The Irish state post pandemic

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Think-tank for action on social change

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Executive Summary

This report examines the role of the Irish state post pandemic. It reviews current critical thinking on the future role of the state and discusses the economic and political constraints of the Irish context. It maps out the political and economic space to expand the role of the state, by reviewing secondary analysis of public attitudinal data on taxation, general spending and priorities in specific areas. It then discusses findings from interviews with key policymakers and representatives for this report in three sectors: care (childcare and elder care); higher education and renewables.

Public opinion and voting patterns clearly point to the Irish public favouring policies that imply a larger state, although there is little enthusiasm for the higher levels of taxation needed to fund it. Most pressing in the public mind is housing and healthcare, though investments in childcare and climate mitigation policies are also popular. The state currently has the capacity to borrow further, if it chose to do so. The reinstatement of fiscal rules in the near future will likely mean that any increases in spending will have to be funded by revenue raising measures.

Policymakers, across the sectors, share a common desire for substantial policy change focused on confronting long-term economic and social problems and likewise, creating more opportunities for workers and indigenous industries. They agree that the state will need to expand and that, beyond budget exercises and spending commitments in specific areas, the scope of its responsibility has to be fundamentally altered to be more farsighted and holistic. Albeit that they tend to display a certain fiscal conservatism in their attitude toward borrowing.

Respondents across the sectors detail the disconnect between business and communities, further and higher education institutions, and forms of care. Long-standing and evolving problems of lack of communication and coordination within government and between government and other stakeholders (e.g. community representatives) need to be addressed. They call for a long-term strategic vision that connects policy areas, government departments, stakeholders in society, and business in overcoming social and economic inequalities and segregation.

Interviewees also have their own priorities in terms of specific policy responses. The care and HE sectors prioritise improvement of working conditions; the cost and availability of childcare; the cost of residential care, underfunding of tertiary education and research, weak local government capacity and greater understanding of the local economic impact of public institutions and business. Stakeholders in the renewables sector have similar concerns and look to the government to develop and coordinate an overarching energy policy with the public, local communities and industry.

This report pays close attention to how policy vision and public investment in a combination of interrelated sectors might reverse the negative impact of the current economic model and provide the foundation for an alternative that would prioritise investment in human capital and explicitly, social mobility. It outlines how a new model would need to encompass research, infrastructure, and local economic and community development. This would facilitate growth and innovation in indigenous industry that would provide greater opportunities for local economic and community development and promotion of social mobility. In turn, that would enable individuals to both lead more fulfilling lives, especially if they are disadvantaged, and gain greater trust in political elites and government.

The report's objectives are as follows:

1) Demonstrating the case for a more far-sighted, visionary state focused on improving public services and addressing Ireland's societal needs. In so doing, social mobility is enabled and inequalities are reduced while climate action is integrated more deeply into economic development:

> "only by adopting ambitious societal and economic goals will the state have the capacity and commitment to confront effectively more specific longstanding and evolving problems" [stakeholder interview].

2) Examining the political and economic constraints to expanding the Irish state.

3) Outlining how public policy can fulfil human and social needs using a number of case studies.

4) Recommending how the state can begin to develop a new more ambitious policy framework addressing challenges in care, renewables, and higher education.

Key interview findings

Stakeholder attitudes to the state (all sectors)

On expanding the state

1. It was agreed that the state's response to Covid had been appropriate and that, post pandemic, it would expand due to age-related pension, health and climate-related spending.
2. The new policy framework would include:

- Greater state leadership at multiple levels, and include setting ambitious objectives based on long-term goals over multiple future budgets.
- Greater long-term strategic planning and vision that promote partnership at a national and local level.
- Go beyond election cycles and relatively short-term targets e.g. policymakers and civil servants focus on childcare outcomes 2 or 3 years after investment, which contradicts research on childhood development that demonstrates positive outcomes are longitudinal.

On addressing labour market supply challenges

1. Precarity, low pay, and lack of opportunities for promotion or professional development are particularly acute in care and tertiary education.
2. Concerns about working conditions and labour supply include impact on staffing, the viability of small businesses, longer-term questions of professional advancement and the impact of a lack of future opportunities on service quality.

On addressing inequalities

1. High market inequalities are seen as largely due to shortcomings in public services. The government must address:

- Health, education, social, and income inequalities, especially gaps in early learning or availability of appropriately skilled homecare for low-income households.

- Influence of location on the quality and availability of public services;
- Lack of consistency in quality, affordability, and accessibility within childcare, homecare, and other private services.
- Lack of opportunities for social mobility in sectors characterised by low pay and insecurity and in new sectors such as renewable energy.
- Gap between foreign and Irish-owned businesses in terms of innovation, productivity, value added and other performance indicators.

Widespread agreement on spending priorities

1. Increased spending on ageing and climate change was inevitable.
2. Improving the dysfunctional housing market was a priority.
3. Current levels of funding of childcare were woefully inadequate.
4. More investment was needed in higher education.

Policymakers views on funding

1. The state should compensate for long-term shortfalls in funding.
2. Revenue would need to be raised.
3. Ireland is overdependent on revenues from a handful of companies in the corporate sector.
4. Environmental and carbon taxes are the measures to be used to fund just transition.
5. Increases in all classes of PSRI are inevitable.
6. Increase consumption taxes and allowances for green-related capital investment.
7. Support for the recently introduced spending rule.
8. Views differed on the relative importance of debt-servicing burden, level of indebtedness and size of deficit as fiscal rule indicators.
9. Policy makers in government showed that fiscal conservatism remains within segments of the state.

On policy implementation

1. There is lack of coordination and diverse policy agendas and interests between government departments and the subsequent consequences for frontline services.
2. Policymaking needs to be improved. This involves taking a 'whole of government' approach to implementing policy across departments, following a shared understanding of the strategy and desired impact.

On co-designing policy with local communities

1. Further consider the local economic and social impact of policy decisions, national investment, public institutions, and growth in indigenous industries.
2. Strengthen assessment of the local economic and social impact of local government, business, and charities.
3. Develop explicit community engagement in, for example, renewables, to reinforce and maintain the positive long-term impact.

4. Limit state extraction of profits by foreign companies in sectors where indigenous businesses should be supported, both for the domestic economy and to ensure the public interest is protected (examples include international chains in childcare and homecare.)
5. Replace consultation with stronger stakeholder participation in government committee meetings and policy formulation.

On the role of the state and policy research/evaluation/indicators

1. Invest in 'blue sky' research to spur innovation and raise the status of occupations.
2. Go beyond economic indicators to incorporate well-being.
3. Invest in academic research (versus industry-led) for the development of indigenous industry and improvement in public services.
4. Improve the measurement of the impact of local government, public and charitable services, and business on their communities so that their economic, social, and political benefit is better understood.

