how they have learned or how their learning applied to their life (Clarke et al. 2000). This emphasises learning as individual achievement, products and performance. As Deakin-Crick and Joldersma (2007:83) point out, accountability has 'profoundly reshaped the curriculum, the character of teaching and the nature of learning by markedly narrowing what constitutes knowledge, teaching and learning'.

The formalising of educational outcomes into qualifications structures places enormous pressures on students and staff who struggle to capture the complexity of their learning into measurable performance-related categories (O'Neill et al. 2014). The non-traditional background of many students and the diverse access routes provided by further and adult education sectors struggles for survival in this performativity system. The informal and experiential learning that is at the heart of further and adult education finds it difficult to fit within the performativity radar of formal learning outcomes of FET and QQI.

Conclusion: The Local Contexts of the Neo-liberal Project

While neo-liberalism was initially sold as a simple modernisation project, the political nature of its purpose became increasingly visible over time. The focus on the human capital value of education persisted but it was married to a new education project focused on educating students for a market economy. This radically shifted the purpose of education in a welfare state from its developmental and social goals towards market-driven objectives of employability in a knowledge economy. The development of an entrepreneurial and actuarial self became the new mantra in an age of individualised modernity, not only globally (Peters 2005) but also in Ireland (Inglis 2008). Market logics increasingly began to dictate educational discourses and practices through a new managerial code. This process was nuanced by the varied contexts of Irish education as we explored in this chapter. The experiences of the school sectors have been very different to that of further and adult education setting, and each of these has differed from the higher education sector, revealing the complexity of new managerialism in the specific location and context of the welfare state.

While neo-liberal policies have been challenged in the delivery of primary and second-level education, due to the social conditions of schools, religious ownership patterns and the power of the teacher unions, there has been an incorporation of market logic into further and higher education, and there have been profound changes in educational management and organisation at primary and second level. There is pressure not only to produce academic and institutional results through examination performances and to comply with new modes of school evaluation; there are also informal 'market' pressures from media coverage, competing schools and league tables. However, higher education provided more fertile ground for new managerialism, where individualised citation counts, ranking systems, commercialisation and research funding impel a more competitive and individualised culture. The adult and further education sectors proved to be more susceptible to the impact of new managerialism due to lower recognition of the sector, ongoing casualisation of its staff and expanding performativity and professionalism requirements, as discussed throughout this chapter.

While culturally specific conditions meant that there was and still is resistance to new managerialism in education, especially at primary and second level, new managerial reforms inevitably get under your skin; there is no way of escaping, even for those who are not committed to the new managerial project. The call to be market-led rather than education-led has profound implications for the educators and learners who deliver and receive education. The new managerial focus is the product not the person, in terms of both what is attained and what is counted and countable. Increasingly, this focus permeates all levels of education policy and management (Lynch et al. 2015), with different education sectors varying in their contextual circumstance which renders them susceptible or accommodating to new managerialism (in the case of further and higher education, respectively) or capable of resistance to some extent (in the case of primary and second-level schooling).

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11

Social Housing Policy and Provision: A Changing Regime?

Joe Finnerty, Cathal O'Connell, and Siobhan O'Sullivan

Introduction

This chapter examines the changing regime of social housing policy and provision in Ireland. It argues that significant transformations are occurring in social housing, involving an increasing prominent role for private provision in several aspects of delivery and financing. Some of these transformations can be traced to policy shifts dating back over two decades; however, they have been given added impetus since the economic crisis of 2008. Official policy discourse conceptualises increased reliance on private provision as a shift towards tenure neutrality and as a pragmatic response to borrowing and supply constraints, particularly given an improved regulatory framework. However, it has overlooked certain negative consequences of these transformations, primarily the dilution of housing security and the uncertainty of household access given the volatile nature of much of this private provision.

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The structure of the chapter is as follows: it begins with a treatment of the importance of housing in welfare terms, and gives an overview of the housing system in Ireland, by way of setting the context for the subsequent discussion. The focus then shifts specifically to social housing: what it is for; its sources of supply; the financing of social housing construction and acquisition, and of person-centred rental subsidies; and the benefits households receive from residing in its different forms. The chapter concludes by reflecting on the nature of the changing social housing offer, its underlying drivers and proximate influences and the implications for how housing is positioned in welfare terms.

The Importance of Housing

Human Need and Housing Policy

Housing is a fundamental human need, addressing the unavoidable necessity for shelter and the basic requirement for a home (Fox 2007; Kenna 2011). In addition to physical security, housing also contributes to psychological well-being by fulfilling a sense of personal space, autonomy and privacy. Housing, along with other basic needs such as health, education and income, is essential for a minimum quality of life. Housing need also differs in important respects from other basic needs (Doling 1997; NESC 2004). For example, housing is distinctive by virtue of its cost and it is usually the highest outgoing from a household budget. Housing costs are relatively long term and enduring, be they in the form of rent or mortgage repayments (with a corresponding income stream for housing suppliers and financiers). The consumption of housing tends also to be more fixed than the consumption of other goods, partly due to household preference—security of occupancy, which contributes to subjective feelings of security regardless of tenure, is highly valued by households (Hulse and Milligan 2014). A poorly functioning housing system will have profoundly negative consequences for households and for society at large. It will generate the risk of insecure or unsuitable housing arrangements, or will result in homelessness in the most extreme cases.

Reflecting its importance to individual well-being and social welfare, housing is recognised in a number of human rights instruments including Article 25 of the Universal Declaration of Human Rights and Article 11(1) of the International Covenant on Economic, Social and Cultural Rights (ICESCR). The Committee for Economic Social and Cultural Rights (UN Doc. E/C.12/1771/4, CESCR) recognises the right to adequate housing as being of central importance for the enjoyment of all economic, social and cultural rights. In General Comment 4, the Committee states that

> the right to housing should not be interpreted in a narrow or restrictive sense which equates it with, for example, the shelter provided by merely having a roof over one's head or views shelter exclusively as a commodity. Rather it should be seen as the right to live somewhere in security, peace and dignity. (para 7)[1]

Translating this right into a policy objective, several commentators have proposed that the goal of housing policy should be to ensure the provision of a sufficient quantity of affordable, secure accommodation that is in a reasonable state of repair and is located where people need it. For example, Morgan (1996:446, our emphases; also Morgan 2009) suggests that 'this accommodation should be *secure* so it enables households to have a degree of *control* over their lives. It should enable people to express their *sense of identity* and provide those dependent on them with a *stable home*.'

How well Irish housing policy commits to these normative standards regarding availability, affordability, security and quality is questionable as the language of official housing policy documents avoids commitments beyond the most generic aspirational objectives and makes no commitments in relation to effecting these in tangible terms (Kenna 2011). In the most recent *Statement of Strategy 2015–17*, the objective is declared to be 'that to the greatest extent possible, every household in Ireland will have access to secure, good quality housing suited to their needs at an affordable price and in a sustainable community' (DECLG 2015a: 14).

[1] See also FLAC (2015) and IHREC (2015).

This is a reiteration of the long-standing objective that has appeared in housing policy documents over several decades (see e.g. DE 1991, 1995; DECLG 2011).

The Role of Social Housing

Direct and indirect government interventions in housing systems in advanced capitalist societies typically aim at contributing to the housing welfare of the population (amongst other objectives, such as stimulating economic activity) (Doling 1997). However, some interventions are more overtly 'welfarist' than others as they target the housing needs of low-income renting households. These households typically face insecurities in the labour market such as low wages, temporary or part-time employment. Social housing, understood as rental housing which is provided outside of normal market processes on a subsidised basis (Fahey 1999), potentially modifies the negative effects of labour market precarities on the quality, security and residential stability of the housing that such households consume.

The Irish tenure system comprises four elements: local authority housing, housing association housing, private rented housing and owner-occupied housing, each of which has been underpinned by a range of direct and indirect interventions and supports by central and local government aimed at enhancing housing production and consumption. Figure 11.1 depicts the distribution of Irish households by tenure in the period between 1946 and 2011. The chart illustrates the fluctuations in owner occupation and private renting, with the former peaking and with the latter reaching a historic low market share in the early 1990s.

Social housing until 1991 was almost exclusively anchored in the local authority tenure and stabilised after several decades of gradual decline (see Fig. 11.1). A key factor in this decline has been successive tenant purchase schemes (an option that is not available to housing association renters). The emergence (post-1990) both of housing associations and of private landlords participating in a variety of rental subsidy schemes has loosened this identity so that currently social housing comprises housing supports across the full range of renting options: public

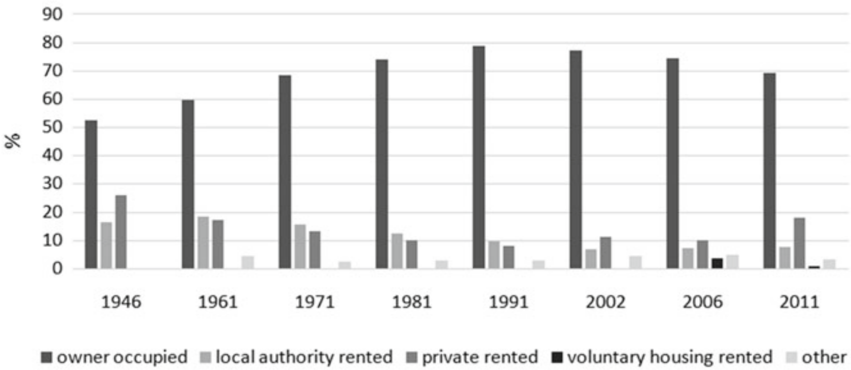

Fig. 11.1 Irish permanent private households by tenure (percent), 1946–2011 (*Source*: CSO *Census of Population* (Housing Volume, various years))

not-for-profit, private not-for-profit and private for-profit tenures (Finnerty and O'Connell 2014a).

Who Delivers Social Housing?

There are three categories of landlord involved in the delivery of Irish social housing, namely local authorities, housing associations, and private landlords renting to tenants in receipt of some form of rental subsidy (Finnerty and O'Connell 2014b). The relative housing contribution of these suppliers is undergoing considerable change, with a greater emphasis on provision from housing associations and private for-profit landlords, under the banner of creating the 'flexible and responsive social housing supports' envisaged in the *Social Housing Strategy 2020* (DECLG 2014:51).

Local Authorities and Housing Associations

Until the early 1990s, social housing delivery in Ireland was dominated by local authority provision. Local authorities are *public not-for-profit* housing suppliers with a significant degree of public oversight via central government supervision (in the form of the Department of the Environment) and via electoral accountability (through elected local authority councillors to whom local authority management is in principle answerable). There are currently 31 such 'housing authorities'. The model of local authorities as providers of social housing is a legacy of the British public administration tradition, and their role in social housing continues to be their main social service function.

The housing stock from which offers are made by local authorities to qualified households is either (a) owned by local authorities themselves (direct provision) or (b) leased from private property owners under the Housing Act 2009. The leasing option is in its infancy so that the bulk of local authority renters rent via direct provision.

Housing associations are *private not-for-profit* housing suppliers. There are currently approximately 540 housing associations registered with the Department of the Environment, Community and Local Government (DECLG) as 'Approved Housing Bodies' (DECLG 2016a). Oversight of housing associations will lie with a statutory regulator to be established by mid-2016 (DECLG 2014:55). In the interim, a voluntary code of practice, *Building for the Future—A Voluntary Regulation Code for Approved Housing Bodies*, to which private non-profits commit annually, varying by housing association size and profile, and administered by the Housing Agency, was launched in mid-2013 (DECLG 2013).

The housing stock from which offers are made by housing associations to qualified households is either (a) owned by housing associations themselves (direct provision) or (b) leased from local authorities or (c) leased from private property owners. As with *leasing* by local authorities, these arrangements were only recently introduced in the Housing Act 2009, and the bulk of housing association households currently rent via *direct provision*.

The housing output of local authorities and housing associations has historically been subject to fluctuations, driven by wider political and budgetary concerns as much as the demand and assessed needs of qualified households (see Fig. 11.2). A very sharp decrease in housing stock directly provided occurred after 2008 following the economic crisis.

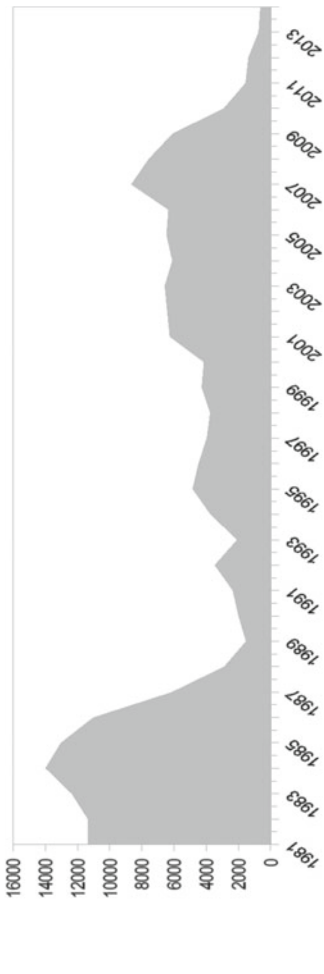

Fig. 11.2 Local Authority and Housing Association new build acquisitions, 1981–2014 (*Source*: DECLG *Housing Statistics Bulletin* (various years))

Private Landlords

Private landlords are *private for-profit* housing suppliers. Oversight of the sector is the role of the Residential Tenancies Board, established in 2004. The sector is dominated by small-scale buy-to-let or accidental landlords who own one or two properties, though more recently, property investment funds have been acquiring large blocks of apartment properties for rent (DKM 2014).

Whereas the social housing role has been intrinsic to the operation of local authorities and housing associations, such a role—whether to select tenants in receipt of a rental subsidy or to sign up to other aspects of these schemes—is at the discretion of private landlords and is not covered by equality legislation (though legislation forbidding certain wording of advertisements has been promised). Private landlords may choose to participate in one of three kinds of rental subsidy schemes: (a) rent supplement, (b) the Rental Accommodation Scheme (RAS) and (c) the Housing Assistance Payment (HAP). (The rental and security of occupancy aspects of these three schemes are discussed in the 'who pays?' and 'who benefits?' sections below.) Rental subsidies to low-income private renters originated in the late 1980s with the incremental but unplanned growth of *rent supplement*. This supplement is payable to qualifying low-income households (primarily households dependent on social welfare supports) for accommodation within locally adjusted price ceilings.

A subsequent subsidy, the RAS, was intended to provide improved value for money for the state, and to provide better security for households by committing private landlords to their social housing role for longer periods. Broadly speaking, private landlords would sign rental agreements with local authorities for a fixed term; tenants who had a long-term housing need (by virtue of being in receipt of rent supplement for more than 18 months) were to be transferred in to this scheme (where private landlords were willing to participate).

The Housing (Miscellaneous Provisions) Act 2014 has now provided for the replacement of the RAS by a HAP administered by local authority housing departments. The evolution of these private rental subsidies has been driven by consideration of cost (see Who Pays for Social Housing? Financing Models and Rent Setting below), equality of treatment of rental calculations between different categories of social housing renters, addressing the unemployment trap and attempts at enhancing security of occupancy by committing private landlords for fixed terms. The HAP aims to provide accommodation for up to 75,000 households, as envisaged in the Social Housing Strategy 2020 (DECLG 2014:45), though currently with very limited coverage in its pilot phase (approximately 500 households in mid-2015) (see Fig. 11.5). However, the most recent data for 2016 show upwards of 8,000 households claiming this form of rental subsidy (DECLG, 2016b).

Who Pays for Social Housing? Financing Models and Rent Setting

(i) *Financing at supply level—Local Authorities and Housing Associations*

Social housing in Ireland has gone through a number of funding models since the 1930s (Norris 2011). Initially, finance was based on borrowings by local authorities which were repaid through rental income and generous loan charge (interest payment) subsidies. Larger local authorities such as Cork and Dublin corporations raised capital funds through stock issues. From the late 1980s, funding was by way of central government block grants, one effect of which was to make housing supply dependent on central government funding allocations. Figure 11.3 illustrates the historic pattern of capital funding for social housing which diminished drastically after the economic collapse leading to the reduction in direct provision by local authorities and voluntary landlords. The funding system has now reverted to a borrowings/revenue model under which social landlords may raise funds off balance sheet, in particular through the Social Housing Capital Expenditure Programme.[2]

These changes in funding regime have not affected the differential rents scheme whereby rents are tied to household income (see discussion on

[2] The Social Housing Strategy 2020 explores the potential development of a cost-rental segment in Ireland's housing system, sufficient to cover both capital costs and ongoing maintenance and management compared to profit-rental where a landlord charges the maximum obtainable rent (DECLG 2014:48).

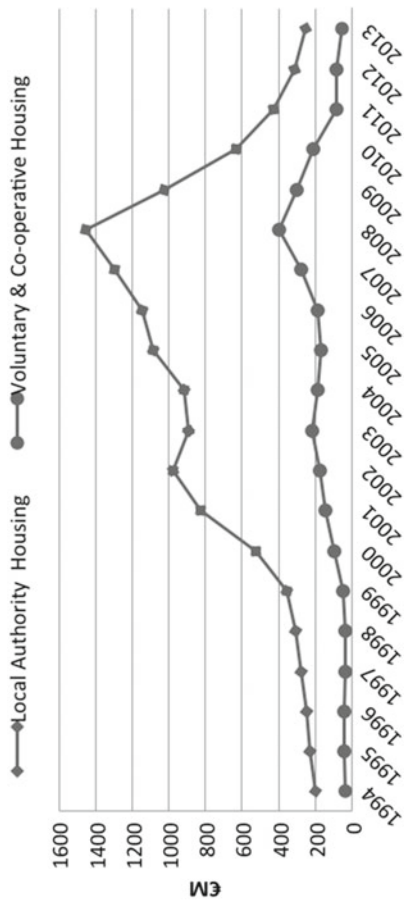

Fig. 11.3 Public Capital Expenditure on Housing, 1994–2013
(*Source*: Department of the Environment, Community and Local Government 2015c)

Affordability below). From a housing management point of view, the disadvantage of the differential rents system is that it often leaves social landlords with a revenue gap between rental income from tenants and outgoings on housing management and maintenance costs, which can in turn impact on the quality and extent of housing services offered to tenants. For example, local authority rental income in 2012 was €329 m or €3133 per dwelling per year NESC (2014)—which equates to an average weekly rent of €60, far below the rates obtaining in the private rented sector.

Off-balance sheet borrowing by social landlords either from state-backed entities such as the Housing Finance Agency or from private sources, principally via the Social Housing Current Expenditure Progam, and the management of social housing through vehicles such as Arm's-Length Management Organisations, have emerged as new options for the funding and delivery of social housing.

(ii) Financing supply from the Private Rented Sector

The State is a significant funder of activity in the private rented sector with 'over one half of all rents received by private landlords coming from rent supplement, RAS or other schemes at an annual cost to the Exchequer of over €500 m' (DECLG 2014:47). Activity in relation to numbers and expenditure on the rent supplement scheme peaked in 2010 (see Fig. 11.4), with declines since then partly due to reductions in unemployment, emigration and transfers to RAS and to a lesser extent HAP. A further important factor has been the reluctance of landlords to participate in a scheme whereby the rental income is below that obtainable on the open market due to the static nature of the rent subsidy. It remains to be seen what impact a range of responses, including discretionary payments above the rent cap (DECLG, 2016b) will have on landlord participation in HAP.

Benefits for Households

This section discusses the benefits for low-income households in need of social housing in relation to the normative standards of available, affordable, secure and good-quality housing discussed in the first section.

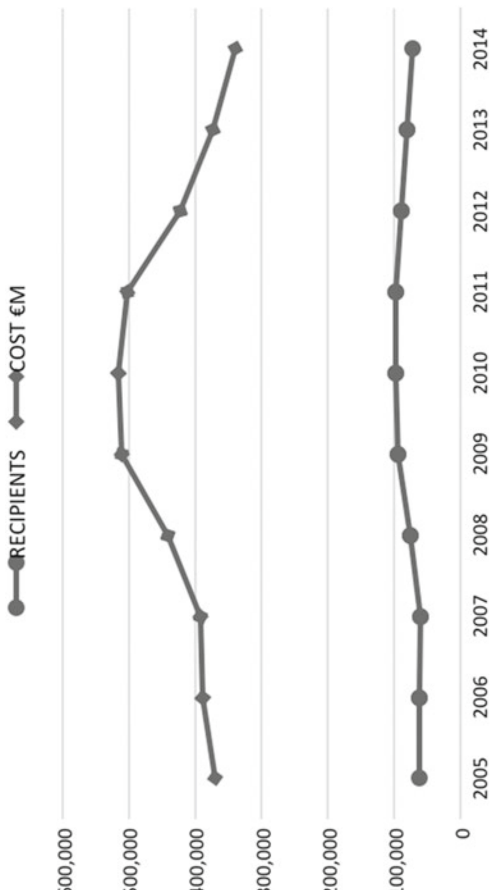

Fig. 11.4 Rent Supplement Recipient and Expenditure, 2005–2014
(*Source*: DSP 2015)

Availability: Eligibility and Access

Eligibility for social housing is determined by the individual local authority according to criteria of income, residency and need (Government of Ireland 2011). Households who qualify for social housing are placed on a waiting list until a suitable social housing offer can be made. Numbers of qualified households on the social housing waiting list have risen substantially in the past 25 years: from approximately 20,000 households in 1989 to 48,400 households in 2002, to 56,000 in 2008 and 98,000 by 2011 and just under 90,000 households in 2013 (Housing Agency 2013). The number of households assessed as being in need of social housing on the grounds that they were unable to afford their current accommodation rose from 2429 (14 % of total) in 1991 to 13,328 (44 % of total) in 2002 to 65,643 (66.8 % of total) in 2011, according to the Housing Needs Assessment. In 2013, 46,584 (52 % of total) were classified as being dependent on rent supplement. Changes to rent supplement, RAS and HAP discussed earlier will lead to the removal of a large proportion of households from the waiting list and being reclassified as having their long-term housing need met under an effective redefinition of the social housing offer (Finnerty and O'Connell 2014a).

Almost 260,000 households were in receipt of one of the main forms of social housing 'supports' in 2013/2014 (see Fig. 11.5). The bulk of households continue to reside in local authority 'direct provision' housing. The number of *rent supplement* claimants has increased sharply over the past decade from 60,000 in 2003 to a historic high of 97,200 in 2010 tapering to 71,500 at the end of 2014 (DSP 2015). Approximately, 15,000 households were recorded in the housing association sector in the 2011 Census (however, this is likely a serious underestimate, with the true figure closer to 55,000 households).

Affordability

The provision of affordable accommodation is a key rationale for the provision of social housing. Tenants in local authority and housing association accommodation are charged a differential rent calculated accord-

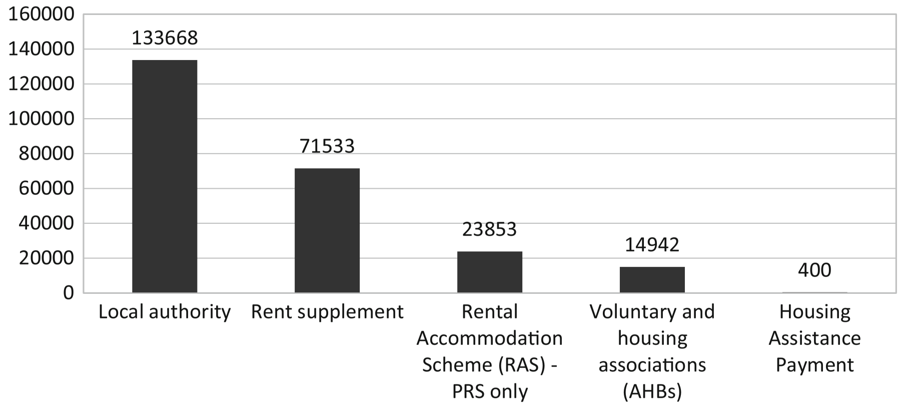

Fig. 11.5 Numbers of Households Receiving Social Housing Supports 2013/2014.
Notes: (1) Local Authority data relate to end 2013; Rent Supplement, RAS and HAP data relate to end 2014; AHBs estimated; (2) The RAS figure is for recipients in the PRS only (those in the AHB sector are listed in the Voluntary and Housing Association category)
(*Sources*: DECLG, DSP, CSO)

ing to household income rather than the full economic cost of providing the dwelling (i.e. the cost of constructing, managing and maintaining a dwelling). The advantage of this rent model is that low-income households pay correspondingly low and stable rents.

Eligible low-income households who find private landlords willing to participate can avail of one of three kinds of subsidy, as discussed above: the rent supplement, RAS and HAP. Since 2012, levels of rent subsidy for rent supplement and RAS renters have remained static, while rents have increased, particularly in Dublin (PRTB 2015). This has created problems of affordability for low-income households and reduced the numbers of landlords willing to participate in these schemes. However, in a major reform of the current subsidy system, and under the banner of 'tenure neutrality', the HAP will conform to the rent-setting scheme in operation for local authority tenants where the tenant contribution is calculated according to household income. As issues of housing and homelessness have increased in political salience through 2015 and 2016, a number of measures have been taken to make rent subsidy levels more attuned to rental inflation, and to dampen the pace of rental inflation. In relation to HAP, discretionary payments of up to 20% above the maximum HAP rent cap have been sanctioned for some local authorities on a case-by-case basis, and in Dublin a pilot scheme for homeless households of up to 50% above the cap has been introduced (DECLG, 2016b). In relation to rental inflation, the Residential Tenancies Act 2015 has extended the period within which private landlords may not review the rent to two years (DECLG, 2016b)

Security of Occupancy

As noted above, security of occupancy is a key dimension of housing welfare. The security of local authority tenancies under *direct provision* are legislated for principally under the 1966 and 2014 Housing Acts. Although a local authority could apply to the District Court to secure possession of a dwelling under Section 62 of the 1966 Act, occupancy has in practice been viewed as being lifetime in duration, and there is currently no obligation on registered tenants to move dwellings if or when their household circumstances change (Kenna 2011). There was no probationary period for local authority tenant once a tenancy was established, and the tenancy succession was the norm by family members of the primary tenant. This guarantees continuity of occupancy for households and upon the death of the named tenant, tenancies can be inherited by an immediate family member, such as a spouse, son or daughter, if they have been long-term habitual residents in the dwelling. Local authority tenants have also had a long-established right to purchase their dwellings on a generously discounted basis. A new incremental purchase scheme under the Housing (Miscellaneous Provisions) Act 2014 will continue this option.

Security of occupancy in housing stock *owned* by housing associations is broadly similar to that obtaining in the local authority sector. The most common tenancy arrangement is in the form of a periodic tenancy (usually on a monthly basis) which is automatically renewed and continued indefinitely beyond the initial period until ended by either landlord or tenant. In practice, tenants of housing association landlords can be deemed to enjoy the same conditions and degree of security of tenure as local authority tenants in direct provision. Under the Residential Tenancies Act of 2015, housing association tenants will have similar security of tenure as that of private rented tenants (see below), as the Part 4 requirements of the Residential Tenancies Act 2004 will now also apply to them.

While no research has been undertaken on the tenancy conditions attached to the local authority and housing association *leasing* options as these are in their infancy, at least one key feature of direct provided or housing association-owned stock is necessarily absent, that is the lifelong tenancy attaching to a particular property since the property reverts to the owner at the end of the leasing period (Finnerty 2010). A further potential dilution is that a tenant in a leased property could have the housing offer rescinded should it be determined that the original housing need no longer exists (Finnerty and O'Connell 2014a).

Although insecurity of tenure has historically characterised the Irish private rented sector (Galligan 2005; Sirr 2014), the sector has seen key reforms over the last 15 years. Following the *Commission on the Private Rented Sector* (2000), the *Residential Tenancies Act* of 2004 introduced significant improvements to the legal protections for private renters, particularly in relation to the 'Part IV' reforms in security of tenure. (Agitation for change within the sector occurred independently of its emerging social housing role.) While the standard four-year tenancies of households in the private rented sector can be only terminated by landlords through a range of grounds provided for under the 2004 legislation, the security ostensibly provided by this legislation has yet to be determined through empirical research.

Tenure insecurity is especially acute in competitive rental markets in large cities where landlords can afford to be very selective about lettings in terms of tenant profile. Landlord profile can also compound insecurity for tenants in private rental systems. International research has demonstrated that rental sectors with a high proportion of highly leveraged 'buy to let' landlords (such as the Irish private rental sector), are more likely to see landlords leave to realise capital gains or minimise losses either voluntarily or under duress from lenders, with consequent destabilising effects on tenant security and stability. This is why matching long-term landlords with immobile tenant households, such as those with ongoing childcare and education needs can be mutually beneficial to landlords and tenants alike (Wood and Ong 2013:14).

A further potential source of insecurity is the volatility of private landlord participation in the RAS/HAP scheme (whereby these for-profit suppliers can choose to discontinue participation after the expiry of the rental agreement) means that in a buoyant rental market, they have a strong incentive to rent to higher-income tenants with implications for existing and prospective low-income renters (see e.g. Kelly 2014).

Tenants of local authorities and voluntary landlords who lease units from private landlords may also be vulnerable to losing their occupancy at the end of their lease period in the event that their household circumstances change. The central mechanism allowing this increased conditionality is the lease, whether it be long-term leasing from a private landlord for periods up to 20 years, or the short-term leasing involved in the RAS. At the end of the lease or rental agreement period, the property reverts to the private supplier, with obvious implications for household residential stability.[3] In the wake of growing public disquiet over housing precarity, longer notice periods for terminations and greater protec-

[3] Note that the full implication of this shift has yet to manifest itself; no data on average lease size has yet been published by the DECLG.

tion against illegal evictions have been put in place in the Residential Tenancies (Amendment) Act 2015 (DECLG, 2016b).

While the covert 'topping-up' of rent supplement by households to bridge the gap between the rent demanded by private landlords and the subsidy available has long been a feature of the sector (Kiely 2005), this gap has now grown to such an extent that rising rents have now emerged as a structural cause of homelessness amongst families. In previous decades, such households would have had a reasonable expectation of accessing social housing from local authorities or housing associations. However, the lack of availability from these not-for-profit landlords has resulted in rising numbers of homeless families especially in Dublin where rent inflation is most acute. In April 2016, the homelessness crisis had seriously escalated, with 1,037 families (comprising 1,379 adults with 2,121 dependent children) and 2,989 single adults homeless nationally (DELCG, 2016c).

Quality of Accommodation

Households renting from *direct provision* local authority housing benefit from the provision of management and maintenance services by local authorities with regard to estate management, maintenance, upgrades and refurbishments. The aim is to ensure dwellings of adequate quality and habitability (i.e. structurally secure, safe in terms of sanitary and health requirements including possessing basic amenities such as water, heating, waste disposal, sanitation facilities and electricity). A series of management reforms implemented in the 1990s were aimed at improving tenant–local authority relations through a more estate-based and consultative approach to housing management, thus enhancing quality of life on the majority of estates (Norris and O'Connell 2002). In addition, research undertaken in the late 1990s showed that, apart from a minority of failing estates, local authority housing was generally successful in offering secure settled accommodation to tenants (Fahey 1999). The quality of local authority housing is generally accepted as adequate, if uniform in terms of housing quality, design and estate layout. Many older estates especially those built pre-1940 and the low-cost systems estates built in the 1960s and 1970s benefited from investment under the Remedial Works Scheme introduced in 1985 and subsequent regeneration programmes (O'Connell 2007). However, according to the International Federation for Human Rights complaint to the European Committee of Social Rights relating to the standard of local authority schemes, there are no inspections for Local Authority Housing, which they argue is a failure to respect the rights of tenants (FIDH 2014).

No comprehensive research has been carried out on the quality of housing association accommodation. In relation to the private rented sector, in 2011, 17,849 dwellings were inspected (i.e. 8.8 % of registered dwellings). Of the dwellings inspected, 9952 (55.8 %) did not meet regulatory requirements (DECLG 2015c). While inspections are often carried out on the basis of tenant complaints (so that a high number of inspected properties failing the requirements is to be expected), these figures point to persistent poor standards in private renting, and these are typically clustered in that segment of the sector occupied by low-income households in receipt of one of the forms of rental subsidy schemes (rent supplement, RAS, HAP) discussed above.

Discussion and Conclusion

This chapter has examined changes to the social housing offer in Ireland over the past two decades. Our analysis suggests significant changes in terms of who delivers social housing and who receives (what type of) social housing, which in turn ultimately raises questions about the changing role of social housing, or what it is for. In terms of who delivers, the role of private for-profit and not-for-profit providers has been expanding since the early 1990s, and the type of social housing offer available from all three has changed also. The growth of the private not-for-profit providers can be traced to the policy shifts of that time and the provision of a more expansive and generous funding regime. By contrast, the growth of private for-profit providers has evolved on an ad hoc and unplanned basis exemplified by the expansion of the rent supplement scheme. It is only since the mid-2000s that rent supplement has been formally embraced by policy to make it a centre piece of the social housing offer.

This increased role for private provision of the social housing offer arises from a displacement of local authority *direct provision* by local authority and housing association *leasing*, housing association *direct provision* and most importantly by subsidised provision by participating for-profit landlords. In the context of the normative standards of what a social housing offer should comprise, i.e. availability, security, affordability and quality, these newer categories of offer from private landlords are clearly inferior to the traditional local authority direct provision offer in relation to the key dimension of 'security', and pose troubling questions in terms of 'availability'.

The cumulative effect of the long-term policy changes dating from the early 1990s and those emanating from the economic crisis in 2008 have led to a differentiated and hierarchical regime. A hierarchy of offers is thereby established in terms of who receives social housing. Households in stock directly provided by local authorities occupy the top rung of the ladder in terms of secure settled accommodation and all of the tangible and symbolic attributes that accompany it. These are joined on the top rung by direct provision tenants of housing associations. In contrast, households in stock supplied under lease and RAS/HAP are vulnerable to a range of factors outside their control which will influence how secure and settled their accommodation is, principally because at the end of the lease or rental agreement, the property reverts to the private supplier. It also remains to be seen what influence private finance arrangements will have on the tenant selection and rent arrears practices of both public and private social housing landlords.