Stakeholder attitudes in the childcare sector

The need for a long-term overarching vision

1. Lack of investment is shortsighted (as it can lead to problems further down the line, such as physical and mental health problems)
2. Childcare investment has the potential to bring economic growth, aside from social benefits.
3. Take a long-term view on social return to investment - provision of accessible early year care and education contributes to long-term economic growth (and can pay for itself).

The need for public provision of childcare and elder care

- Some respondents felt that investment and regulation was needed to ensure access to consistent quality, where any service, regardless of location and type of provider, is trustworthy in its provision and standard.
- Some emphasised the need for person-centred care, perhaps through the state offering individual vouchers and thus enabling choice of care options.

There was widespread agreement that the state should:

- Intervene to improve working conditions in nursing homes, and homecare, so that the sector moves beyond reliance on low-paid migrant workers to a more highly skilled workforce with the right to collective bargaining.
- Address the varying quality of care services across localities and ensure adequate oversight, regardless of private or public services.
- Pay childcare workers and - in both sectors - subsidise in-work training to offer better quality services and opportunities for advancement.
- Manage homecare more effectively so that the increasingly complex needs of older people are met appropriately, where staff have relevant skills and experience.

- Regulate informal care providers to increase labour market participation and improve the cost and availability of childcare and residential care.

Stakeholder attitudes in the Higher Education sector

- Underfunding and precarity are both undermining the sector and inhibiting its capacity to develop domestic enterprise.
- Improve working conditions in tertiary/higher education.
- The state is not connecting different forms of tertiary education to enable individuals to move from one to the other.

Stakeholder attitudes in the Renewables sector

1. This sector has potential for significant job growth, upskilling and transitioning to better align skills and work.
2. Training should be made available to workers whose jobs are being eliminated because of digitalisation and climate action and to younger people from disadvantaged backgrounds.
3. Allowances for capital investment (especially green-related) were supported, but there was disagreement as to the extent to which the state should fund renewables. However, more government participation was considered critical to catalyse the creation of new indigenous enterprises.
4. Some felt the state should actively promote the sector, including equity stakes in emerging firms. Others thought that the focus should be on a re-design of market structure to facilitate renewable energy providers.
5. Other roles for the state included provision of a one-off car scrappage scheme, funding the retrofitting of social housing, implementing a carbon tax and supporting changes in agriculture (including reducing cattle).
6. Explicit community engagement is needed to reinforce and maintain the impact of services whose benefits may not be visible for many years.
7. The state needs to work at ensuring local communities benefit enough from renewable energy to take advantage of Ireland’s natural resources.

Key recommendations

Public finances/social security

1. Maintain the retirement age at 66.
2. Increase spending on public pensions by up to 1% of GNI* over and above ageing-induced spending.
3. Increase employers and self-employed PRSI to raise at least 1% of national income to fund maintaining retirement at 66 and expanding the social wage.
4. Raise 1% of national income through phasing out CGT relief and updating property values to calculate local property tax.
5. Raise 0.6% or whatever amount is necessary through phasing out fossil fuel subsidies.
6. Push for reform of the Fiscal Rules based on the cost of servicing debt, not the level of deficit or debt.

Childcare and Elder care

1. Provide for greater integration of government agencies, such as home care and health care services.
2. Integrate early childhood learning and care into local schools and subsidise staff salaries, in part so that workers in the sector could achieve career development.
3. Increase funding for the early years sector by 0.7% of GNI*, bringing it to 1% of GNI*.
4. Initiate a long-term strategy for early years and move toward a model that relies primarily on public provision.
5. Increase spending on eldercare by around 0.1% of GNI*, excluding demographics, to raise the wages of care assistants.

Higher Education

1. Provide a long-term strategy for higher education which allows for secure employment.
2. Remove the hiring cap on permanent staff.
3. Increase spending on higher education by 0.3% of GNI*, back to the 2000s level of 1% of GNI*.
4. Increase publicly-funded R&D by a further 0.2%.
5. Spur innovation by linking public investment in R&D to indigenous enterprise.

Renewables

1. Cost and make publicly available the public financing of a just transition.
2. Treble the amount of public funding allocated for renewable energy R&D.

Introduction

Rethinking the role of the state

In Ireland, state intervention to support the domestic economy and more directly, employees and businesses particularly vulnerable to the economic fallout of the pandemic, has occurred at the same time as Brexit and fundamental changes to the long-standing corporate tax rate. Analysts are warning against a K-shaped recovery that exacerbates existing segregation in the economy between highly-educated, well-paid workers in financial services, IT, and other sectors and low-paid workers in sectors such as hospitality and retail, which have been severely affected by the pandemic. The combination of external and internal pressures offers an opportunity to reconsider the social objectives of economic policy.

The state's increased spending and coordination with the private sector to address the crisis has led to support for a greater state and for state-owned/subsidised/contracted enterprises providing employment and universal services. It has become increasingly evident that because the state is able to take bigger risks to address collective problems, that opportunities can be created through government participation in the economy not only supporting and developing existing sectors but catalysing the creation of new ones. As such, there is an opportunity to reconsider the role of the state and its societal objectives.

The pandemic has exposed the limits on a tax and transfer approach to public services leading to the highest levels of market inequality in the developed world (Sweeney, 2020a); labour supply challenges, reduced social mobility and a declining trust in government. It has also highlighted the limited ability of the state to respond to other collective problems, such as demographic pressures and climate change. This report asks how the state should respond to current economic, political, environmental, and social challenges? What should its policy priorities be and what would the impact of those be on public expenditure, public trust in policy, and public services?

This report argues that the current economic model and the scope of state responsibility must change in order not only to ensure better quality of work in certain sectors, historically characterised by poor pay and insecurity, but also to provide lifelong opportunities, which may require continued access to public services such as education, childcare and health. To address collective challenges such as climate change, the state must also directly cultivate and engage with shared concerns and interests at a national and local level. This includes fostering cooperation between local public institutions such as universities, businesses, and communities to develop renewable energy sources. It also means providing opportunities for job growth, particularly for younger people from disadvantaged backgrounds and to those whose jobs are being eliminated as a result of digitalisation and climate action.

Rethinking the current economic model and scope of state responsibility would require policy agendas to become more far-sighted, visionary, and holistic. For example, investment in childcare would aim explicitly to reduce short and long-term inequalities amongst children and their parents, who would find working easier, and generate greater opportunities for staff, who could then see the profession as a long-term possibility. The report argues that only by adopting ambitious societal and economic goals will the state have the capacity and commitment to confront effectively more specific longstanding and evolving problems, from lack of access to childcare to climate change.

Policies that overtly prioritise social progress will enhance the appeal and reward of occupations like childcare and homecare, as well as climate justice and teaching. As Mathias Urban puts it in an analysis of what needs to be done to improve early childhood education and care post-pandemic: "Any critical interrogation of the systemic failures of the Irish ECEC system has to start by acknowledging the enormous personal and institutional commitment to young children and their right to education and care."[1] He points out that the language of 'systemic failures' is not a critique but rather a fact, and therefore should "urgently become a 'matter of concern' for us all" (Ibid.) This report relies upon the same logic, namely that critical policy areas that depend upon personal and collective motivation and attention, such as care, but also climate action, are important to everyone. They thus represent more than an individual interest: they are shared concerns generating shared benefit.

Arguments for developing a bold ambitious policy framework

For decades, the corporate tax rate has functioned as the core industrial policy in Ireland. Its increase to 15% raises questions about the extent to which it can be relied upon going forward as a tool of industrial development. The response of the state to the pandemic indicates that it can do more to develop indigenous industry and make work attractive, where there is political will. To do so, the state will have to address long-standing weaknesses in infrastructure and public services, creating conditions to support individuals and households to participate in the labour market, foster innovation, and reduce the cost of living.

The state in this case would not just be investing more, it would also be assuming greater strategic and practical leadership, bringing together stakeholders within and across sectors to frame collective responses and actions to global, national, and local challenges. Showing greater leadership should help overcome public distrust in state governance and effectiveness. Trust in public institutions is low in Ireland, despite a strong appetite for investment in public services. Correspondingly, this report is asking how the state can regain that public trust.

By intervening to reduce inequalities and improve life chances, the state demonstrates its significance to individual lives and collective progress, in turn, generating conditions for greater public trust and confidence. Focusing on social mobility and overcoming inequalities differs from current policy emphasis on individual benefit from cash transfers and means-tested benefits, and measures like raising the minimum wage. Policies aimed at national and local access to services like childcare or further education have consequences for society, not just for individuals or households.

Pushing for policy focus on public and other services, working conditions, local governance and policy input, inequality and social mobility, and indigenous industrial growth echoes other recommendations and observations made repeatedly since the financial crisis to look beyond the corporate tax rate as industrial policy and return to a constructive social dialogue. The fact that at least half of tax revenue comes from just ten multinational companies gives greater urgency to expanding the tax base. The reliance on this revenue seems increasingly risky. It also exacerbates labour market segregation between international and Irish-owned businesses.

1 Urban, Matthias, (2020) "Common Good and Public Service: Crisis lessons for the future of early childhood education and care," Ireland's Education Yearbook 2020. p.26

The government is currently engaged in social dialogue, with what the Taoiseach has referred to as 'five pillars', or employers, trade unions, agricultural groups, social NGOs and environmental NGOs. Clearly, social dialogue on labour market issues requires effective engagement and consensus between government, employers and unions. Any new thinking on industrial policy and the economic model Ireland has adopted for decades will have to account for social impact. Reworking the economic model will likewise have practical implications for how the state functions and its communication and cooperation with the private sector and civil society, including local actors.

Critical thinking on the future role of the state

This section outlines some of the current thinking on reimagining the capacities and role of government, to address the problems already outlined above, including health, inequality, labour supply challenges and the environmental crisis. These debates move beyond the state fixing market failures to a reimagining of the potential of a public sector driven by public purpose.

Economists such as Mazzucato (2021) argue that the quick, coordinated response to the pandemic has illustrated the capacity of government-private sector coordination and the benefits of long-term investment in scientific research to address complicated global challenges. However, the slow distribution from wealthier to poorer countries has also indicated the limitations of innovation detached from a conception of public interest. In a briefing for the World Health Organisation (2021), she writes that the recent experience of developing vaccines demonstrates that:

> "[U]nless innovation is governed for the common good, many people remain excluded from its benefits, limiting the positive impact of health interventions, and creating unacceptable inequities that potentially exacerbate the health needs that it is supposed to address."

It is argued that the state must reframe value creation to be the outcome of state-private sector cooperation and expressly for 'public purpose' as elaborated by Mazzucato (2021). She calls for guarantees that public investment, for instance, in research, will be for the common good and not for private profit-making. Responding to government intervention during the pandemic, she, and her colleagues argue for public-private sector partnerships to "shape a better kind of capitalism." They contend that subsidies for private companies should "use conditionalities to promote dignified working conditions, including decent pay, adequate safety, and worker representation, as well as advance longer-term societal missions, not least the need to transition to a net zero carbon economy" (IIPP, 2020.)

Raworth (2017) and other economists argue for abandoning the prioritisation of GDP to instead situate the economy within social and environmental parameters to make policies more effective and realistic in their ambitions. She contends that economics should "reconnect with the purpose that it should be serving" or "prosperity for all within the means of our planet." (2017: 32) Richard Murphy and Tony Atkinson similarly argue for abandoning the primacy of growth and assumptions about individual behaviour as an economic actor. Murphy (2011) wants states to think about different aspects of well-being, including a sense of purpose. Atkinson introduced an accounting framework for assessing the outputs of public services that recognises quality of service. He wanted outputs to be measured through the value they added, or improvement in outcomes such as life expectancy from treatments and operations.

This type of accounting can also be applied to a wider set of inputs, such as to healthy diet classes, for example, and these should be considered alongside GDP measurement. In other words, how is public expenditure on services affecting quality of life and human potential? Accounting for quality change in services can also incorporate long-term impacts on human welfare.

Developing new partnerships within and between sectors will require new governance structures as a way to protect the planet and establish a social floor, as well as prepare for crises. As Raworth (2017) argues, “Much will depend upon the twenty-first century creating far more effective forms of governance, on every scale, than have been seen before” (p.59.) These forms of governance would ensure that equality, fairness, climate action, and better living conditions and opportunity for disadvantaged groups--so that individuals can aspire to a better future--are all integrated into economic planning.

They will involve the state enabling cross-sector collaboration leading to “collectively beneficial outcomes for all of society” which necessitates prioritising the value created by this collaboration for the public, which could, in turn, limit the income earned by private companies. In other words, the public’s benefit should guide decisions concerning public investment, subsidies, and other financial mechanisms related to industry and thus should have implications for how much businesses can ultimately profit from that investment.

For Mazzucato, public investment has often assumed the risk that private companies cannot, and thus the public, which has paid for this investment, should gain from any output. Her analyses of value creation by the BBC and the global effort to discover and produce Covid vaccines offer examples of prioritising public purpose in policymaking and specifically, investment in corporate activities like Research and Development (R&D). Her argument contrasts with trends, discussed below, which show greater support for industry-led R&D than independent university-based research (e.g., Irish Research Council funding).

Mazzucato has also been the most prominent advocate of utilising public investment to ensure the public benefit from privately made goods. Waiving intellectual property rights for Covid vaccines offers a good example of public and private investment prioritising together public interest over private company profits. Other academics have questioned the current utility of public administration models like new public management and called for less use of sub-contracting. This argument, put forth by scholars such as Chiara Cordelli (2016, 2020), is that privatisation of public services upends the ethos of the state as representing public interest versus the private interest of the company. Finally, public intellectuals like Richard Murphy and Kate Raworth have pushed for integrating economic, environmental, and social goals within policymaking, so that one does not have priority over the others. Rather, actors are understood as acting within a social world and facing political, environmental, and economic pressures.