Social housing in Ireland has historically contributed to the housing security of low-income households through offering lifelong and inheritable tenancies and income-related rents. In doing so, it has modified the effects of labour market precarities on housing welfare of these households. As labour market precarity has intensified, the role of social housing as a stabilising anchor point becomes more necessary than ever. The changes discussed in this chapter bring this role into question and raise the prospect of social housing shifting, in line with some other countries, from a long-term safety net to a short-term 'ambulance service' offering social housing supports to those in high need on a conditional basis without the guarantee of security of tenure (Fitzpatrick and Pawson 2014).

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12

Crisis and Corporate Welfare

Nat O'Connor and Paul Sweeney

Introduction

Farnsworth (2013a:5) defines corporate welfare as 'the various benefits and services that directly, or indirectly, meet the needs of businesses'. Hence, corporate welfare, in a broad sense, is when public resources are used to give businesses one or more of the following benefits: direct payments; purchase of goods and services by public bodies; infrastructure; support services; preferential tax treatment; tax breaks; and lax regulation, permitting negative externalities that businesses do not pay for. Corporate welfare is a contested concept and a controversial area of public

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policy. For some, it is an entirely negative and pejorative term, allied to 'crony capitalism' where politicians use public resources for the benefit of their friends in business, or at best for short-term political purposes that prop up failing businesses. For others, it is a positive or at least defensible idea, linked to ideas of corporatism, where the state, employers and workers cooperate to advance a shared project of economic development.

The scale of public support to business is undoubtedly significant, although there is no agreed common measurement of corporate welfare; unlike social welfare paid to individuals, which is easier to quantify. The CATO Institute (a US think tank dedicated to limited government and free markets) estimates subsidies to business cost US taxpayers $100bn (€90bn) in 2012 (DeHaven 2012). An earlier CATO report showed that $92bn (€82bn) was spent in direct and indirect subsidies to businesses in 2006 (Slivinski 2007), which suggests that not much has changed since before the economic crisis. Compared to other methods used to calculate corporate welfare, the CATO reports focus on only the most obvious state subsidies to business. In the UK, corporate welfare was estimated at £85bn (€120bn) in the year 2011–2012 (Farnsworth cited in Chakrabortty 2014). In Ireland, state support to the Irish enterprise sector 'including cash grants and subsidies, and through the employment of many thousands of public servants involved in supporting the enterprise sector', was calculated at between €4.7bn and €6.2bn in 2011 (Sweeney 2013). Comparing the above three figures, Ireland spent between €1027 and €1355 per capita (between 2.8 and 3.6% of gross domestic product [GDP]), the UK spent €1884 per capita (5.5% of GDP) and the USA spent €293 per capita (0.6% of GDP). However, caution should be used about these comparisons as a range of supports is counted for Ireland and the UK but only direct subsidies are included for the USA. In addition, for example, the USA has military spending of 3.8% of GDP (World Bank data). This spending is often seen as a core part of the USA's 'invisible' industrial policy in support of domestic industries and regional job creation.

In this chapter, corporate welfare is initially considered from the perspective of economic development, where there is significant overlap between corporate welfare and the broader field of industrial policy. The evolution of supports to indigenous businesses in Ireland is examined briefly, before considering the current EU context to this. The impact of corporate welfare on broader social welfare is then considered, along with the benefits to businesses from welfare policies. The final section addresses the politics of corporate welfare and how this intersects with political support for (or opposition to) welfare policy, noting some of the pros and cons of corporate welfare and what needs to be done to protect against corruption in this area of policy.

Corporate Welfare Versus Industrial Policy

Farnsworth (2013a:10) argues that 'Social and corporate welfare have often played, and continue to play, complementary roles in economic and social policy, affecting both the strength of the economy and overall quality of life within nations. Corporate welfare can encourage the production and/or sales of certain goods or services, increase investment, provide essential support services to firms, rescue, resuscitate, stabilise and preserve essential industries and services and reduce the end price of commodities for consumers. It can also prevent company closures, unemployment, wage cuts and cuts in occupational benefits, including pensions.' Farnsworth (2013a:11) outlines the negatives too: 'There is also the risk that corporate welfare may harm the national interest in the long term; provision aimed at preventing company collapses today may simply maintain lame-duck corporations that, in the long term, will continue to be uncompetitive. Expectations of assistance may also lead to harmful risk-taking corporate behaviour.'

As a counter to the laissez-faire argument against governments "picking winners", Ó Riain (2014:3) has argued in favour of governments putting in place the right set of institutions and supports for businesses to flourish: 'The close engagement of state agencies with firms does not necessarily involve "picking winners" but can involve "making winners" through three main mechanisms: the production of new industry capabilities; the creation of spaces where different actors can network their capabilities together and create new projects; and the promotion of "conceptions of control" that are favourable to industrial development, shifting firms' abilities and preferences. Indeed, in Ireland state innovation and industrial policy has often operated through largely unrecognised decentralized networks of supports', which Ó Riain calls a 'developmental network state'.

Whether positive or negative from the perspective of citizens and the public interest, corporate welfare is highly prevalent across even the most avowedly laissez-faire economies. It is explicit policy of all governments to assist firms as much as they can as part of their industrial policies. Indeed, one of the clichés of social welfare debates is that the best form of welfare is (decent) employment. States' industrial policies have long played a vital role in directly creating jobs, in creating the conditions for self-employment and for private enterprise to create jobs. Corporate welfare therefore poses a permanent dilemma for egalitarians as it may simultaneously provide more economic activity and jobs while also benefiting business owners and executives. The alternative (in a market economy) to substantial state supports for business would be a laissez-faire approach, which would require the state to do nothing to boost employment, to assist indigenous firms or to help develop poorer regions. Such an approach would be likely to involve higher levels of unemployment and concentrations of disadvantage, requiring even higher social welfare spending. Hence, corporate welfare/industrial policy plays an integral role within social welfare systems.

All governments have industrial policies to promote and sustain companies in the production of goods and services. Ireland has had a highly state interventionist industrial policy since the late 1960s, with many agencies involved, most of which are not financed by the specific sector (e.g. tourism) but by the taxpayer. The government periodically undertakes reviews of its industrial or enterprise policy in the light of changes in the economy. These studies have included the Telesis Report by a US consultancy in 1982 and others by working groups, such as the 1992 Culliton Report. In a move away from such a strategic approach to supporting indigenous enterprise, the state advisory board on enterprise, science, technology and innovation, Forfás, was abolished in 2014.

In Ireland, aid to state firms was open and transparent but aid to favoured private firms was largely through state banks (ACC, ICC), and through the especially opaque state rescue bank (Fóir Teoranta) which operated from 1972 to 1991. The first two developmental banks were commercially viable but the last ran with major losses caused by loan write-offs to subsidised private firms. Various state agencies, including the Industrial Development Authority, Shannon Development and

AnCO, also gave subsidies to private and state firms and published details of these (Sweeney 1990). In all cases, there was a belief that the loans or subsidies were saving jobs, though in many cases the firms were doomed, particularly with the opening up of international competition.

The Evolution of Corporate Welfare

The Irish state has a history of promoting economic development—including providing direct support to private enterprises. In the 1920s, Ireland had a high level of poverty and, as a peripheral and largely rural region of Europe, lacked even basic infrastructure for economic development, such as water infrastructure, electricity or quality roads. Rural electrification was rolled out by the state through the 1950s and 1960s—with some communities not being connected until the 1970s. Similarly, the state-owned Telecom Éireann successfully rolled out telephone infrastructure from the 1980s, this role having previously been carried out (poorly) by a civil service Department of Posts and Telegraphs.

Ireland obviously had agriculture as a national resource from the outset, but support to farmers meant support to private enterprises, even if they were largely low-income or even subsistence enterprises. Hence, from the outset of the state, there is evidence of corporate welfare as part of a larger project of national economic development. Payments to farming today include the EU's Common Agriculture Programme (CAP). Originally established so Europe would never again have food shortages and to retain communities living on the land in rural areas, CAP design has changed continuously with more recent incarnations of the payment focused on environmental projects and rural support. In 2012, CAP accounted for nearly a third of the EU's entire expenditure, at €44bn. In Ireland, CAP and other supports to farmers totalled €2bn per year (Sweeney 2013).

The state had at least two major goals in its involvement in the economy. The first of these was simply to provide goods and services that people required in their lives and that were not, for whatever reason, available to enough people without state intervention. The second goal was economic development, meaning the modernisation of infrastructure, spreading the benefits of technological innovation and putting in place the conditions for a stronger economy that would reduce poverty, boost weaker regions and increase prosperity and material well-being in the long term. In circumstances where the private sector was unwilling or unable to achieve such goals, the state had a choice to make: either give grants and supports to business to achieve the societal goal of economic development or else invest in state-owned enterprises to achieve the task directly. Over time, both approaches have been tried. Ireland was and remains a mixed economy, with substantial direct and indirect state involvement.

The Irish state's history of involvement in the economy is recorded in the Irish State Administration Database (Hardiman et al. 2015), and is captured in Table 12.1 which illustrates the state's diverse role in the economy.

These bodies engage in energy, transportation, marketing for farm produce, telecommunications, industrial and scientific research, importation of essential goods for the economy (e.g. nitrogen for fertiliser) and finance for business. While some of the state-owned enterprises were profitable in their own right, they also had benefits for private sector businesses (Sweeney 1990, 2004). The early state did not have significant monetary resources—in terms of either tax revenue or capacity to borrow. However, it did have non-monetary resources at its disposal, including land, other raw materials, people and knowledge. Clearly, economic development—and "wealth creation"—was led by the state in many areas of Ireland's mixed economy, with direct improvements made to the material welfare of many in the population.

Sweeney (2013:3) describes the relationship between the public sector and the private sector in the economy: 'There is a complex, systemic and two-way flow of funds between public and private sectors. Individuals and firms are taxed. Their taxes go to support, among other agencies, those for providing education and skills for individuals and advice and even finance for companies. Education, skills, advice and finance increase the likelihood of investment by companies and profits of companies. Rises in employment follow. Increases in profits and employment in turn increase tax revenues and these taxes go to support, among other agencies, those for providing X, and so on. The more efficiently and effectively the public sector allocates these funds and the more efficiently and

Table 12.1 Selected Irish statutory corporations and state-owned limited companies[a]

Years	Companies
1920s	Agricultural Credit Corporation, 1927–2001; Electricity Supply Board, 1927-; Irish Patents Office, 1927-
1930s	Irish Sea Ferries Association Ltd, 1930–52; Mining Boards, 1931-; Industrial Credit Corporation, 1933–2001; Bacon & Pigs Marketing Boards, 1953–40; Aer Lingus, 1936–93 (Aer Lingus Group Plc); Aer Rianta, 1937–2004; Animal Feeding Stuffs (Éire) Ltd, 1939–50; Irish Tourist Board, 1939–52
1940s	Exported Livestock (Insurance) Board, 1940–84; Córas Iompair Éireann (CIE), 1945-, Bord na Móna, 1946-; Institute Industrial Research & Standards, 1946–88; Irish Steel Holding Ltd, 1947–96; Industrial Development Authority, 1949–94 (now IDA Ireland)
1950s	Bord Iascaigh Mhare, 1952-; An Bord Gráin, 1958–73; Tea Importer Ltd, 1958–73; Irish Export Board, 1959–91; Shannon Development, 1959-
1960s	Nitrigin Éireann Teoranta, 1961–2008; Taiscí Stáit Teoranta, 1964–72; Radio Telefís Eireann, 1966-
1970s	Nuclear Energy Board, 1973–92; Bord Gáis Éireann, 1976–2014; National Board for Science & Technology, 1978–88
1980s	Housing Finance Agency Plc, 1982-; Bus Éireann, 1987-; Dublin Bus, 1987-; Iarnród Éireann, 1987–
1990s	Aer Lingus Group Plc, 1993–2006; Forfás, 1994–2014; IDA Ireland, 1994-; Dublin Docklands Development Authority 1997-; Port Companies 1997-; Enterprise Ireland, 1998-; Food Safety Authority of Ireland, 1998-; Western Development Commission, 1999-
2000+	Eirgrid, 2001-; Science Foundation Ireland, 2003-; Dublin Airport Authority, 2004-; National Transport Authority, 2009-; National Asset Management Agency (NAMA), 2009-; Shannon Airport Authority, 2012-; Ervia, 2014-

Source: ISDA (Hardiman et al. 2015)
[a]No end date indicates entity is an ongoing concern

effectively the private sector uses them, the better the system works.' This complex relationship exhibits the characteristics of a virtuous circle. The key element—in terms of the corporate welfare discussion—is the government investment in education, training, research and development, infrastructure and so on. Public investments of this nature increase productivity, which is crucial for the virtuous cycle to continue. Often public investments involve natural monopolies, such as roads, electricity networks and so on, which means that public ownership is most appropriate. But even here the public–private relationship is evident, as public investments in infrastructure often involve outsourcing the work to private companies. State spending on science, technology and innovation in 2011 was circa €450m (Sweeney 2013). As Mazzucato (2013) has demonstrated, much of this public investment ends up benefiting profit-making private firms, many of whom claim the credit for innovation.

It is debatable whether infrastructure such as roads, street lighting and so on should be counted as corporate welfare, or simply included as part of broader economic policy. In some cases, the use by business may require additional investment, such as when road haulage degrades road surfaces faster. Moreover, some infrastructure, like industry parks, is clearly built to serve the needs of business.

A controversial area of investment has been the various public–private partnership (PPP) initiatives. While designed to bring in new sources of finance for road-building and residential redevelopment, several high-profile urban regeneration projects were dropped by developers, with apparently no contractual obligations having been placed on them and no compensation to the state. This issue of risk sharing is a crucial aspect of correctly regulating public–private dealings. In an opposite case, it is highly likely that any private company whose deal with the state was suddenly dropped would immediately seek compensation through the courts (Reeves et al. 2015). Successive governments have yet to undertake a study of PPPs, despite various economist's calls for a comprehensive study of state aid to enterprise and PPPs in particular (Palcic and Reeves 2011; Sweeney 2013). The state is often seen as the insurer of last resort. When private sector businesses fail, the state often attempts to limit the damage. This has never been more clearly the case as in the current financial crisis. According to Farnsworth (2013a:11), 'There is a strong argument that suggests that the banks took unnecessarily large risks in the run up to the 2008 financial crisis because they knew, ultimately, that governments would bail them out.' As Sweeney (2013:4) puts it, 'No misdirected or wasteful public capital investment ever approached the level of financial risk which the boards of all six Irish banks inflicted on the Irish taxpayer because of their gross incompetence and profligate lending.'

The EU data on crisis-related aid shows the cost of the recent bailouts of financial institutions. The European Commission (EC) authorised a total of €3892bn (i.e. €3.9 trillion) between October 2008 and October 2014 as guarantees on liabilities. In addition, the EC authorised €821bn for recapitalisation, of which €448bn has been granted by member states. Further measures were also taken in short-term liquidity support and asset relief measures. On the other side of the equation, member state governments have received nearly €148bn in revenues related to recapitalisation and asset relief measures along with fees for the bank guarantees. In terms of recapitalisation, 'The four countries that supported their banks the most in 2008–2013 years are the UK (€100bn), Germany (€64bn), Ireland (€63bn), and Spain (€62bn). The top receiving banks are RBS (€50bn), Anglo Irish Bank (€32bn), and Bankia (€22bn)' (EC 2015a). The scale of the banking crisis in Ireland is starkly illustrated by these statistics, with the Irish bailout nearly costing as much as the one in Germany, despite Germany having 17 times the population of Ireland and 16 times its GDP.

Although the rescue of the banks was by far the largest bailout in Ireland's history, the state has previously bailed out failing companies. It nationalised private transport companies in the mid-1940s, as well as Irish Steel and several others to maintain services and employment (Sweeney 1990, 2004). High-profile cases, such as the collapse of the Quinn Group or even the closure of the Cleary's department store, illustrate public expectations for the government to 'do something'. When a company is the main employer in a town or disadvantaged part of the country, political pressure for a response from government can be even more acute. This is a culture that successive governments have fostered. Ministers routinely trumpet their roles in "creating jobs" or bringing jobs to Ireland's regions—although they rarely admit any role in the loss of jobs, even when new ones may be replacing old ones (such as when large supermarkets lead to the closure of traditional shops in rural towns).

State Supports to Business in the EU

It can be argued that the member states of the EU today provide state supports in a non-discriminatory manner between firms. Under EU rules, every firm has a theoretically equal chance of state assistance, whether that means direct subsidies, grants, tax breaks or indirect help through embassies and state agencies.

In the EU, state aid to business is monitored with the goal of avoiding anything that would distort competition and trade inside the EU. The

EU defines this as 'an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities' (EC 2015a). The word *selective* is important, as supports are permitted as long as any EU company can benefit from them to the same degree as Irish companies. The EU's *State Aid Scoreboard 2014* report gives access to a range of comparable statistics on state aid across the EU (EC 2015b). The Scoreboard includes data on 'horizontal aid' (e.g. regional development, environmental aid, R&D, small and medium enterprises (SME) supports), 'sectoral aid' (e.g. transport, agriculture, fisheries) and 'crisis-related aid' (e.g. financial institutions and temporary aid to the real economy). The EC produces a map of its scoreboard of state aid, which shows non-crisis aid paid by member states varying from 0.2% of GDP to 1.6% of GDP. Ireland's non-crisis aid is given as 0.5% of GDP (EC 2015a).

Under EU competition rules, governments can only rescue companies that are potentially viable. Costly exceptions were the bailout of the creditors of the two unviable banks, Anglo Irish Bank and Irish Nationwide, by Irish governments. In these cases, it was done with EU approval as it helped stabilise the European banking system. But it was at the Irish taxpayers' expense with no return whatsoever.

Corporate Welfare and Social Welfare

Farnsworth (2013a) argues that there is a continuum between social welfare and corporate welfare, with social welfare likely to help business by sustaining consumer demand and providing security for workers that employers might otherwise have to provide. Irish gross expenditure on social protection was €20.9bn in 2011 (DPER 2015). In this context, corporate welfare of €4.7bn to €6.2bn is equivalent to between a quarter and one-third of social welfare spending.

Some recent developments in labour force activation include, for example, a greater emphasis on assisting people from unemployment to self-employment. Where social protection services assist this transition, there is overlap between assistance to someone who is unemployed (a welfare support) and assistance to someone who is setting up his or her own business (an enterprise support). This is further addressed in Chap. 4 on labour activation. Other forms of corporate welfare that also overlap with welfare policy aims include procurement, regulation and foreign direct investment as discussed below. The relationship with taxation policy is discussed in the following section.

The current government has continued a trend towards formal public procurement of goods and services by public bodies. For example, the new Office of Government Procurement (2014) states: 'Procurement is a key element of the government's Public Service Reform agenda and is a very significant portion of overall spending. The state buys everything from pens and paper, through to ammunition and surgical equipment. In fact, the state spends €8.5bn every year on goods and services. In this context, it is essential that the Public Service operates in a co-ordinated and efficient way and delivers sustainable savings for the taxpayer.' With €8.5bn being spent every year by the Irish state, it is clear that public contracts may be lucrative and a source of steady income for many private businesses. Increased use of tendering risks lost jobs and lost tax revenue if a greater proportion of tenders go abroad rather than to indigenous Irish companies. However, the government has published new guidelines with the goal of making it easier for Irish SMEs to bid for public contracts. Even when indigenous companies win tenders, some of them are offshore for tax purposes, which makes outsourcing the service effectively more expensive as no corporation tax will be received (e.g. Greyhound for waste collection and Covantis for the city incinerator).

To date, Irish public procurement has failed to insist on desirable social outcomes as part of contracts, such as labour protection, trade union recognition and full tax compliance within Ireland. In contrast, in Denmark, Copenhagen city dismissed the main contractor Atlantco, an Irish company, from working on its new Metro due to worker exploitation (Online Post 2014). Halloran (2015:6) notes that public procurement accounts for 18% of GDP in Europe: 'There is a growing interest in finding ways for this expenditure to be used to deliver wider social, environmental and economic benefits.' Halloran argues for the concept of 'socially responsible procurement' and for social clauses to be included in contract specifications, selection and award procedures. She also notes that the new EU 2014 Directives will allow further progress of social and environmental considerations in procurement procedures. Such clauses would give citizens a clear benefit in return for public money going to business.

Another area of industrial policy that benefits business, but that is difficult to quantify as corporate welfare, is when lax regulation—or lack of inspections or weak enforcement—allows businesses to generate negative externalities (e.g. pollution, poor employment standards) that they do not have to pay for. Regulation is a consistent theme in virtually all aspects of the welfare state and is a core feature of chapters in this book. Lax regulation can also permit low service quality, as has been seen in crèches and nursing homes in recent years. Conversely, business lobby groups routinely complain of excess "red tape" and bureaucracy as imposing costs on business. While some of this is overblown, there are nonetheless challenges in balancing the need for adequate regulation without overburdening small businesses and people who are self-employed.

Ireland has a long-standing policy of seeking to attract foreign investment. From as early as the 1950s, Irish corporate tax was made more attractive to investors, with a zero tax on profits of exports initially, leading to the current 12.5% rate, which successive Ministers for Finance have zealously defended as the key part of Ireland's economic strategy. While the low tax rate in Ireland initially attracted some firms to locate here to avail of the low rate for their Irish operations, others followed when they realised they could use Ireland as a base to reduce their overall taxes internationally. More important than the rate, the details of the law underpinning Ireland's tax regime have facilitated transfer pricing and other loopholes that have made Ireland a centre for aggressive tax avoidance strategies. While not a tax haven, Ireland exhibits some features in common with tax havens and may be walking a thin line between what is sustainable in terms of Ireland's relationship with both the EU and the USA, given the political pressure on both sides of the Atlantic about aggressive tax avoidance by multinationals (Stewart 2013). Farnsworth (2013a:11–12) identified the risk that 'states lock themselves into particular economic trajectories that are not in the long-term national interest. A country that responds to the needs of mobile capital by providing subsidies to inward investors, reducing regulatory constraints and cutting taxation—all familiar practices in the race to acquire new foreign investment—will find it difficult to subsequently cut subsidies, increase regulations and increase corporate taxation for fear of the impact that this would have on existing and new inward investment. This is the classic globalisation problem.' Ireland relies not only on corporate tax revenues but also on income tax, value-added tax and other revenue that stems from the pressure of multinationals in Ireland. Given the scale of this reliance, it is highly likely that Ireland is indeed locked into a particular economic trajectory, which carries significant economic and fiscal risks in the event of moves by the USA or EU to change the global tax regime for multinationals in ways that would reduce the attractiveness of Ireland as a location for European headquarters.

Taxation Policy as Corporate Welfare

Tax policy also benefits business through tax breaks; that is, reliefs, exemptions, investment schemes and so on which are granted by governments, allowing companies and individuals to reduce their tax liability in the belief that additional economic activity will occur. These reliefs increase the risk that economic activity will only occur in company accounts as part of aggressive tax planning, with the only losses incurred by governments. While some basic tax credits and deductions are a routine part of any tax administration, additional tax breaks are termed *tax expenditure*, which highlights that the decision to forego tax revenue is analogous to a state making a spending decision. Sweeney (2013:6) notes that 'only some breaks appear to be subject to EU Competition Directorate scrutiny and in nearly all cases, they appear to be approved, with only a superficial examination.' Sweeney conservatively estimated the total cost of tax breaks to business at around €1bn in 2011.

O'Connor et al. (2014:38–39) find 'eleven economic, fiscal and equity issues with tax expenditure' including that they disproportionately benefit those with higher incomes or more resources, they are often less effective than direct expenditure in achieving social and economic goals, they can erode state revenue to an unsustainably low level, their cost is difficult to calculate and is often underestimated, their effects are often diffused to cover more people or more firms than originally intended, they are sometimes given to incentivise activities that would have occurred regardless, they can have unintended consequences and they can distort markets by shifting incentives from long-term business goals to short-term minimising of "tax exposure".

While there are clearly substantial risks and downsides to tax expenditure, their persistence can be explained on the basis of their attractiveness to politicians (as they appear costless) and also the relative ease by which they can be administered compared to subsidies or other direct supports, as well as the weaker EU scrutiny of tax breaks as a form of state aid. Plausibly, some tax breaks may have led to a net benefit for the state and taxpayers. However, much more internal scrutiny and regulation would be needed before Ireland's tax break regime would be anything like sufficient to ensure public value from every tax break. One example of good practice is the detailed annual statement on tax expenditures produced by the Australian Treasury, which provides a comprehensive list of existing tax breaks, their cost and an estimation of their benefit to the Australian economy (Australian Government—The Treasury, 2015).

More generally, tax reductions have been used by successive Irish governments to support wage moderation. For example, during social partnership negotiations, trade unions agreed to smaller wage demands on the basis that the government would lower personal taxation to increase the net income of workers. Figure 12.1 compares the net personal average tax rates[1] (for single persons) in Organisation for Economic Co-operation and Development (OECD) member countries since 2000.

As shown in Fig. 12.1, typical personal taxation in Ireland is significantly lower than the OECD average or the average of EU members of the OECD. When low personal tax is not compensated by higher taxes in other areas, there will obviously be fewer resources available for social welfare or public services. Figure 12.2 shows total tax revenue as a percentage of economic output (GDP) from 1965 to 2013.

Figure 12.2 shows an initially greater similarity of total tax revenue between countries in the late 1960s and 1970s. However Danish tax levels rose significantly, consistent with the social democratic welfare model chosen by Denmark. But average tax revenue in OECD member states has also risen, as has tax revenue in EU members of the OECD, whereas UK tax levels have remained broadly the same to the present day—despite

[1] Net personal average tax rates is the term used when the personal income tax and employee social security contributions net of cash benefits are expressed as a percentage of gross wage earnings (OECD 2011:12).

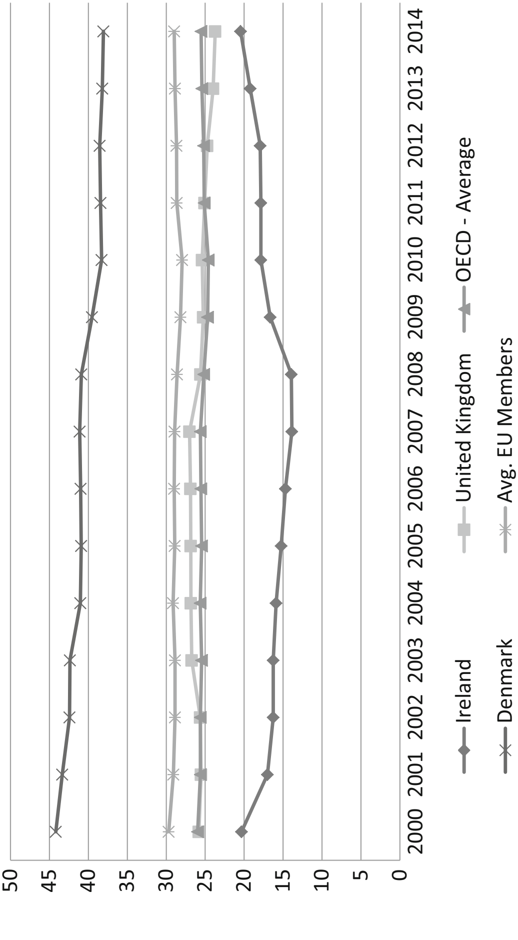

Fig. 12.1 Net Personal Average Tax Rate (Source: OECD 2015a)

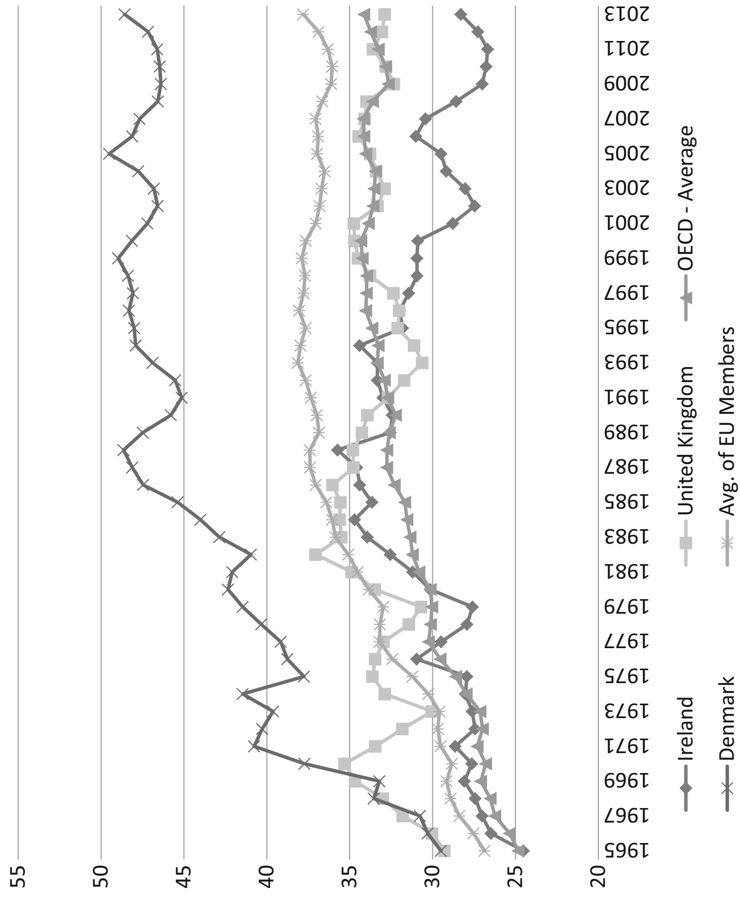

Fig. 12.2 Total Tax Revenue as Percent GDP (Source: OECD 2015b)

fluctuations. Irish tax levels rose in the 1980s and early 1990s but dropped significantly from the year 2000 and have remained significantly lower than either the OECD average or the average of EU members of the OECD.

Ireland, by any measure, is a low-tax country, with all that implies in terms of a weaker ability to deliver quality public services and comprehensive social welfare. For example, 'At 28.7 percent in 2012, the total tax-to-GDP ratio in Ireland is the sixth lowest in the Union and the second lowest in the Euro area (after Latvia). It was three quarters of the EU average of 39.4 percent and much lower than Nordic countries (44–48 percent) or France (45 percent). When it comes to comparing tax levels, percentage of GDP, not Gross National Product (GNP), is the correct reference point as all economic activity in a country is liable for taxation. As a direct consequence, lower levels of income replacement through social insurance and fewer public services are provided in Ireland than in many other European countries. This has a negative impact on economic inequality' (O'Connor and Staunton 2015:76). This in turn perpetuates 'a vicious cycle: lower taxes lead to lower service provision, raising the cost of living to be paid out of people's disposable incomes. This feeds a culture where people do not see the real value of public services and are unwilling, or unable, to afford new taxes. Reversing this trend and moving to a more mature discussion of tax reform requires giving people transparent information about the value and efficiency of public services, especially universal services that exist for everyone' (O'Connor and Staunton 2015:78).

The Politics of Corporate Welfare

Farnsworth (2013a:6–7) notes the opposition to corporate welfare by both Right and Left in the political spectrum: 'The Right oppose corporate welfare on the basis that it forces politicians to pick winners and losers [...] It also reduces economic markets to politics, encouraging business people to foster political relationships in order to promote their own interests. [...] The radical Left are ambivalent about corporate welfare for a different reason, not because it distorts markets, but because it diverts resources away from the needy and it rewards politically well-connected corporate elites.' As such, the different perspectives on corporate welfare can be mapped along two axes. Both far Left and Right are opposed to corporate welfare, for different reasons, while those closer to the centre of the political spectrum (e.g. Social Democrats and Christian Democrats in a European context) are more likely to favour it. However, individual policies need to be examined on a second axis, which is an evaluation of whether they are likely to achieve economic benefits for society or whether they are simply cronyism or favours to businesses from a particular government or minister.

Unlike social welfare to households and individuals, the distributional effects of corporate welfare are much harder to measure. Although a business might gain from corporate welfare, the effect in the economy might be to provide more employment for people on low to middle incomes rather than provide any additional profit for the business owner. Likewise, businesses in receipt of corporate welfare may pay more taxes as a result of gaining market share. If they export more, this will boost GDP by bringing foreign spending into the country. And like social welfare, corporate welfare will typically result in businesses spending more in the economy, with the effect of boosting economic growth. Corporate welfare can therefore potentially help level out the cycle of boom and bust in the economy. Nonetheless, corporate welfare can lead to public money benefiting individuals who are already wealthy. For example, businesses in receipt of corporate welfare may pay high remuneration to executives and the effect of the state intervention may be to make a business more profitable in the long term, which generally means profit going to owners and shareholders. Some of this can be countered by imposing windfall taxes on particular industries or by including "claw back" clauses when awarding grants or tax breaks. However, high remuneration is seemingly more difficult to prevent. One of the most egregious examples of excessive pay in businesses bailed out by the state was the €500,000 cap on top executive remuneration in Ireland's bailed out banks, which even then met resistance from bankers.

Who pays for corporate welfare is also an open question. Unlike social welfare, which is often paid out of social insurance funds, corporate welfare is paid from general taxation. Tax breaks may be granted against certain forms of tax, often income tax for individual entrepreneurs and corporate tax for companies. In some cases, corporate welfare may be argued to be cost neutral or even to generate gains for the state depending on the level of employment or tax revenue generated. Some economic policy goals, like spatial development or regional employment, might be judged to outweigh the financial cost. In Ireland, corporate tax receipts are €4.6bn (2014). It could be argued that corporate welfare—including the public services provided to support businesses—is largely funded by corporate tax. However, even here there is redistribution between different business sectors. For example, a greater proportion of subsidies go to agriculture compared to the corporation tax paid by that sector. There is also an equity issue, as many grants (such as agricultural subsidies) disproportionately benefit larger enterprises rather than smaller ones.