Other researchers examining the importance of state leadership have focused more on public engagement than Mazzucato. For instance, the Nobel-prize winning economist Elinor Ostrom emphasised that co-production involving the public sector must cultivate active citizenship. She remarks in a paper on the good society that “[u]nless public officials and the suppliers of services take account of the aspirations and preferences of the people they serve, they are apt to find reticent citizens who consider themselves victims of exploitation, rather than active participants in collaborative efforts to realise joint outcomes” (2019: 11). She likewise stresses that concentrating solely on how public institutions govern resources and maintain local infrastructure misses the voluntary contribution of citizens, whether on their own or through associations. She remarks that: "[t]he process of governance refers to a much larger universe of discourse both inside and outside of formal governmental units than to what proceeds within the walls of a particular unit" (Ibid).

Echoing her call to broaden notions of political authority and responsibility, the interviewees cited below ask for greater input into policymaking across stakeholders and at a local and community level that corresponds with equally expansive perceptions of how social, health, education, and economic issues relate to one another within policymaking. Policies should reflect the real lives of members of the public and the difficulties they face, which are often complex and contiguous.

Central to that is developing trust in the governance of the state. This will involve further work by the government on how the public can be brought on board with policies that may not see immediate positive social impact. Long-term policies have less support than policies which immediately affect people. However, research also tells us that once policies are implemented effectively, support can grow for them and therefore that bold leadership is required at the onset of innovative policy (Bowles 1998; Mattauch and Hepburn, 2010).

It is argued that the state can improve trust by demonstrating its significance in individual's lives and through collective progress reducing inequality across policies that perpetuate inequality and low wage work, as well as social segregation. This approach more closely resembles references to the 'common good', where policies address needs but also encourage citizen engagement with policy and each other. Policies may thus move away from targetted provision toward universal access, but they also foster input and cooperation at multiple levels. Beerbohm and Davis (2017), who expanded upon Scanlon's concept of the common good, conceptualise the term as acting together for something that is collectively a good thing (p. 9), where "[b]eing in the common good consists in the fact that there are reasons to act together to bring it about." (Beerbohm and Davis, 2017: 12) The common good is "a matter of will, and as identifying a common interest," (Ibid: 13), where people collectively strive to achieve an outcome that is better for everyone in general. In the discussions of the case study findings below, the report highlights how the state can play a role in identifying those common interests and acting upon them in partnership with other stakeholders.

Cultivating more widespread active engagement will require a rethinking of the purpose of higher education policies not only as economic benefits but also as needed to develop members of society who are politically engaged and ethically informed. In turn, this will enable a social contract to develop between the state and members of society. Representatives of the sector quoted in this report were clear to point out that this is not where Ireland is now.

Research methodology

The report is based on analysis of current debates on public policy and the public or common good and 26 semi-structured interviews with representatives of the care, further and higher education, and wind energy sectors, as well as business lobbies and government.[2] The interviewees were chosen based on knowledge of the sector in which they work. It was important that interviewees have a working knowledge of challenges faced by their sector. This invariably involved senior figures within organisations such as directors and CEOs, when available. Interviewees were also selected based on expertise, such as senior policy advisors within and outside of government. The sectors were selected according to three criteria: 1) how

2 For further details of the interviewees, please see the appendix.

the sectors will be affected by potential changes in Irish economic policy, especially shifting away from reliance on FDI; 2) their role within developing a new economic model that would explicitly address inequalities and life chances; and 3) their potential for job creation in areas of high value to society and the common good.

The research also included secondary analysis to inform the qualitative research by mapping out the policy space to look at potential consequences for public finances of meeting social and health policy objectives. Analysis was conducted on survey data on public attitudes to an expanded state, voting patterns, polling, survey evidence, spending in specific areas and public spending deficits.

Rationale for case studies

The care economy

Childcare

Ireland is one of the lowest spenders on childcare in the EU. The majority of government spending is on subsidising free pre-school childcare through the Early Childhood Care and Education Scheme (ECCE). One consequence of this underinvestment is that care is unaffordable. It is among the most expensive in the EU.

The sector was chosen to look at the nature of negative impacts on the population—both short and long-term—from a sector that is struggling to function. And conversely, the potential it has for reducing inequality, increasing labour force participation and social mobility.

Elder care

There has been an overall decline in spending on care as a percentage of national income in the last decade. The main trend in allocation of resources to the adult and long-term care sector has been increased privatisation. A key issue is the desire to reduce costs, specifically in the public sector. Pay and conditions, particularly in home care, are worse than other care settings. However, there are some central tensions in the sector between pay, conditions, quality of care and the financial viability of private care, with competitive tendering putting downward pressure on labour costs.

While the sector is currently fragmented, without long-term goals and vision, it will be increasingly critical for an ageing population; one that is worth investing in as a main growth occupation in the coming years. And that strategy is needed to improve recruitment, retention and improvement in pay and terms.

Higher education

Each industry in the case studies faces challenges regarding labour supply. However, precarity, low pay, and lack of opportunities for promotion or professional development characterise care and tertiary education in particular. High fees and elitism drive exclusion, which have diminished the contribution of education to the public. There has also been chronic underinvestment in research and development. While the economic importance of the sector is mapped out macro-economically, little is understood about the local economic and social impact of universities, especially in relation to local business growth and innovation, but also in terms of education and awareness of climate change, which would provide a valuable basis on which to formulate policies on renewables.

Renewables

Ireland is the second most polluting country of greenhouse gases in the EU. Agriculture was responsible for 37.1% of emissions in 2020, followed by the transport, energy (15%) and residential sectors. Despite its high contribution today, the energy industry has experienced one of the largest declines in emissions. This has been driven by greater reliance on renewable energy and a phasing out of peat production. Moving towards a more renewables-based economy would have a significant effect on emissions, over and above the direct impact of the energy sector.

In the government's climate action plan (published in late 2021), transition was costed at €125 billion, although the precise mix of public versus private funding is unclear. Investment in buildings will focus on insulation and retrofits, and also installing heat pumps. Electricity investment will be sourced first and foremost from investments in new renewable infrastructure and by upgrading the existing system. The vast majority of transport investment will come from electrification of the car fleet, and also trucks and vans.

Investment in renewables is therefore central to decarbonising Ireland's economy. Four-fifths of its electricity generation is to be from renewable sources by 2030, which constitutes a doubling of what it is today. Over half of this will be from onshore wind, perhaps a third from offshore wind, with the remainder being solar-based (Ibid.). Ireland's transition to an ecologically sustainable economy therefore provides opportunities for significant job growth, upskilling and transitioning to better align skills and work.