There are three archetypical viewpoints on corporate welfare. One view is simply that it is corruption and cronyism, involving the siphoning of public resources to friends or elites in business. There are two other viewpoints, both of which pertain to boosting economic growth. The free-market viewpoint is that the role of the state should be limited, and that corporate welfare distorts the operation of the market to the detriment of competitiveness and productivity (although many espousing this viewpoint still support policies such as significant military spending that have a major spillover benefit for private firms). In contrast, the corporatist view is that the state and private enterprise should work in partnership, and that corporate welfare has the potential to deliver public benefits. As an example of a viewpoint that is sympathetic (but not uncritical) of corporate welfare, Farnsworth (2013b:52) seeks 'not to condemn corporate welfare but to kick-start a more informed and more open debate on the role, importance and purpose of public policies and how they are funded' and for the study of corporate welfare to be included in the overall study of social welfare and the operation of welfare states. In Farnsworth's view, public support for the welfare state may be strengthened across the political spectrum if the public sees social welfare and corporate welfare as mutually reinforcing and as drivers of economic progress; potential benefits of corporate welfare include the spread of new technologies, job creation, a greater tax yield and correction of market failures.

Conversely, a major criticism of corporate welfare is that it interferes with the operation of the market and distorts competition. A free-market viewpoint suggests corporate welfare can subsidise failing or mismanaged businesses, and also causes firms to spend more time on lobbying than making better products (DeHaven 2012). At the EU level, the common market between member states has been built on the basis of removing supports that benefit one country's firms over another's. However, a much more political process of lobbying for EU aid was evident during the recent bank rescues.

At an extreme, DeHaven argues that the possibility of subsidies leads to corruption. This can include straightforward cases of corruption, such as when a minister is bribed or accepts excessive "hospitality" or political donations in exchange for certain business decisions as was the case in the Irish Moriarty Tribunal finding 'that Mr. Michael Lowry, in the course of his Ministerial office, as Minister for Transport, Energy and Communications, by his acts and decisions, conferred a benefit on Mr. Denis O'Brien, a person who made payments to Mr. Lowry, […] and who was also the source of money in accounts held in the name of and for the benefit of Mr. Lowry' (Moriarty 2011, Paragraph 61.274). Various Tribunal findings which have passed such judgements, including the Beef Tribunal, took years and cost a significant amount after appeals and contestation by the parties involved; tribunals have not proven to be a satisfactory, practical or economical way to safeguard probity in business dealings with government.

The task of distinguishing cronyism from genuine industrial policy can be difficult. The social costs and benefits of corporate welfare are not easy to calculate; measures may genuinely benefit the economy while also benefiting friends of the government; a minister might direct funds to a genuinely useful investment but also ensure that this investment occurs in his or her constituency. In the 2003 decision to decentralise central government Departments, it is not clear if this decision had any public policy merit but there was a clear political logic; ministers in government had public bodies moved to their constituencies regardless of the national spatial strategy and future costs. Charlie McCreevy, a Minister for Finance, introduced concessions to private hospitals in the last stage of the debate on the Finance Bill 2003, giving Dáil deputies very little time to scrutinise the measures. While he argued incentives for developing private clinics would take pressure off the public health system (a plausible policy from a laissez-faire government), the tax measures were also in response to developers of a clinic in the Minister's constituency, minimising the credibility that such a decision was to maximise public benefit. Evidence shows that ministers in Ireland systematically seek to channel money to their own constituencies. RTÉ Primetime in 2010 showed that a disproportionate amount of €5bn of grants for schools, sports facilities, local roads and so on went to the constituencies of government ministers (Suiter and O'Malley 2014). While scandalous, some voters expect Irish politicians to deliver tangible benefits to their constituencies and reward (or vote for) politicians who deliver, while ministers who neglect their home base risk not being re-elected. This is not to defend parochial politics but to highlight the reality of public pressure on ministers to engage in pork-barrel politics. Consider, for example, the hypothetical example where a government or minister chooses to prefer an Irish firm over a foreign firm when investing public money.

Some public opinion surveys show public support for measures to support business. One survey finds that 33% of Irish people believe the government's most important role in business should be to build infrastructure that promotes and facilitates business opportunities. The same survey finds that 27% want the government to regulate business activities to ensure companies are behaving responsibly; 22% want government to protect consumers from irresponsible business practices; 11% propose government should work to ensure free-market access and open competition within industries; and only 3% argue government should not play a role in business (Edelman Ireland 2014). The survey findings suggest that while the general public may be split on the precise role for government vis-à-vis businesses, there are relatively few free-markets' purists in the population. The majority of respondents were in favour of business sectors being consulted by government around policies and regulation of their respective sectors while a majority (56%) believe government is not doing enough to regulate business (rising to 81% in the context of the financial services industry). The lack of trust in business suggests that government needs to do more to rebalance support for business with regulation, although it should be added that general trust in government at 21% is lower than in general trust in business at 41% (Edelman Ireland 2014). Sweeney (2013:4) argues that 'A completely new, constructive Public/Private Paradigm is required today, which gives value to the taxpayer and where the appropriate level of risk is allocated to the private sector.' Such a new paradigm would require stronger and more coherent regulation of sectors in order to achieve strategic economic goals.

Although the focus here is on state supports to private businesses, it should also be noted that the state provides around €2bn in grants to community and voluntary organisations, as well as other indirect supports (including tax breaks for charities). The scale of this payment is partially due to the private ownership of many schools and hospitals that the state otherwise funds and staffs as if they were public bodies. While the state is obviously not subsidising profit in what are non-profit bodies, it is nonetheless subsidising their executives' remuneration. A more detailed examination of corporate welfare in Ireland must extend to how the welfare and sustainability of non-profit organisations are also supported by the state. The profit versus non-profit divide is also becoming more blurred as the government moves to a commissioning model for the delivery of many public services. In a similar vein, the state owns a range of fully commercial companies—including very substantial shares in the banks. Although state aid to those companies is restricted by EU rules, the history of corporate welfare has to include the state's role in supporting its own enterprises. Insofar as future state-owned enterprises need support to develop, corporate welfare may be an issue here too. Irish Water is the latest example of this. It is likely to have various set-up costs written off as one-off investments, rather than recouped through future trading. While there is logic to the state supporting its own companies, especially in monopoly situations, some of the negative aspects of corporate welfare are still present as risks to taxpayers, including the risk of inefficiency being propped up and the lack of challenges to excessive remuneration (both issues recently a focus of public concern in relation to Irish Water, see also Chap. 7).

Conclusion

A widely prevalent laissez-faire ideology among many of Ireland's politicians and economic commentators fails to recognise the evidence showing the deep interdependence of the public and private sectors. This ideological dialogue promotes the supposed superiority of the private sector, in contrast to a supposedly inferior public sector. This is both incorrect and not helpful in truly understanding how the modern economy actually works; the collapse of some of the leading private companies—all six banks, most developers, the Quinn Group and others—demonstrates the reality. The modern economy is a mixture of public and private sectors and the model works best when there is a clear, explicit understanding of the strengths and weaknesses of each and the interdependence of both. Viewing industrial policy through the lens of corporate welfare highlights the pro-enterprise and economically necessary role of the welfare state. This perspective also raises important issues of equity that have been absent from earlier discussions of industrial policy, where the focus was chiefly on economic goals such as technological development or employment. The current value of corporate welfare in Ireland represents a significant investment of public money, but it is probably not unusually large for a developed, post-industrial economy. If anything, the lack of public investment in recent years, combined with the lack of a coherent industrial strategy to support and regulate indigenous enterprises in Ireland, means that the state could generate greater public value from investing more, not less, in corporate welfare. Nonetheless, there is a pressing need for far better data on the full cost of state support for the enterprise sector and much more analysis and transparency before any conclusions can be reached about the equity, sustainability and public value of corporate welfare in Ireland.

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13

Ireland and Crisis: One Island, Two Different Experiences

Féilim Ó'hAdhmaill

Introduction

The financial crisis which hit the global economy in 2008 and, more specifically, the responses to it in the industrialised rich world led not just to a remoulding of capitalism but also to increased clarity about both the lack of global democracy and what Pilger (2002) has termed 'the new rulers of the world'. Neoliberal minimalist state regulation of financial institutions, and the economy in general, was replaced by high state interventionist 'austerity' measures, aimed at protecting capitalist financial structures. In the EU, Governments nationalised private debt, spreading the costs across their local communities, largely to ensure that capitalism as an economic structure and ideology was maintained. The 'imagined community' (Anderson 1983) of the EU and the concept of 'European-ness' (Calligaro 2013), used to promote the idea of a greater

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social and economic union from the 1970s (Armstrong and Anderson 2007; Sjursen 2007), gave way to single-state nationalism and cross-national capitalist solidarity as the bigger economies banded together to protect their national interests and in particular the interests of their banks and their bondholders (Fligstein 2014).

Smaller EU states, having progressively relinquished sovereignty to the larger states, from Maastricht (1992) to Lisbon (2007) to the Euro (2002), in the interests of 'Europeanisation', realised that they no longer controlled their own economies, budgets or fiscal arrangements. Ideological choices appeared limited in smaller states—either accept the new 'austerity' measures, enthusiastically, as the only solution to a global crisis, or accept them, reluctantly. What Greece's former Finance Minister, Yanis Varoufakis (2015), was to call financial 'terrorism' was in town.

In this atmosphere, the two parts of Ireland, North and South,[1] were to have different experiences of austerity and of the global crisis, reflecting different social, economic, and political contexts and influences, different forms of democratic control, and different financial arrangements within the EU. This chapter looks at some of these differences focusing first on the South and then on the North.

Austerity and the Irish State

The Fianna Fáil Government's decision to guarantee and then pay off the private debts of the Irish Banks in 2008—the result of European Union (EU) and European Central Bank (ECB) pressure, according to the then Taoiseach, Brian Cowen, (Cowen 2015)—combined with the onset of global recession and the subsequent Troika loan in 2010, heralded in a long period of 'austerity' in the South of Ireland (Considine, and Dukelow 2012). Although largely dictated by the Troika, 'austerity' was generally supported by both the Fianna Fáil (2008–11) and the subsequent Fine

[1] Terminology is controversial on the island of Ireland. Nationalists usually refer to 'the North' and 'the South', for example, reflecting their desire for unification. Unionists who want to maintain separation usually use the official constitutional terms for those entities, 'Northern Ireland' and 'Ireland', although 'Ireland' is also the name of the island. In this chapter, the terms 'Northern Ireland' and 'Irish state' will be used interchangeably with 'North' and 'South', to distinguish between the two entities (and the island) with no intention of insult to any tradition.

Gael-led (2011–16) Governments. Both Governments appeared to take the approach that austerity was the best policy for the state, not because they felt so ideologically but because that was what the Troika and their economic advisors were saying. This does not mean that 'austerity' in the Irish state wasn't 'ideological', it was, since it operated within a Gramscian 'common sense' hegemonic discourse where the few voices on the Left arguing against it were marginalised. However, the Irish state's approach within that ideological hegemonic discourse appeared as pragmatic acceptance of what the powerful were saying and doing—possibly in the hope that this would ultimately position the state favourably within the global economy (dominated by such ideological thinking). There was certainly little in the Government's rhetoric or indeed in the Irish media to suggest that the discourse of 'austerity' was something that should be rejected. A different discourse did exist, it just wasn't heard in the South of Ireland, other than from the margins. Nobel Prize-winning economists Thomas Piketty, Joseph Stiglitz and Paul Krugman, and others (Piketty et al. 2015; Stiglitz 2015; Krugman 2015) rejected 'austerity' as a practice and an ideological approach. Indeed, both the US Government under President Obama (2009–16) and the British Labour Government under Prime Minister Brown (2005–10) attempted to develop a different response to the EU's, based on what was termed 'quantitative easing' (basically cancelling Government debt)—using monetary policy to try and stimulate the economy (Blyth 2015). Neither Britain nor the USA was in the Eurozone, providing more freedom to make decisions relating to monetary policy. Brown, however, was voted out of power in 2010, and a new Conservative-led Coalition, took office in Britain, ideologically committed to a programme of 'austerity'.

The Irish Government, in the Eurozone, and lacking the greater financial independence of the USA or Britain, was forced to hand over tight control of the budget, fiscal arrangements and public expenditure to the Troika, which supervised large-scale cuts to public expenditure, services and benefits, increased privatisation and the introduction of a range of new regressive taxation measures, ultimately disproportionately affecting the poorer sections of society (Collins 2014; ESRI 2015; IHREC 2015). Eurozone membership rules requiring Governments to keep a budget deficit of less than 3% of their gross domestic product (GDP) and a debt ratio of less than 60% of GDP (ECB 2015) not only ensured 'austerity' in terms of public expenditure but also ensured further privatisation of services into the future by limiting Government borrowing for future growth or public investment in the provision for need.

The total cost of the Irish state's bank bailout was estimated in 2012 at €62.8bn (Whelan 2012:471). Indeed, Taft (2013) estimated that up to 2013, the Irish state paid for 42% of the total cost of the European banking crisis, equivalent to €9000 per person compared to an EU average of €192 per person. Austerity measures meant that from 2008 to 2014, there were €19bn in public spending cuts and €11bn in tax increases (Goodbody 2014; Healy 2015a). As a result, unemployment in the Irish state increased to a peak of 15% in 2012 (CSO 2015a), underemployment increased to a peak of 25.8% in 2012, (Healy 2015b), wages decreased (CSO 2015b), and deprivation rates increased (CSO 2015c). Emigration increased dramatically, particularly amongst the younger sections of society, with a net outward migration of Irish nationals for the first time since the onset of the Celtic Tiger. In 2012, the Irish state had the highest emigration rate in the EU with a net outward migration rate of 7.6 per thousand. From 2008 to 2013, nearly 475,000 people (out of a total population of 4.6m) left the state, 65% of whom were aged 20–34 (Taft 2015; Healy 2015c). The 20–24 age group in particular suffered high levels of unemployment—19.6% in 2015, which was then twice the national average of 9.8%—and cuts to benefits (Taft 2015). Whilst an estimated total of 338,000 came to Ireland as immigrants from 2008 to 2014 (whether as returned Irish emigrants or as new non-Irish immigrants), net emigration by Irish nationals in the period May 2009–April 2014 amounted to 124,000 (CSO 2014).

The public sector, already regarded as quite small by OECD standards (NESC 2005; OECD 2007, 2008), was cut from its peak of 320,000 in 2008 to 287,780 in 2013, a drop of 10%, and the public service pay bill was reduced by over 20% from 2009 to 2015 (IPA 2014; DPER 2015). Public sector employment in the Irish state represented about 18% of the total workforce in 2014 compared to 31% in the North (McCarthy 2015).

Meanwhile, the annual cost of interest on the national debt was expected to be almost €6.8bn, in 2016, and that was expected to remain more or less at the same level until 2020 (Social Justice Ireland 2015). All this is in a state with a population of just over 4.6m.

The global financial and economic crisis from 2008 led to the onset of 'austerity' measures in the Irish state which had massive repercussions for the population, particularly the poorer sections. A pragmatic adherence to a dominant ideological approach directed policy decisions and choices made by the state in a world dominated by global finance. In the North of Ireland, where a new devolved administration had just been re-established since 2007, the situation was more complex and indeed different.

Differences: North and South

While the Irish state has its own government with its own apparent control over policy and budgets (within the confines placed on it by the global financial crisis, globalisation, and membership of the EU and the Euro), the North has never experienced any similar degree of control or autonomy. The South was able to divest itself of British political and economic control from the 1920s on, particularly as new relationships began to develop with the EU after 1973. The North, however, despite obtaining a substantial degree of devolution, has maintained a dependent neocolonial relationship with Britain, sometimes to its advantage in terms of resources and social policy development. This control has often shaped social policy practice and approach in the North.

In the aftermath of the Belfast/Good Friday Agreement in 1998, a new power-sharing Executive was established in the North with a wide range of discretion over public expenditure in devolved matters like health and social services, and education (although not in relation to defence, national security, fiscal matters, or foreign affairs). However, that discretion had to be exercised within a budget greatly limited by a Block Grant decided upon by the Westminster Government, and with limited alternative means of raising extra revenue.

Additionally, unlike any of the Coalition Governments in the South, the new Executive was a 'mandatory' coalition of nationalist and unionist representatives, parties who had been and continued to be bitter enemies, who did not share a common ideological or political outlook or end goals. They did not agree on the constitutional future of the North, on the conflict-ridden past, or indeed about how to address the legacy of that past to help resolve present-day conflicts. Most of all, they did not trust one another. Despite the difficulties reaching agreement on policy and approach, a refusal by the main parties to participate would cause the Executive to fall. That in turn had potential repercussions over and above personal and political interests. It could lead to another period of Direct Rule from Westminster with all power now placed in the hands of British ministers—whom neither side trusted either! It could also lead to increased instability and could threaten an already shaky peace process.

One further and more fundamentally important difference exists between North and South. In the South, despite the divisions which developed with the 'War of Independence', the Treaty and the Civil War, divisions which had long-lasting political and social effects, the vast majority of the population grew to support and identify with the new state, its Constitution and its structures. The Irish state thus successfully created a united identity amongst its population, which despite religious, gender, class and increasingly ethnic differences, provided a relatively integrated society, identifying with that state.

In the new Northern Ireland (NI), on the other hand, established in 1921, the one-third Catholic nationalist minority now living within its borders, rejected the entity for most of its existence. The process of colonisation in the seventeenth and eighteenth centuries had established a categorisation of differential citizenship based on ethno-religious grounds, reinforcing a sense of loss and resentment amongst the Catholic Irish and a sense of superiority and siege among the Protestant colonists (Corish 1981). By the time of Partition, a type of economic, social, cultural and political apartheid had evolved in the North and while many working-class and rural Protestants suffered poverty and deprivation, Catholics generally occupied a much more disadvantaged position. Partition was to reinforce and reproduce the disadvantaged state of the Catholic nationalists—through the experience of discrimination, gerrymandering and intimidation (Aunger 1976; Farrell 1976; Darby 1986). It also ensured almost continuous conflict, both violent and non-violent, throughout the existence of NI. It led eventually to nearly 30 years of violent conflict from the late 1960s until the late 1990s. During that time, nearly 4000 people died from all sides/communities and many more were injured, (McKitterick et al. 2004) while thousands lost their homes (Darby 1986) and an estimated 40,000 were imprisoned (Jamieson et al. 2010).

It is this conflict which made focus, let alone agreement or united action, on matters like social policy difficult to achieve in NI. It is also this conflict which influenced developments or otherwise in social policy in NI, throughout its existence, whether in the days of sectarian discrimination during the old Unionist-dominated Stormont regime, 1921–72, or the Direct Rule years, 1972–99 and 2002–07, when security considerations and later the needs of the peace process often influenced British policy developments, or the periods of the new power-sharing Executive, 1999–2002, and from 2007 on, where the political conflict and its legacy continued to dominate debate.

It was to be the new Conservative-led Government in Westminster in 2010 which was to break the mould somewhat in relation to the North, by ignoring concerns about stability, security and conflict there, in the pursuit of an ideological commitment to austerity.

The Impact of the Global Recession in NI

The unravelling global economic crisis, from 2008 on, was felt in NI as elsewhere, with a decline in the local economy and an increase in unemployment (DETINI 2015a). However, the North did not suffer on the same scale as the South. Unemployment peaked at a 15 years high of 8.5% in 2013, compared to 15% in the South. When unemployment in the North had dropped to 6.2% in September 2015 (when the UK average was 5.5%), this compared to a rate of 9.7% in the South, and an EU average of 9.6% (DETINI 2015b). One major reason for all this was that NI did not suffer the same levels of 'austerity' cuts, experienced by the South in the early years of the crisis. The UK was not in the Eurozone and the British Labour Government had under Prime Minister Brown (2005–10) attempted to develop a different response to the crisis, based on what was termed 'quantitative easing'. 'Austerity' and accompanying public expenditure cuts only began to make a serious impact after the election in Britain in 2010 of a Conservative-led Coalition, followed by a Conservative Government in 2015, ideologically committed to 'austerity'.

In its Spending Review in October 2010, the Coalition Government announced that Whitehall departmental budgets, other than health, education and overseas aid, would be reduced by an average of 19% over the four-year Spending Review period. In NI, this resulted in cuts of 8% and 40%, respectively, to the resource (day-to-day spending) and capital parts of the NI Block Grant (see below) and a cut in the overall Grant of £1.5bn (2010–15), leading to cuts in services and provision (N.I.E 2011). A further cut of £1.3bn in the Block Grant was also anticipated up to 2019. All services suffered cuts. One policy impact was an attempt to amalgamate small schools to save on resources in Education. Grass verges were not cut and potholes were not filled in on roads.

By 2015, cuts to the higher education budget had led to planned redundancies and early retirement in the sector. In August, the University of Ulster announced a cut in staff of 210 and a cut in 1200 student places (Irish Times 2015). Similar cuts were made at Queens University and in the wider Further Education sector. Further cuts were expected up until 2018 and these were impacted by increasing 'fines' imposed by Westminster as a result of the Executive's refusal to extend the 2012 Welfare Reform Act to the North (see below). By late 2015, not only was 'austerity' increasingly beginning to bite in the North it was also adding to a growing political crisis which threatened the new power-sharing institutions and potentially the peace process itself.

The Northern Ireland Executive and the Peace Process

The 1998 Belfast/Good Friday Agreement had supposedly heralded in a new dawn for NI politics, bringing to an end decades and even centuries of conflict. However, the Agreement fudged many issues and left many others unresolved. Besides this, none of the major Unionist parties, representing the majority population, had ever been enthusiastic about it (McAllister et al. 2005). The 'constructive ambiguity' of the Agreement allowed bitter enemies to each claim 'victory', while at the same time continuing to work politically to achieve their (hugely different) end goals. What it did not do was create an agreement on those end goals, or even the causes of the conflict. It certainly did not produce an agreed narrative on what had been and was taking place.

The Agreement itself became a site of struggle over interpretation and implementation. The result was that the institutions created by the Agreement, in particular the mandatory power-sharing (between nationalists and unionists) Executive, stumbled from one crisis to another.

Direct Rule from Westminster was eventually reimposed from 2002 to 2007 and while a new power-sharing Executive emerged in 2007, it found it difficult to agree on anything substantive.

Due to the need to get cross-party consensus on issues, including social policy, some analysts have argued that this often led to policy being reduced to the politics of 'the lowest common denominator' and invariably reflecting conservative social values. McLaughlin (2005), for example, felt that the need to find a consensus led to the 'unambiguously deserving poor', including children and older people, becoming the groups that benefited most from the devolved administration.

Others, like McCann (2006), argued that the emphasis on cross-community support in the structures meant that there was no incentive for budding politicians to try to promote themselves as cross-community (since power lies in belonging to one 'community designation' or another). He also suggested that politicians in the Assembly were only interested in making appeals to their own 'community' constituency as a result.

Whilst this may be true, the arrangements also reflected the divided nature of the society. Given the inbuilt Unionist majority in NI and their experience of Unionist majority rule, it was unlikely that the nationalist Social Democratic and Labour Party (SDLP), much less Sinn Féin, would have agreed to anything less. Neither the Unionists (who would have preferred majority rule) nor the republicans (who would have preferred an end to the union with Britain altogether and a reunited Ireland) were happy with the arrangements, but that was all that was on offer. More importantly, neither of them trusted one another to rule alone!

Despite the political instability after the Belfast Agreement, and probably because of it, the peace process led to a major injection of funding for both public and voluntary/community sector projects. The EU Peace Programmes supplemented other EU and British Government funding as well as funding from major philanthropic donors like Atlantic Philanthropies. Private investments appeared to be on the increase with the renewed confidence in the peace and a buoyant UK, Irish and global economy. From the late 1990s to the mid-2000s, NI experienced one of the most prosperous periods in its history, with historically low levels of unemployment and increased job opportunities. Indeed, for a number of years up until 2005 unemployment rates, usually the highest in the UK, were actually lower than the UK average. Since 2005, the unemployment rate in NI has been similar to the UK average (NISRA 2015a).

Although the Northern economy did not reach the heights of the Celtic Tiger in the South, there was a boom of sorts. Between 2000 and 2009, the average rate of growth in the North was actually marginally above that of the UK as a whole, 5.5% compared to 5.4%—although this had dropped to 2% by 2009 (N.I. Executive, 2011). This added to an air of optimism which contrasted with the lack of political progress at Stormont and on the ground.

By the mid-2000s, progress also seemed to have been made in relation to tackling religious imbalances in employment and other areas. Throughout the 1980s and 1990s, evidence from Government and academics had shown that Catholics remained relatively worse off than Protestants in NI according to most socio-economic indicators—employment, housing, education and health. They were disproportionately less likely to be managers or in professional jobs. They were also 2.5 times as likely to be unemployed as Protestants, with an unemployment rate of 30% in 1981 and 35% in 1984 compared to 12% and 13%, respectively, for Protestants (SACHR 1987; Smith and Chambers 1991). The Continuous Household Survey in 1993 reported that from 1985 to 1991, Catholics were twice as likely as Protestants to be dependent on means-tested benefits like Income Support and Family Credit and, still, 2.5 times more likely to be unemployed (PPRU 1993).

New equality legislation in 1989 and in 1998 (associated with the Belfast Agreement), combined with affirmative action programmes in the large public sector, where the state had a large input into recruitment practices, plus the decline in the traditional sectors of Protestant employment—Shipbuilding, Engineering and Security—led to significant changes in employment patterns and a greater balancing in employment opportunities began to emerge between the two communities (Equality Commission N.I. 2012). There was also evidence of a growing Catholic middle class. There was increasing concern that some working-class Protestant areas, like the Shankill Road and parts of East Belfast, traditionally reliant on the old engineering industry were exhibiting relatively high levels of unemployment and low levels of educational attainment (NI Assembly, 2011). However, despite this, Catholics were still disproportionately found among the poorer sectors of society and living in the most deprived areas—16 out of the 20 most disadvantaged wards were Catholic in 2010 (NISRA 2010).

Despite the financial crises unfolding in 2007–08, the power-sharing Executive's 2008–11 Budget and the Programme for Government (PfG) showed signs of optimism for the future. The Office of the First Minister and Deputy First Minister (OFMDFM) kept the anti-poverty strategy developed in 2006 under Direct Rule, a strategy developed by the 'New Labour' Government, setting targets to end poverty and social exclusion by 2020 (OFMDFM 2006). It also published a child poverty strategy in March 2011 to augment this. Although the then British Labour Government introduced some austerity measures from 2008, the impact of austerity did not start to affect the Executive until a new Conservative-led Coalition took power in Westminster in 2010.

However, disagreements over a range of issues continued, from how to deal with the 'legacy of the conflict' to 'culture and identity' issues and policing and justice issues and social policy innovation or development was limited. According to Birrell and Gray (2010), out of 27 Acts passed from 2007 to 2010 only 6 related to social policy areas which had been devolved. The areas where the Executive found most agreement related to the extension of Westminster legislation, such as Pension legislation in 2008, the copying of policy legislation in Scotland and Wales, or populist measures like the abolition of prescription charges, a rates (council tax) freeze, and the decision to postpone the introduction of water charges (Birrell and Gray, 2010), as well as the freezing of university fees in 2012 (NI Direct, 2011). Gray and Horgan (2010) argued, however, that there were many areas of social policy where NI still lagged behind other parts of the UK, such as in relation to the development of a Childcare Strategy.

The Stalemate over Welfare Cuts

In 2012, after two years of 'austerity' cuts the Welfare Reform Act was introduced in Britain by the Conservative-led Coalition. It was this which was to lead to another political crisis in the NI Executive, in 2014–15, when the nationalist parties refused to extend the legislation to the North.

The Act had caused widespread controversy in Britain, with sweeping cuts to welfare benefits, stringent testing for people on disability benefits, increased conditionality for jobseekers' benefits, and a benefits cap. Disability Living Allowance (DLA) was to be replaced with 'Personal Independence Payment' but this included more stringent testing, while Universal Credit was to replace a host of other benefits but with increased conditions attached. The aim was to take as many people as possible off benefits as a result. Probably most controversial was the introduction of what became known as the 'bedroom tax' whereby people's housing benefit was reduced if it was deemed their dwelling had more bedrooms than they required!

With historically lower rates of pay and higher rates of unemployment, poverty, disability, long-term illness and dependence on benefits (NISRA 2015a, b), the extension of the Act to NI caused concern, especially to the nationalist parties who tended to represent a disproportionately greater number of constituents from the poorer sectors of society. The tests for those on disability benefits were particularly worrying. In 2015, amongst 16–64-year-olds, 27% were economically inactive (unable to work due to disability/illness or caring responsibilities) compared to 22% in the UK (DETINI 2015b). There were also more claimants of DLA than anywhere else in the UK. In 2010, there were 183,710 DLA claimants in NI, with a rate of 102.7 claimants per 1000 members of the population, compared to 49.6 in England, 65.9 in Scotland, and 80.7 in Wales (Carson 2011). Just over one in ten of the population in NI were in receipt of DLA in 2014 (DSD 2014). A number of academic reports also highlighted some of the adverse effects of the Act in England and the potential impact if it was extended to the North (Browne 2010; MacInnes et al. 2012; Lupton et al. 2015).

Despite this, ever since NI was established in 1920, there had been an historical convention to maintain parity in terms of social security rates, coverage and regulation across the UK, with the UK Government promising to cover any added costs (above taxation raised in the North) via the central Exchequer in London (Birrell 2009). For example, the Corbyn Committee (1925) agreed that social security payments should be uniform across the UK, while the post-World War Two Welfare State was extended to NI in the face of initial opposition from the ruling conservative Unionist Party, with the inclusion of a commitment from Westminster to cover any extra costs out of general taxation to maintain parity. The welfare state developed the concept of citizenship rights (and expectations) linked to welfare—rights to free healthcare and social care, education and social security supports—a concept which remains underdeveloped in the South to this day. Since NI was historically one of the poorest regions in the UK, this convention on parity had usually in the past been of benefit to the local population.

This is one of the reasons (among others) why a political crisis developed in the North over Welfare Reform after 2012. While the nationalist parties—Sinn Féin and the SDLP—and the Greens, all of which tend be on the Left of the political spectrum in terms of socio-economic issues, continued to block the extension of the Westminster Welfare Reform Act and benefits cuts to the North, they were opposed by the Unionist parties, which tend to be on the Right. The Unionists argued that there was a tradition of maintaining parity with Westminster on benefits. They also argued that refusing to extend the Welfare cuts to the North would simply mean that extra funding for the uncut benefits would come out of the Block Grant, and that would deny funding for other services (education, social care, etc.) for other (possibly more 'deserving'?) citizens.

Whilst the power-sharing Executive had a wide range of discretion over public expenditure in devolved matters like health and social services, and education, it had virtually no control over raising revenue. Fiscal policy remained in the hands of Westminster. The main source (93%) of funding for the Executive was the Block Grant from the Treasury in London. Using the Barnett formula, established in 1978, funding was provided from general taxation across the UK, based on population share and comparable spending programmes in England, with the aim of providing parity of service provision and benefits levels across the UK (N.I. Executive 2011). Although the Grant could be allocated in whichever way the Executive saw fit, if it decided to provide greater services or benefits than in England then it had to reduce spending in some other area. Much of the resource (day-to-day spending) budget contained in the Block Grant was destined for continuing running costs and salaries in the various public services leaving little room to manoeuvre, unless a dramatic change was made in provision. For example, Health and Social Services accounted for 41% and Education (not including post-secondary) for 19% of the resource budget allocation in 2011–15 (N.I. Executive 2011).

This refusal to extend the Welfare Act led to the imposition of 'fines' by the UK Treasury on the Block Grant of £13m, £87m, and £114m, from 2013 to 2015 and more were threatened for every year the Act was not introduced. An attempt to resolve the issue at the Stormont House Talks in December 2014 (held primarily to try and resolve a wide range of outstanding 'legacy of the conflict' issues) had led to proposals that involved acceptance of the 'reforms' but with agreement to financially compensate anyone whose benefits were cut as a result. This was to be paid for out of loans (agreed by the British Government) and savings from other areas of public expenditure, the selling off of public land and other assets along with public sector redundancies (DFA 2014). However, the apparent agreement dissipated in February 2015 with bitter recriminations between the Democratic Unionist Party (DUP) and Sinn Féin. Sinn Féin argued that they had been promised that all losses to benefits would be compensated by the deal, while the DUP said that wasn't possible and that SF should have known that at the Talks. The crisis continued into the autumn of 2015, when it was augmented by allegations of continued Irish Republican Army (IRA) activity, and attempts to suspend the workings of Stormont by both major Unionist parties. (At the time of writing, the DUP and Sinn Féin has now formed a new post-Election Executive, though the future is still uncertain).

While the crisis at Stormont was unfolding, a provisional budget was agreed based on the cut Block Grant, leading to swinging cuts to all departments (except Health) and particularly hitting the Higher Education sector. In March 2015, a voluntary redundancy scheme was announced for public sector workers in a range of areas and there were fears of up to 20,000 public sector redundancies (FT 2015).

An important point to note in this regard is that NI's economy is particularly dependent on the public sector. In 2015, public sector employment per working-age adult was higher in NI (18%) than in the UK (14%), and private sector employment lower (41%) than the UK (59%) (Mac Flynn 2015a). In 2011, it was estimated that the public sector accounted for 32% of total employment in the North—higher than the UK at 17% or the South at 18% (McCarthy 2015). Additionally, much of the local private sector was also dependent on public sector spending, with the result that public expenditure represented 62.4% of total output—significantly higher than the 39.8% for the UK as a whole (NI Executive, 2011). This has often been highlighted by the Westminster Government, since the onset of 'austerity' in 2010, with claims that NI's public sector is 'too big'. Others, however, have argued that the 'problem' is rather that the private sector is 'too small'! As a peripheral economy emerging from conflict, NI had a relatively small private sector with relatively low levels of foreign direct investment in comparison to the South. The private economy is dominated by small enterprises with 99% of businesses employing less than 50 people (similar to the UK figure), 72% being sole traders and 97% of firms domestically owned (Mac Flynn 2015b).

In 2015, NI had the highest public expenditure in the UK. Although dropping in the face of austerity cuts from £11,408 per head of population in 2009–10 to 10,961 in 2012–13, it was still 23% above the UK average of £8936 (HMT 2014). Out of nearly £573bn of UK identifiable spend in 2013–14; England accounted for £467bn, Scotland £55bn, Wales £31bn and NI £20bn (HMT 2014). It is worth noting that NI's Block Grant only covered £10.4bn of that expenditure, the rest coming from Westminster-based Departments (NI Executive, 2011). The impact of public sector and public expenditure cuts was felt to be particularly problematic in an area so dependent on public expenditure for jobs, services and for the local economy.