Report outline

The next part of the report provides the context for the case studies by analysing public attitudes towards an expanded role for the state. It discusses voting patterns, polling and survey evidence on taxation and general spending, and on spending in specific areas of interest to this report. It then looks at the public financial and economic constraints to an expanded state. It sketches out the borrowing capacity of Ireland from a historical and institutional perspective. It also identifies public spending deficits in key areas, along with revenue deficits should the state expand to close the spending gap. Finally, it surveys the attitudes of key policymakers based on a number of in-depth interviews. The goal is to map out the policy space available before specific areas and priorities are examined and to explore ramifications for public finances of meeting social and health policy objectives.

The second half of the report is the case study analysis and draws upon input from key stakeholders within the care economy, further and higher education, and renewable energy. The purpose of the case studies is to investigate how stakeholders regard existing policy strategies and implementation, the changes they want for their sectors and what these changes mean for industrial and social policy, and thus the role of the state in the economy and society. It looks specifically at stakeholder calls for long-term strategic planning, better working conditions in care and FEHE, and investment in research and innovation, in part to generate growth in local business. As the research is state-funded and tied to public-private sector cooperation, this growth, following the ideas of economists like Mazzucato, would necessarily be linked to community benefit. An example would be national and local governments working with wind energy companies and community representatives to guarantee community economic and social benefit from wind farms. Finally, the case studies also highlight how policy issues are linked, such as childcare to education, public transportation, housing, immigration, and support for community-based organisations working with children.

A discussion follows reviewing public appetite for an expanded Irish state and how that could be funded in the context of fiscal conservatism and rising inflation. Will the state transform its redistributive capabilities to be more in line with other high spending countries? Will it target measures and invest in areas that have the capacity to enhance social and economic outcomes, which if accompanied by high standards of governance, are likely to be popular and endure? The report ends with policy implications based on the findings and analysis of the case studies for the provision of a reformed and expanded state.

Mapping out the political space for a post-pandemic Irish state

This section explores the political-economic constraints to expanding the state. It first considers public attitudes towards a larger state, especially public services and taxation. It then delves into economic issues by identifying spending deficits and how they may be closed. Finally, it looks at attitudes among key stakeholders, in particular, senior policymakers within the state apparatus. It finds that the Irish public supports policies that imply a larger state, and that this will need to be funded by higher taxation. There is widespread agreement among policymakers that the state will expand, albeit they adopt a rather conservative approach to public borrowing. There is political, economic, and legal space for tax-funded increases in public expenditure.

Attitudes toward an expanded state

General attitudes toward public services and taxation

The relationship between public opinion, political action and voting behaviour, and public policy is complex (Hakhverdian, 2012; Hakim, 2003). That changes in public attitudes have an effect on public policy is obviously true. The recent history of Ireland is testament to how cultural changes create policy changes that would have seemed far-fetched only a decade ago. However, other attitudes seem to have a smaller effect on behaviour, which creates less scope for political mobilisation. This section shows that housing and healthcare are the issues of most concern to the Irish public. In areas of care, climate, and higher education, the state will need to take leadership and link policies to high standards of governance. In this way, the public may be more accepting of paying higher taxes to fund expanded public services.

A large amount of polling data, analyses of voting behaviour, and other studies show that the Irish public desires policies that imply more provision of public services, including in the specific areas of care, climate action, and, to a lesser extent, education. Here we survey some of that evidence looking at general and specific policy attitudes. While there is clearly a demand for more services, there is less enthusiasm for higher taxation to fund it. International evidence suggests that acceptance of higher taxation increases when the quality of public governance is high (Davidovic et al., 2020).

The Irish electorate has traditionally been right-of-centre on the political spectrum. As is well-known, the dominance of Fianna Fail and Fine Gael since independence meant that political allegiances were less grounded in class and more on national and civil war politics. This, coupled with the historically powerful influence of the Catholic church, contributed to a more socially-conservative and a less class-cleaved electorate than in other European countries. The bypassing of industrialisation bequeathed the political system with local, parochial politics, instead of an urban proletariat pushing for social democratic institutions (see Breatnach, 2010).

Ireland, however, has been undergoing something of a political transformation. Over the past half century, an increasing number of voters have identified as on the left of the political spectrum. As of 2020, the average Irish voter leans left, and policy and political preferences now align better with income. For instance, lower-income and rural working class voters may have in the past favoured Fianna Fail, whereas many, if not most, have now migrated to Sinn Fein (Muller and Regan, 2021).

As well as supporting policies that reduce inequality, such voters are more likely to agree the government should increase taxes and spend more money on health and social services. Indeed, given the choice between allocating surplus state resources on public services versus reducing taxes, two-thirds of the Irish public believe the government should prioritise public services (Ibid.). This chimes with previous research that shows almost 70% of the public believed the government should prioritise investing in public services over funding tax cuts with working-class people only slightly more likely to support this position than people drawn from the middle classes (TASC, 2015).[3]

Digging deeper, attitudes toward higher taxation and spending are more complicated than favouring services versus tax cuts. Though most prefer the government prioritising public services in allocating *surplus* resources toward public services, given the choice between paying less tax now and investment in public services now, a recent poll says just over half choose lower taxes (Leahy, 2021a). Indeed only 21% of the public believed that the government should have increased spending in the last budget. At 44%, the most common preference was for the government to maintain spending at current levels while a fifth actually favoured spending reductions (Leahy, 2021). Elevated spending to manage the fallout from the pandemic might have been a factor.

The preference for maintaining government spending rather than increasing it to fulfil the desire for more public services may also be related to concerns about future taxation. When asked, most people are likely to oppose tax increases when the tax falls on them, as they are perceived as reducing living standards. For instance, almost two-thirds of the public support a wealth tax according to an online poll (McDermott, 2020), though 84% opposed moderately increasing the local property tax two years prior (Brennan, 2018). These positions appear contradictory as the majority of wealth in Ireland is property. However, the wealth poll referred to a tax on the top 1% of earners, whereas the local property tax is more broadly applied. In other words, increases in taxation are supported by households when the burden does not fall on them.

Despite what seems to be strong resistance to tax increases, especially to property taxation, it would be a mistake to overstate public opposition. Only 4% of the electorate deemed taxation to be the number one election priority in 2020 (OECD, 2021a). There is also strong support for increasing the progressivity of Ireland's tax system (Ibid). This is despite Ireland already having a highly progressive system of direct taxation, especially income and labour taxes. As with wealth taxes, it is likely that insofar as households perceive they will pay more tax, calls for greater progressivity are likely to be softer.

A distinct but important point is what explains Ireland's attitudinal trends. Muller and Regan (2021) venture that the declining influence of the Catholic church helps account for the leftward shift among the Irish public. The media also plays a role in cultivating support for Ireland's low tax model, which may explain some of the contradictory attitudes on the subject (Kneafsey and Regan, 2020). Of course, low corporate taxation has undoubtedly played a crucial role in attracting multinationals to Ireland, albeit its role may sometimes be overstated.