In May 2015, a new Conservative Government was elected in Westminster promising to end all Government debt by a programme of public expenditure cuts. The Government was not interested in tackling the debt via greater taxation and a spreading of the burden amongst the richer sections of society. Indeed, 'austerity' for the Conservatives seemed less about reducing public debt per say and more about an ideological desire to reduce welfare expenditure and taxation—to cut the size of the welfare state rather than the deficit. One of the main arguments put forward by the Chancellor, George Osborne, in his 'emergency' Budget speech of June 2015, was that reduced welfare and lower taxes were good for the economy, while at the same time increased defence spending was necessary for the security of the state (Osborne 2015). Twelve billion pounds of cuts in welfare spending were added to the twenty-one billion pounds in cuts already legislated for by the previous Conservative-led

Government mainly in relation to social security benefits. The welfare cuts would be achieved by concentrating welfare on those considered the deserving poor—'the elderly, the vulnerable and disabled people'—rather than on those considered the undeserving—those able-bodied, particularly the young, who were able to work but instead spent 'a life on benefits' (Osborne 2015). 'Austerity' was thus limited to a particular group in society, rather than across the board. In practice however, the cuts to welfare up to 2016 had affected a wide range of vulnerable people, particularly those with disabilities.

There was of course the question about how 'necessary' it was to have more public expenditure cuts in order to tackle public debt. Blyth (2015), for example, argued that the use of 'quantitative easing' by the Labour Government in 2008–10 rather than 'austerity' has actually stabilised the UK's public debt by 2011. By 2015, the economy was also growing. While Government debt remained high by post-World War Two standards, it was a particular ideological perspective to demand that all Government debt be eliminated as soon as possible, regardless of the consequences. It was also an ideological perspective to suggest that that should only be achieved by targeting welfare cuts.

Conclusion

The global economic crisis which emerged in 2008, and, more specifically, the responses to it in the industrialised rich countries of the world, reflected a dominant ideological discourse, which attempted to restore confidence in the capitalist system, by shoring up the failed financial systems, and maintaining the economic and political power of the real rulers of the world. 'Austerity' was a tool in a wider agenda to reassert neoliberalist thinking in the global economy and reject any serious consideration of alternative approaches.

In Ireland, North and South, the experience of the crisis and 'austerity' were different, reflecting different social, economic, and political contexts and influences, as well as different forms of democratic control. As well as major differences in the experience and the extent of the development of welfare (and in particular the development of notions of a 'right' to welfare), there have also been major differences in terms of the experience of the economic crisis and different responses to 'austerity' and welfare cuts.

While Irish Governments from 2008 on may not themselves have been ideologically driven to promote a new neoliberalist agenda, nonetheless they fitted in with that agenda by taking the pragmatic approach of accepting with a large degree of enthusiastic energy the dominant discourse on 'austerity' and public sector cuts. Whilst they lacked democratic control, they still had choices, even if the choice was simply to raise a protest at the way their state was being treated by the EU and International Monetary Fund. A pragmatic approach to the powerful seemed the best option. Indeed, when the new anti-austerity Government elected in Greece in January 2015 (BBC News, 2015) called on states within the Eurozone to support them, they failed to get the support of the Irish Government or anyone else. The choice was stark for the Greeks, either accept the EU austerity package or leave the Eurozone.

Up until 2015, the North did not suffer the same level of cuts to the public sector, welfare services, and benefits or the same levels of unemployment or emigration, as were experienced in the South. Initially, this was because the Brown Labour Government in Britain opposed wholesale 'austerity' as the way out of the crisis. The elections of Governments in 2010 and 2015 committed to 'austerity' however meant that the North was then to experience in a probably much more brutal way the sharp end of 'austerity' from 2010 and especially from 2015 onwards. Lack of democratic control in the North was made particularly obvious along with the lack of agreement within the devolved Executive. Lack of agreement is largely linked to the old animosities over the constitutional question, continuing political uncertainty, division and distrust. How ongoing and increasing 'austerity' impacts on the peace process is difficult to say at present since there are so many other factors which could create adverse impacts as well.

While the nationalist parties in the North made some sort of a stand against 'austerity', their limited power seemed unlikely by itself to be able to challenge indefinitely the attempts by the Cameron Government to rollback further the welfare state and promote a new neoliberalist agenda.

Despite this, there have been signs in recent months of a challenge to the austerity agenda and the rollback of state responsibility for welfare in Britain, Ireland and other parts of Europe. The dramatic election (in 2015) of Jeremy Corbyn, as Leader of the British Labour Party and the rise of anti-austerity political parties in Spain, Catalonia, the Basque Country, Portugal, Greece and Ireland, all suggest that alternatives exist out there if people want them. There is also the possibility that faced with such political challenges others currently accepting the 'austerity' discourse but not strongly ideologically committed to the new neoliberalist dismantling of state welfare may make a stand against it, especially as the global economy begins to improve, and tax revenues increase. The only thing that is certain is that people have agency. They are not mere passive observers of unfolding events. The 100th Anniversary of the 1916 Uprising reminds us of that. It also reminds us that nothing is permanent whether in terms of the restructuring of the capitalist economy or the organisation of welfare provision.

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14

Conclusion: The Changing Irish Welfare State

Mary P. Murphy and Fiona Dukelow

This concluding chapter first provides an overview of what the preceding chapters tell us about the four dimensions of structural change as originally mapped out in Chap. 2 and reproduced in Fig. 14.1. Secondly, we provide some reflections on the overall nature of structural change in the Irish welfare state and how its drivers may be characterised, as well as some tentative comment about the future.

What Is Welfare For?

We asked the normative question '*what is welfare for*' to explore how welfare is framed and interpreted in key policy areas, and how various

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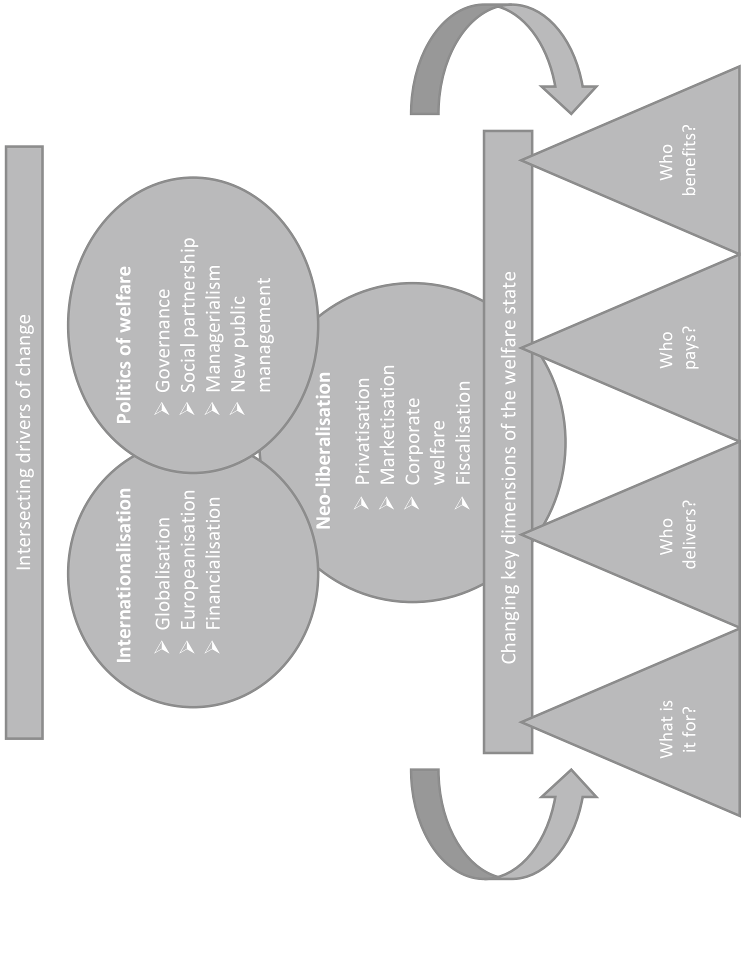

Fig. 14.1 A framework for analysing structural change in the welfare state

meanings of welfare are used to justify or contest policy change by various policy actors. Focusing on the normative dimensions of the welfare state and welfare state change involves analyses of how the welfare state and the goals of welfare provision are conceived, legitimised and contested in contemporary discourse, and the ways in which ideational shifts translate into shifts in aims and objectives. Crisis periods can prompt a reappraisal and a rethinking of policy paradigms or policy goals and objectives ultimately altering the purpose of welfare or what welfare is for (Hill 2011). In some cases across the book, we see clear examples of discursive change and in other cases different types of discursive ambivalence, with discourses pulling in different directions, or disjunctions between discourse and actual policy shifts. In particular, in water and corporate welfare, relatively clear change can be discerned when the pre- and post-crisis eras are compared. Water appears to be shifting from being conceived as a social good, with its delivery reasonably but not completely compatible with a hydraulic model, to an economic good framed by a market environmentalist model. Corporate welfare, discussed in the context of the developmental welfare state prior to the crisis, has seen a shift towards a more explicit competitiveness and growth agenda. Taking social protection and activation together, we see a movement from a dominant pre-crisis discourse of anti-poverty and social inclusion, to a crisis discourse of protecting the vulnerable and a subsequent sharpening of the discourse of active inclusion through employment. In labour market activation policy, in particular, a discursive shift from a supportive and enabling discourse to a more overt work-first discourse can be discerned. A shift can also be seen in third-level and further education and training from the person to the product, to meet the needs of employers and the economy. However, in this case, it has been a shift in train long before the crisis.

Looking at more ambivalent discursive shifts, in Early Childhood Education and Care (ECEC), for example, a struggle appears between seeing the purpose of ECEC as meeting the needs of the labour market and meeting the needs of children within a discourse of rights and educational development. This translates into a slight but nonetheless potentially significant shift from cash to ECEC services as a dominant model to child development. In debt and welfare, a conflict can be observed between the prior dominance of a Catholic/conservative-oriented model and a social–liberal model offering the prospect of a fresh start, which again translates into modest levels of change. Similar ambivalences and disjunctions can been seen in housing and health. In social housing, discursive repetition of generalised aspirations to security, quality and choice coexist with changes in social housing provision which have actually diluted these already tenuous policy goals leading to increased homelessness. In health, the shift in discourse towards universalisation belies the fact that health remains a dualist system. A similar kind of 'stable ambivalence' can be seen in pensions discourse where ideas remain dualistic, promoting both anti-poverty and income replacement functions of a pension system. Notable across most sectors is the absence of a gendered discourse which reinforces existing gender welfare frames and gender inequalities. The same can be said of other identities: there remains remarkably little recognition of diversity and difference in welfare discourse and the ways in which existing policy frames reinforce prevailing norms and inequalities, with respect to, for example, age, (dis)ability and ethnicity. It is notable how rarely either equality or poverty frames welfare discourse.

Who Delivers Welfare?

In exploring '*who delivers*', we sought to examine the nature and extent of change in who delivers welfare. Addressing this question also reveals the complexity of institutional and governance relationships, with change frequently being more a matter of shifting and blurring boundaries, rather than outright transfer of responsibility between state, market and civil society in welfare provision, funding and regulation. This is all the more complex against Ireland's long-standing mixed economy of welfare. Again economic crisis can have an impact on welfare delivery, where as Hardiman and MacCarthaigh (2013:4) suggest, fiscal adjustment strategies may tilt policy programmes away from path-dependent policy change and can also mean opportunity for organisational reconfiguration to rationalise and downsize the public sector. Such changes have the potential to change not only the state's capacity to deliver services but also the state's role and relationship with other service providers. The starting point of the Irish welfare state was always a mixed economy of welfare with delivery spread across family, state, voluntary and private actors. As profiled in Chap. 1, it is significant that some the largest and most disproportional cuts were in DAHG in cultural, arts and community initiatives. These included substantial cuts in budgets for welfare and developmental services delivered through the social and community sector. Cuts and other governance changes leave this sector vulnerable and open to far-reaching changes in its mode of delivery of services and its relationship with the state as a contractor of services (Crowley 2013, Community Work Ireland 2015). We see more procurement, tendering and commissioning with consequences for both quality of employment and levels of autonomy in the third sector (Community Work Ireland 2015). Specifically in credit and debt services, there is significant roll-out of new institutions delivering new services across all sectors. This follows the tradition of a mixed model, but with a strong market logic presence which is now extended to civil society organisations offering credit, including credit unions. Whereas with debt services, we see an expansion of state-led services, some of which are delivered by the voluntary sector and some limited new provision through the market. In a way, the book demonstrates that the question of who delivers is becoming less important than how delivery is controlled, with the rule of market logic spreading across the mixed economy, reflecting, perhaps, a type of 'roll-out' neoliberalisation (Peck 2010).

If we narrow the focus to the state and market sectors, we see strong shifts towards the marketisation and privatisation in the delivery of services in certain sectors, though these remain uneven and in some cases may ultimately be unsuccessful shifts. In labour market activation, there are very significant institutional changes in delivery, in particular the integration of income supports and employment services, alongside the 2015 privatisation of JobPath. While there is little significant change in the delivery of social protection, we do see major institutional shift in the practical delivery of income supports (enabled by technology developments, and speedier service in the context of a massive increase in need). To date, these remain state systems (or semi-state in the case of An Post contracts to deliver welfare payments), but European Union (EU) procurement rules imply, this might not always be the case. In pensions, rather than crisis prompted change, we see a reinforcement of neo-liberal principles of private-market funding and financing with an ongoing residualisation of the public system, features that were all too evident before the crisis, confirming the 'strange non-death' of neo-liberalism (Crouch 2011) in pensions policy. Similarly, continuing the centrality of market-led housing policy in Ireland and despite the strong association with economic crisis, post-crisis, we see a reliance on private providers for the delivery of social housing. In water services, delivery is all new, however, the net result is a failed creation of a quasi-market institution; EU rules have confirmed Irish water cannot be treated as an 'off books' entity and the 'state' company is likely to remain a state entity. In health, we see significant reorganisation of existing state, voluntary and private systems, albeit with more privatisation, but no real reform and perhaps not as much privatisation post-crisis as one might expect. For example, we see the abandonment of a proposed market-led insurance-based (universal) system. These two examples of water and health represent two major failed attempts to create new private markets for welfare goods, a point we return to later. Other attempts to create quasi-markets through JobPath, and market provision of social housing are too early in gestation to assess their viability, but both are controversial and neither are guaranteed to create effective supply or outcomes through those private delivery mechanisms. In education, there is evidence of new private delivery in third level and Further Education and Training (FET) alongside greater managerialism of state provision, privileging what Grummell and Lynch describe as a 'market-led' over an 'education-led' system. In ECEC, there is creeping privatisation which is a continuation of pre-crisis pattern of significant presence of private delivery. Finally, in corporate welfare, we see significant infrastructural and institutional change and scaling down of state agencies to support enterprise but also establishment of new state agencies including Irish Water.

Who Pays?

The question of *who pays* embodies at least two meanings, both of which illuminate pathways of change explored in the book. On the one hand, the question of who pays allows us to assess who suffers the pain or cost of recent restructuring, on the other hand, the question also speaks to the more technical issue of changes to how welfare is funded. We see social protection shift from social insurance to social assistance; workers continue to pay Pay-Related Social Insurance (PRSI) for a less adequate social insurance system while employer's PRSI continues to be one of lowest in Europe. We know young people, people with children and even more so single parent families (the latter two having a strong gender dimension) experience most significant deprivation. In the labour market, unemployed people suffer poor-quality services and are more likely to enter low-paid employment or experience sanctions while employers benefit from a work-first strategy that subsidises low pay. With regard to pensions, we see the next generation paying even more for the present generation but, as clearly documented by Hughes and Maher, we also see the state continuing to subsidise the richest 20% to invest in private pensions so that private pensions markets have little market risks. In debt and credit markets, we see a complex mix of state, voluntary and market providers depending on area, while mortgage arrears has hit a middle-class home-owning population, the poor ultimately pay through overpriced credit.

In water policy, we see an attempt to shift to user charges. Resistance has stymied that shift somewhat so that the state continues to pay more than it intended for water provision, at the same time, its design of the user-charge system is a particularly regressive one. In health services, we also see more user charges with a shift in cost of care from the state to the people (evidenced in a declining share of public funding) and families paying for care/rationing of services. Likewise, in housing, we see more user charges in the form of reduction of rent supplement and with savings in rent reduction borne directly by tenants or through homelessness. In education, students too have experienced increased fees and self-contributions, while in childcare or ECEC, families continue to pay for the highest childcare cost in OECD and lower-paid childcare workers (particularly women) bear the cost of low pay. Gains from investment in corporate welfare may well result in economic growth but this only advantages society if such growth progressively increases societal wealth through taxation and quality employment. We also see important symbolic changes in discourse about who pays, where citizens are constructed as customers (ironically often receiving poorer services). Shifts from collective to user payments, and from citizens to customers are important because they serve to further residualise the solidaristic nature of the welfare state and divorce policy changes from key political debates about what society wants.

Who Benefits?