3 It should be noted that this includes lower-middle and upper-middle classes.

The perceived quality of governance is another important component of political attitudes. Countries where governance is perceived to be high, such as the Nordic countries, have high support for taxation and social spending, despite those countries already having high levels of taxation. According to a 2013 study, no other country in the EU-15 had a lower perceived quality of governance than Ireland apart from Greece and Germany (Svallfors, 2013). More so than in other countries, most Irish people do not trust politicians and political parties, regardless of social class, while only tertiary-educated people are likely to trust the legal system and parliament (O'Connell, 2020). Accordingly, Ireland had lower support for taxation and social spending than most of its EU-15 neighbours, though higher than most Eastern European countries (Svallfors, 2013). As we will see, this has implications for the level of public support for specific policies, and for policies that do not obviously benefit people in the short term.

Public priorities

We now turn to specific areas of concern. Due to the global pandemic, public priorities have reflected concerns about the evolving public health situation in the last two years. An October 2021 survey placed Covid, along with housing, as the most important issue facing the country. The economy and health came next (FOE/Ireland Thinks, 2021). Concern about the health impact of Covid has waned as Ireland emerges from the pandemic. New challenges will arise and traditional policy issues will resurface.

The electoral cycle may provide a better gauge of longer-term public priorities, especially given the belief in 2020, that Covid-19 would be short-lived. In 2020, keeping with the left drift of the public, healthcare and housing were the two issues most likely to have swayed voters–-a full 32% of the public deemed healthcare to be the most important issue. Interestingly, healthcare was also the number one issue among Fine Gael and Fianna Fail supporters. Next comes housing and homelessness-–26% of the public deemed them the most important political issues. Unsurprisingly, housing and homelessness were somewhat more important to Dublin voters, and also for Sinn Fein and People Before Profit/Solidarity voters (Collins, 2020).

Public sector pay naturally features more prominently as an electoral priority for public sector workers. 88% of public servants said public sector pay policy was either an important or very important factor in their voting choices. Pay is obviously very important to private sector workers but features less prominently in surveys either because the question is not posed or because there is less the government can do to influence their wages. Other major policy concerns for the civil service included investing in health services, the four-day week, housing and childcare (FORSA, 2020).

In terms of a possible explanation, the Irish housing market clearly is not functioning properly. Housing is given greater saliency by the fact that renters in particular can see lost income each month. Moreover, affordability problems in the housing market have developed very quickly so that people have a benchmark against which expectations have been formed – it wasn't always so bad. Ireland has never had a fully public health care service as most other countries do. It may be the case that as Ireland's standard of living has grown, the expectation of the population is for a commensurately high-quality health service. When that expectation fails to be fulfilled, it registers as a political problem.

Climate

A host of other issues are important to the public, albeit they do not feature as prominently as healthcare and housing. Historically, climate issues have not been high on the Irish political agenda. Although only 6% of the public believed climate to be the number one electoral concern in 2020, this actually placed it as the joint-fourth most important issue. Moreover, concern is rising. In 1982, the Green Party received only a fifth of one per cent of first preference votes, compared to 7% in the most recent election. The growth of the Green Party and the increasing urgency of the issue for humanity indicate that it is growing in importance among the public, and is only likely to continue to do so in the coming years. 18-24 year olds are most likely to consider it the most important issue we face (McCabe, 2021).

A crucial aspect of climate policy is the perception that addressing climate change would diminish rather than enhance people's living standards. Farmers, in particular, are of this view. Almost two-fifths of farmers strongly agree that climate change policies will make their lives harder while around a fifth slightly agree. The view that tackling climate change will make people's lives more difficult is also shared by many lower-middle and working-class people. Middle and upper-middle class people are the least likely to think they will be hurt by climate action (McCabe, 2021).

Support for or opposition to specific climate policies is consistent with broader attitudes to investment in public services and taxation. An impressive four-fifths of the public support cutting climate-changing pollution by 51% by 2030, the target set by the government (FOE/Ireland Thinks, 2021). This is in line with earlier opinion polling which indicates the Irish public is highly supportive of decarbonisation, including state subsidies for renewable energy (Nugent and Goldrick-Kelly, 2020: 4). On the other hand, there is little support for higher taxes on energy and fuel, as some 82% oppose them. Making petrol and diesel cars more expensive is similarly unpopular, though only 53% oppose higher taxes on air travel (Leahy, 2021). Unsurprisingly, making the corporate sector pay more in carbon taxes is hugely popular with 87% support. Similar to there being support for more public services, there is support for investing in tackling climate change. Just over two-thirds of the public support allocating resources to renewable energy (FOE/Ireland Thinks, 2021).

In terms of explanation, environmental benefits are longer-term and so have less support than policies which immediately impact people. Relative to those living in urban areas, the rural population may experience less pollution, spend more on heating their homes, have higher commuting times, and be more dependent on agriculture for a living. They are therefore less supportive of climate action. Higher-income groups may be supportive of green policies as their basic needs have been met, and so have other, non-material concerns. Income is also correlated with education, so there is a greater awareness of climate change (Otto and Gugushvili, 2020). International evidence suggests that support for environmentally-friendly policies is not easily accommodated on a left-right political spectrum. It is often the case that people who support expansive welfare policies do not support robust climate action policies (Jakobsson et al., 2017).

Compared to other European countries, Ireland is around average, both when it comes to people who are enthusiastic about welfare policies and those who support green policies. However, it has a low share of people who are enthusiastic about both (Otto and Gugushvili, 2020), a fact borne out by the 2020 election. Sinn Fein voters were less likely to prioritise environmental considerations compared to more middle-class left-leaning voters from the

Social Democrats and Labour, and even less supportive than centre-right Fine Gael voters (Collins, 2020). Encouragingly, it is possible for the public to support both a green and a welfare agenda as Nordic countries have many people who support both. This may be because the quality of governance is perceived to be high. Those with left-leaning attitudes may be reluctant to support environmental taxes (for instance) if governance is deemed to be poor as they do not want to prop up a corrupt regime (Davidovic et al., 2020). Extending the reach and quality of the welfare state can help sway the public towards a green agenda.

Childcare

Childcare is another area where there is support for robust public intervention despite it not being the priority for most people. For instance, only 3% of the public listed childcare as the most important policy priority in 2020. This rises to only 4% among all women, and to 5% among 25-to-34 year olds.[4] This may suggest a relative indifference to policies affecting the sector and an absence of support for strong public provision.

However, recent surveys and polls show this not to be the case. 55% of the public believe that the government should pay the wages of childcare staff and there is growing support for better terms and conditions for workers in the sector (ECI, 2021). Three-fifths of the public believe that childcare should be available for free at the point of use, as primary education is. Three-fifths of the public also believe parents should pay in proportion to their income. Clearly, question framing is important and the public can support competing policies.

When given the choice, however, the preference is for a public model as found in other countries. A recent online poll on how to address the childcare crisis gave respondents the choice between setting up state-run childcare, providing more grants to parents, and four other policy choices. 55% would prefer the state to set up childcare and only 14% were in favour of increasing grants and subsidies (Ni Aodha, 2021). Overall, there is strong support for public provision and for workers in the sector to be well paid.

As to why childcare is not higher up the agenda, most people do not have young children. Countries where support for childcare policies is highest tend to have high fertility rates, high levels of full-time female employment, and egalitarian attitudes tend to have high support for childcare provision. Importantly, the perceived quality of care is an important determinant of public support. Among 22 EU countries, quality of care was perceived to be the third lowest in Ireland, and support for government intervention in care was the fourth lowest (Chung and Meuleman, 2016). There is strong evidence that it is poor quality of care that drives unsupportive attitudes and not an indifferent population that leads to poor provision. Roth (2020) finds that when childcare is expanded in some regions but not others *in the same country*, regions where care has been expanded adopt more supportive attitudes.

In terms of its class component, some studies show support for intervention to be lower among higher-income parents, perhaps fearful of paying higher taxes (Chung and Meulemen, 2016). This, however, does not seem to be the case in Ireland given the comparatively high support among Fine Gael voters. Middle and upper-middle class women have better career prospects than working-class women and desire to provide their children with a lifestyle according to their background and social class. Exiting the labour market or working part-time to undertake unpaid care work, as many working-class women do, is therefore undesirable, if not altogether infeasible. Moreover, the interaction between high childcare costs, generous cash transfers,

4 Interestingly, at 6%, it is Fine Gael voters who are most likely to list childcare as the most important policy area.

and high levels of low pay enables and incentivises low-income women to undertake unpaid care in Ireland (Sweeney, 2020b). This likely shapes attitudes as despite high unemployment and low-paid work intensity, most lone parents say they have no need for childcare (Grotti et al., 2019). This explains why middle-class voters may be more inclined to put childcare as an electoral priority. Improvements in affordability of care will improve support for intervention among the population in general, while improving access among low-income households will generate support among poorer groups as they become users of the service.

Higher Education

Higher education reform gets significantly less public and media attention, outside of recent coverage relating to returning to in-person classes. This is despite the fact that in 2014, the Irish public were most supportive of increasing education spending compared to other social policy areas, albeit when forced to choose among competing priorities, they favour health spending (Busemeyer et al., 2018a; Busemeyer et al., 2018b). While the public is highly supportive of education spending broadly, spending on higher education is less of a priority. More recently, however, improving the broad education sector ranked as the second least important policy goal out of nine options (McCabe, 2021). The ongoing problems in the health system and the housing crisis seemed to have moved concerns about education to nearer the back of the line.

As education is less redistributive than direct welfare policies, support for education spending is not correlated strongly with income. As older people and those on lower incomes gain less from public spending on higher education, it is mostly likely to be younger, middle-class people that support public investment. Based on their own experiences, tertiary-educated people are also more likely to be supportive. Compared to other European countries, a 2006 survey found Irish people to be highly supportive of expanding general education spending but around the middle in encouraging academic versus vocational training post-secondary school (Busemeyer, 2012).

A more recent survey indicates Irish people appear to be more supportive of higher education compared to other European countries (Busemeyer et al., 2018b). O'Donnell (2015) argues that in Ireland, and elsewhere, higher education has become more attainable. Social attitudes have changed so that completing higher education has become more acceptable, similar to completing secondary school. Walsh (2014) links this attitudinal change to a change in outlook among increasingly internationally-oriented political elites in Ireland. It is plausible that Irish people are supportive of broad education spending given the country's demographic structure as many parents have school-age children, and the fact that it has a high-quality system, primary education, on which spending is not perceived as wasteful. Support for higher education may be more subdued as fewer people use the system, it is less central to democratic and civic engagement and, while by no means poor, its performance is less exemplary than primary education.[5]

Summary

Overall, there is a strong appetite for policies that imply a larger state. This is true when one considers the trajectory of voting behaviour, attitudes towards public services in general and towards policies in specific areas. Care and climate action policies are likely to be popular, albeit not as popular as improving the health service and housing system. A major challenge is

5 In the UK, most people believe that universities have a positive impact, though many people are neutral about them. Most people also feel that society attaches too much importance to having a degree (UPP-HEPI, 2021), which is consistent with a falling pay premium for degree holders (Boero et al., 2019).

to persuade the public to pay higher taxes to adequately fund services, especially given the low trust in public institutions. However, support for policies can change once those policies are in place, at least if implementation is effective. It is, therefore, of paramount importance that any expansion of the state in the coming years brings with it high standards of governance, lest support for public institutions and progressive economic policies loses legitimacy.

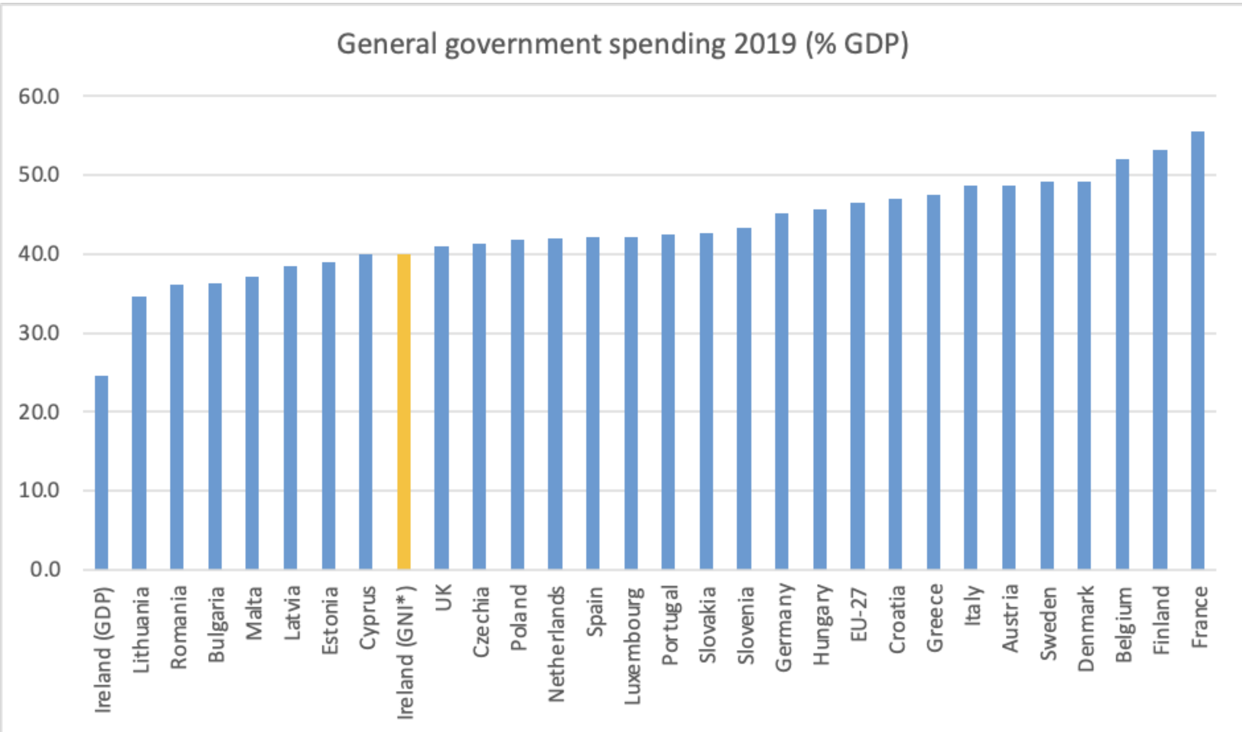
Mapping out the economic space for a post-pandemic Irish state

This section looks at spending deficits and taxation deficits, and the borrowing capacity of the Irish state. It finds that public spending is comparatively low in Ireland compared to high-income EU economies, mostly a result of its more targetted social protection spending. Ireland has options in terms of how it can increase revenue, and borrowing conditions have been exceptionally benign in recent years.