As to the question of '*who benefits*', the chapters open up a range of scenarios which attest to the diverse and complex ways in which the question of who benefits can be applied to how a welfare state functions. Thus, in addition to documenting patterns of change and stasis in who benefits from welfare, and instances of regressive redistribution or hidden beneficiaries, the question of whether any group benefits is also countenanced, as in the case of ECEC, for example. Several of the chapters also raise the fact that the question of who benefits is often impossible to discern, there are serious data deficits at a sectoral level and/or disaggregation of benefits by gender, ethnicity or other variables. There is also a poor culture of evaluating outcomes. It also depends on what you measure. While Cousins found that the social protection system benefited Irish citizens during the height of the crisis in terms of its cohesiveness function and its effectiveness in mitigating poverty, it is also the case that in spite of this effectiveness child poverty doubled over the crisis and deprivation rates soared (the highest recorded being 63.2% for lone parents (CSO 2015). Different rates of poverty across the lifecourse suggest a generational dimension to who benefited from social protection over the crisis. Data and evaluation deficits mean the question of who benefits from activation policy remains an unanswered question in terms of participants but there is no doubt that employers benefit from the subsidisation of low pay. In health care, as Burke notes, despite data deficits, we see an unequal access and unequal delivery when viewed from a spatial perspective and ultimately unequal health outcomes. In terms of credit and debt services, we see a shift in the users of Money Advice and Budgeting Service (MABS) and a gender shift, and more generally, shifts in terms of who is experiencing housing debt, while banks clearly benefit from the lack of mortgage write-downs. Yet, as Stamp notes, data deficiencies and a lack of evaluation means that there is a systematic lack of information on who benefits from debt and credit services. In pensions, in the private system, the industry benefits in terms of there being little market risk and significant state subsidisation, and the persistent tax relief benefit the top 20% of the income distribution. On the other hand, in the state pension, the main beneficiaries remain the people and as the system inches towards universalism, women in particular will benefit, a reassuring example of how many functions of the welfare state remaining intact. State rule changes imply no losers for the present generation of public sector pensions but a tougher pension regime for future generations of pensioners. In social housing, it is clear that private landlords benefit from incentivisation of private sector supply models. From the extremity of homelessness to increased poverty for those reliant on housing subsidies Finnerty, O'Connell and O'Sullivan's analysis also allows us to identity who is not benefiting. Again, we see evidence of a generational shift to a more hierarchical, differentiated social housing model. In education, we see shifts to serve the economy and employers as well as opportunity for investors to make profit from private education. A similar pattern is evident in water, the self-funded model, if realised, in some shape or form, means benefits and new investment opportunities for private investors. The market-led approach in childcare means that middle-class families benefit more and perpetuates social exclusion but as Hayes observes, it is doubtful anyone really benefits from the present model. Corporate welfare can deliver social welfare, and does so primarily through employment opportunities but this raises questions about the spatial divisions of these opportunities, and the quality of the employment created. Questions too can be asked about who benefits from government procurement policy and who ultimately benefits from a low-tax regime.

Owing to the complexities of government in Northern Ireland (NI) and the relative lack of autonomy over policy making and budgetary decisions, it is not possible to systematically document comparative changes in who delivers, pays, benefits from welfare and what welfare is for between the North and South. However, in looking at how the Conservative-led coalition and latterly the Conservative government in Britain has had its austerity policies filter through to NI, we see similarities with the South in terms of cuts to health and education spending and the overall size of the public sector. The sharpening of austerity from 2015 on potentially means the poor will be hit harder, particularly in how the 2012 Welfare Reform Act impacts in NI against a backdrop of what Ó hAdhmaill sees as weakened resistance to Conservative rollback of the welfare state.

What Has Driven and Might Drive Twenty-first Century Structural Welfare State Change?

A number of observations about the overall type of *structural reform* can be made. First, when we discuss change in the context of crisis and a climate of fear of retrenchment, the perception is that structural change is usually a negative occurrence and preferably avoided. However, clearly structural reform of Irish welfare has been promoted by many including some of the book's authors, particularly so in the areas of social protection, health, ECEC and social housing. In health, difficult and arguably necessary reforms were abandoned for the somewhat easier task of restructuring governance and institutions. Despite political opportunities in the crisis to make what some regard as overdue structural changes, that these were not forthcoming, shows the strength of resistance to certain payments. We see evidence that politically strong lobbies were able to resist some retrenchment, a reality consistent with Pierson's (2001) concept of 'path dependency'. We also observe continuity in the slow culture of Irish policy change, captured in Hayes's description of change in ECEC as 'incremental, reactive and hesitant'. This is particularly evident in resistance to reform child income support, in the continuation of overgenerous and costly tax relief for pensions and in approaches to corporate tax.

In assessing the *extent of overall shift* above all, we get the impression of the continuation of a mixed approach to the Irish welfare state, suggesting considerable path dependency and echoing Wickham's (2013) notion of 'surviving without changing'. However, while this might suggest that 'the more things change the more they stay the same', it belies the reality that the structures of the Irish welfare state already accommodated significant levels of private delivery, marketisation and forms of corporate welfare. In this sense, there is overall continuity but crucially there are subtle and discernible shifts in the ratio of voluntary, state and market or private provision across various sectors of the welfare state. To some degree, this has happened pragmatically, in a creeping fashion and often by stealth, and in processes characterised by drift and incrementalism. This differs from what has often been an ideologically charged privatisation in other Anglo-Saxon welfare states, as noted in Chap. 13 by Ó hAdhmaill in the case of the UK, for example. While this is not to say that stronger ideological expressions of neo-liberalism are not entirely absent in Ireland, our conclusion about the extent of and nature of neoliberalisation in the Irish welfare state is probably more nuanced than other commentators including Mercille and Murphy (2015) and Coulter and Nagel (2015). One reason for nuance is the gap we find between what policy 'is' and policy 'does'. Across all the chapters there is a keen sense of implementation deficits or outright implementation failure. While Irish Water is perhaps the most obvious implementation failure, there is also the inadequacy of responses to social housing. We also see a lack of or delay in implementation in for example health, failure to integrate across childcare and education policy and failure to fully integrate delivery in the 'one stop shop' model for activation policy Intreo. This systematic failure to implement policy also means that policy cannot be simply read from policy rhetoric or policy statements, there is clearly a significant distance between what policy 'is' and policy 'does'. In some cases this may well be intentional, policy is agreed in the full knowledge that it will not be delivered, and in other cases the implementation deficit may lie in bureaucratic and other forms of resistance as policy flows from national level decision making through various tiers to local delivery.

We are mindful of Prügl's argument that "neoliberalism has become somewhat of a master variable, an explanatory hammer that fits all nails, used to account for a multiplicity of contemporary phenomena. . . . In order to make neoliberalism methodologically useful, it is necessary to transcend the reification of the concept, recall the indeterminate way in which doctrines circulate and are resisted, and [address] the process aspect of any class and governance project" (Prügl 2014, 616). The processes through which *neoliberalisation* embeds itself in policy and delivery are all evident in this book and include privatisation, marketisation and the various forms of governance associated with New Public Management (NPM). However, neo-liberalism, to the degree that it is present, has happened in a sectorally specific way and in some sectors, perhaps is not as pronounced as some literature suggests or has not happened in the way it was broadly anticipated. In more than one sector, the growth of private for-profit providers has evolved on an ad hoc and unplanned basis and what we see is more like privatisation by default. Across at least five areas discussed in the book, water, health, housing, activation/public employment services and credit services, what we see is not so much the rollback of state institutions to make room for private actors but the state rolling out new forms of regulation and sometimes reregulating private actors. One reason for the nuance in our conclusion is the degree to which we see how various ideologically or pragmatically charged attempts to create quasi-markets in these areas, for various reasons, have failed and the default reliance on the state as the provider of last resort has had to be restored. In one instance, for example, we see the state critiquing homeless non-governmental organisations (NGOs) for failing to take up market opportunities. However, in some sectors, we see very successful state-led development of private markets, for example, in ECEC, as Hayes points out, 70% of provision is privatised; private providers now dominate provision of nursing homes and in the area, social housing, as Finnerty *et al* show over one-half of all rents received by private landlords coming from rent supplement, Rental Accommodation Scheme or other schemes at an annual cost to the Exchequer of over €500m. These are forms of corporate welfare, where social policy becomes a state-supported quasi-market for private profit.

Hardiman and MacCarthaigh (2013:32) argue that *organisational reconfiguration of state capacity* has been limited by considerable vetoes and inertia. As a result, it seems it is through an easier route, namely attacking the welfare delivery capacity of society, that we see significant activity (Community Work Ireland 2015). As indicated by the earlier analysis of shifts in delivery, it can be expected that those areas of welfare traditionally associated with community and voluntary delivery are those that will become the focus of different forms of market delivery and profit making. This is already the case in areas as diverse as mental health services, local development and community development and home care Section 39 contracts all of which are now subject to competitive tendering and procurement processes. This trend may be particularly significant in the transfer of institutional care from society to unregulated and under-monitored private sector actors. The poorest, the end users of many of these services, are most vulnerable in this regard.

The crisis period coincided with *deep shifts in governance*, the most obvious being the standing down of social partnership and sectoral tripartite forms of governance and the emergence of market actors in new governance structures, for example, the new Labour Market Council now chaired by private industry, and the shift in pensions governance. More recently, we see the emergence of a new and relatively weak National Economic Dialogue. We see features of NPM and managerialism dominate some aspects of education, particularly tertiary and FET provision, but we also see successful resistance to these forms of governance in primary and secondary education. Health reform is also dominated by governance shifts, and a constant reshaping of institutions, little of which appear to improve capacity for effective delivery. Despite NPM mantra on evidence-based policy, there is a culture that tolerates severe data deficits and an absence effective proofing or evaluating policy. We see some positive aspects to increased regulation in particular the emphasis on quality of standards in health (albeit these are neither consistent nor evident in private health care). In ECEC, regulation is seen in ambivalent terms, while greater standards are championed and welcomed, there are also issues with overinspection and of reference to standards as a rhetorical strategy to justify delay in extending services. In housing, we see a hierarchy of different standards and processes of accountability across state, NGOs and private housing sectors with absence of accountability for state social housing tenants being challenged in collective complaint to the European Committee on Social Rights (FLAC 2015). In the financial sector, we see more evidence of uneven standards. Recent tightening of mortgage regulation is already under challenge, and similarly, the reluctant regulation of Defined Benefit pensions in 2012 was already diluted in 2013. Another worrying issue is the absence of regulation and monitoring in private sector delivery of welfare services with no regulation, for example, of private sector institutional or home-based eldercare. While there is some use of rights rhetoric (in childcare, employment rights and in the discourse of water-charges resistance and housing campaigns), more often rights are framed as customer or consumer rights and various national and local infrastructure to safeguard citizen's rights were eroded over the crisis (IHREC 2015).

To what degree did *international actors* drive policy? Various chapters observe the overlap between the pre-Troika *National Recovery Plan 2011–2014* and the content of the Memorandum of Understanding (MOU). While the Troika clearly had impact, it is not clear that it made a fundamental difference to the overall policy direction of the Irish welfare state. As Dukelow (2015) observes, the Troika were often pushing an open door. It appears that the core difference the Troika made was in overseeing implementation of policy and determining how far and how fast down the road policy might travel. In health, activation and some welfare reforms, policymakers were able to advance change without the domestic vetoes they might otherwise have expected. Now that the Troika has departed, it is hard to see if there is any downscaling or shifting in policy orientation, but we might expect increasingly successful use of domestic vetoes to block policy and/or its implementation. The Troika were not the only international actor influencing the shaping of the welfare state. EU directives are very much in evidence in shaping water policy and corporate welfare policy in the shape of EU competition policy. The EU Open Method of Coordination is a presence but does not seem a significant influence. Tightened fiscal rules and fiscal coordination across the EU post-crisis, in particular the preventive arm of the Stability and Growth Pact (SGP), may also be influential but it remains to be seen how much wriggle room Irish governments will try to carve out with respect to budgetary decisions. At the same time, international institutions are crucial vehicles for many societal actors with the European Court of Justice (pensions), collective complaints processes (housing), the United Nations (UN) Human Rights Court (water) and various UN monitoring processes actively used to advance welfare in areas. The OECD as a transnational policy actor is an evident influence framing policy in labour market activation, pensions, ECEC and third-level education. However, it is clear that the Irish state is not a passive recipient of OECD policy framing but actively invited and engaged in these policy-learning or policy-transfer processes.

What can be said about the *politics* of the Irish welfare state in the twenty-first century? Various sectoral interests have promoted or resisted various aspects of Irish welfare state restructuring, however, given this was not a core question of the book, we can only make tentative observations about the degree to which the restructuring of Irish welfare policy been contested. We remarked earlier on the political influence of international actors and suggested a proactive engagement with such actors and domestic policy entrepreneurs, particularly those in key public sector positions. The standing down of social partnership institutions is associated with a centralisation of power as government sought to gain control over bureaucracies, in a move reflective of shifts towards a new stage of managerialism. The emerging power elite is not an inclusive one in terms of class, gender or ethnicity; for example, the absence of women in key institutions is well documented. Pierson's concept of path dependency has currency, we see key political constituencies well able to defend core welfare state provision (e.g. older people in the case of health care or public sector unions in some instances). For other groups, their economic and power inequality is marked, despite protest they have been unable to successfully resist reform as was the case for lone parents and young people. To a degree, this also reflects the contingent nature of the social protection system, which mitigates against cohesive mobilisation against retrenchment and reform (Murphy 2012). With some exceptions, we see a continued absence of macro-campaigns with capacity to generate solidarity across welfare claimants and citizens more generally. The capacity to mobilise has diminished as civil society actors find more caveats controlling what can be done with less state support, NGOs report feeling both inhibited or times suppressed from engaging in protest (Harvey 2014).

Discussing implications of *partisanship*, Hardiman and MacCarthaigh (2013:31) note how 'a relatively narrow ideological spectrum facilitated a considerable degree of cross-party agreement', nonetheless, we see partisan politics in different approaches before and after the 2011 general election, for example, not only in relation to social welfare adult rates, water charges and minimum wages but also in relation to the general tax/expenditure ratios. Some welfare issues have a greater degree of *political saliency* than others, water, health and childcare have a particular saliency as does low pay, unemployment, related emigration and spatial inequality. Parties are sensitive to public moments which have influenced policy, from the reaction of older people to early cuts to the medical card for over 70s, to maternal deaths of healthy women, water charge protests and the death of homeless man Jonathan Corrie. However, it is less clear that these flash points always have policy impact. Other issues including pensions, unemployment, childcare, precarity, education and labour market policy have produced less in terms of flash points but are persistently commented on by key interests. Ireland's constituency-based electoral institutions mean much politics of welfare reform plays out locally, for example, in relation to education and schools closures. The salience of water as a political issue might be in part attributed to the visible process of water metering in local areas which gave impetuous to significant grassroots organising. Local influence, as Grummell and Lynch have found, is also a power base for teachers resisting imposition of NPM in primary and second-level education in Ireland. However, local capacity of mobilisation against welfare cuts has been eroded by significant cuts to civil society and local infrastructure (Harvey 2014).

It is in the *less visible dimensions of power* that much policy shaping happens. Political corruption is a consideration for corporate welfare, particularly in relation to spatial distribution of resources and allocation of key government procurement contracts, for example, both water metering and hospital supplies have been controversial in this regard. Private industry has a clear policy presence in pensions, labour market activation, housing, health and corporate welfare policy while sectoral actors including hospital consultants and education managers have disproportionate sectoral power. There is a clear presence of international and domestic consultancies who play roles as knowledge elites or policy entrepreneurs mediating policy (Price Waterhouse Coopers (PcW) in water services policy, Indecon in labour market policy, etc.). Domestic ideational influences are present with the Economic and Social Research Institute (ESRI), a dominant player and with the National Economic and Social Council (NESC) strategically intervening in some debates and smaller think tanks having some but limited impact on public discourse about inequality, taxation and the more general politics of austerity. Media discourse is narrow and supportive of fiscal consolidation (Mercille 2014).

International finance appears to have significant power and we see the Irish state (and welfare state) oriented towards making Ireland 'the best small country in the world to do business in'. This translates directly into a low-tax paradigm, which, as O'Connor and Sweeney observe, creates a vicious cycle for welfare state investment, citizens demand lower taxation in order privately purchase education, housing, care and health services that might otherwise be delivered through a more developed welfare state. As post-crisis macro-economic discourse promotes 'stability', we are perhaps likely to see the emergence of Ireland as a state ideologically, technically and pragmatically committed to a permanent type of austerity with finances managed according to EU semester deficit targets.

This is consistent with Streeck's (2015) concept of the 'consolidation state' characterised by fiscal conservatism. Keeping books balanced is not necessarily a negative feature for welfare states and is indeed a feature of the Nordic-style social-democratic regimes (Ó Riain 2014). What is missing in the Irish model, however, is the capacity to traction what Streeck terms 'taxability'. This long-standing feature of the Irish model may have more far-reaching implications post-crisis: trends such as creeping privatisation, greater stress on user charges, and the extent to which taxes raised are used to pay down debt and debt interest may further alter expectations and interests with respect to the welfare state. The combination of fiscal consolidation and failure to generate adequate revenue and a broad base of taxation suggests Ireland's welfare state will remain inadequate to the tasks of ensuring an equal and flourishing society, itself a prerequisite of a thriving and sustainable economy.

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