Over and underspends in comparative perspective

To understand to what extent the growing social democratic aspirations of the Irish public are being met, or public capacity needs to expand to meet them, it is useful to look at the size of the Irish state in comparative perspective. The most commonly used indicator in this regard is government spending as a percentage of national income. In Ireland GNI* is the preferred measure of national income due to distortions to GDP caused by multinational corporations. GNI* is similar to GNI but adjusted to remove distortions of globalisation and tax avoidance activities of multinationals (see DoF, 2018). GDP, the more commonly-used metric, is used for other countries, though we also include it in the Irish case for completeness.

Figure 1: Government spending in the EU 2019



Sources: Eurostat and CSO.

In 2019, government spending comprised some 40% of national income in Ireland (GNI*). This is the eighth lowest out of 27 countries and well below the EU-27 average of 46.5%. The level of spending in Ireland is similar to the UK, and, to a lesser extent, the Netherlands and Luxembourg. Spending in most high-income European countries is considerably higher.

The single largest factor in Ireland's underspend relative to other countries, and in particular high-income EU countries, is lower spending on social protection. There are various reasons as to why spending in this area may be different, aside from what may or may not be a result of a less expansive welfare state. They include differences in unemployment rates and hence spending on unemployment benefits, though Ireland had a lower unemployment rate than most high-income EU countries in 2019. They also include differences in demographic structures as Ireland has a comparatively young population. It therefore naturally spends less on pensions and family and child-related social welfare.

Goldrick-Kelly et al. (2020) adjust for this by calculating how much Ireland would spend if it maintained the generosity of current payments but if it had the same demographic structure as high-income EU countries (Nordic countries and non-Mediterranean Western Europe). When those adjustments are made, a significant underspend still exists. Ireland then spends 28% less on pensions and 12% less on family and child welfare than its peer group on an adjusted basis. This may be surprising given that Ireland's welfare system is highly redistributive. Accordingly, the underspend arises not only from Ireland's younger population, but the fact that the welfare and pension system in other countries provide income not only to those on lower incomes but to the middle classes as well. Public pension spending in much of the EU is more tied to career earnings, and so is more supportive of the retirement incomes of middle and higher-income households than in Ireland. We return to this issue in a later section.

Other areas of underspend include research and environmental protection. Environmental protection spending is lower as a consequence of spending less on waste management and pollution abatement. Though not included under environmental spending, public transport spending is also lower. Moreover, Ireland spends just over a fifth of what its peer group spends on basic research, whereas it spends less than three-fifths the peer group average on the later-stage research and development (Ibid.). Public spending on economic affairs R&D, which includes fuel and energy R&D, is just under 0.3% of national income. This compares to an EU-average of 0.4% and a high-income EU peer group average of almost 0.5% (Eurostat, 2021). Ireland's underspend is all the more significant given it currently derives only 12% of its energy from renewable sources, the fifth lowest in the EU (Eurostat, 2021).

Similarly, Ireland appears to overspend on education on a per capita basis. Pre-primary education is well above the peer-group average and tertiary spending is below. Once Ireland's younger demographic structure is accounted for, though, Ireland's total education expenditure is less than its peer group (Ibid.). Indeed, spending on the early years or childcare sector is among the lowest, if not the lowest in the EU relative to national income (Sweeney, 2020). Ireland spent just under 0.7% of national income on higher education. Without accounting for Ireland's younger population, Irish spending on higher education is just under the EU-27 average of 0.8%, and under the high-income EU country average of 1% (Eurostat, 2021).

There are areas where Ireland spends significantly more, spending which cannot be attributed to its demographic structure. Such spending relates to the politically fraught and electorally popular areas of housing and health. Regarding the former, spending on housing and community was just under 1.2% of national income in 2019, the third highest in the EU (Eurostat, 2022). This excludes cash benefits such as Housing Assistance Payment (HAP), which are significant. Part of the reason can be traced to the legacy of the Irish property bubble, which was perhaps the largest in the world at the time. In the aftermath of the crisis, Ireland reduced public spending on social housing dramatically. When the economy and housing market began to recover, local authorities needed to scale up social housing quickly as waiting lists grew and homelessness increased. Whereas, previously, local authorities were inclined to build new units, post-recovery social housing needs have been met with a greater reliance on purchases and leasing of finished units, which are both expensive and do little to alleviate supply constraints.[6]

Another area where Ireland is said to overspend is healthcare. Goldrick-Kelly et al. (2020) attributes this to high spending on outpatient care and higher spending on administrative and monitoring functions relative to other countries, though administration comprises a smaller part of the overall health budget. Ireland also appears to spend a lot on inpatient care (OECD, 2019). In the US, high administrative costs are associated with the more market-based approach as insurance companies erect barriers to shed the most expensive patients. It is possible that Ireland's mixed public-private healthcare system is a contributory factor to its high administration costs. The move toward a universal single-payer model, as committed to on a cross-party basis under Sláintecare, will require additional investment but is likely to result in long-term cost savings. Investment in local, community care centres would reduce the state's reliance on hospitals, which are expensive to run. The abolition of the two-tier system would remove the advantage of having private health insurance, which can lighten the administrative burden (Nicolle and Mathauer, 2010; Himmelstein et al., 2020).

Much of elder and social care comes under health spending. Unfortunately, cross-country comparisons are hindered by a lack of standardised data. Some studies report Ireland to be a very high spender, while others put it toward the lower end in international spending, which is more in keeping with its young population (see Sweeney, 2020b: 80). Total spending, public and private, on long-term care comprises a larger share of the Irish health budget than the vast majority of other countries (OECD, 2019). This could be due to greater reliance on expensive institutional care as hospital and nursing home spending comprises a relatively large component of the long-term care budget (OECD, 2021b: 269). Again, this points to a greater need for community care, though it is unclear whether the Irish state overspends. Much of the social care and nursing home sector has been effectively privatised through outsourcing and the growth of for-profit providers (Sweeney, 2020).

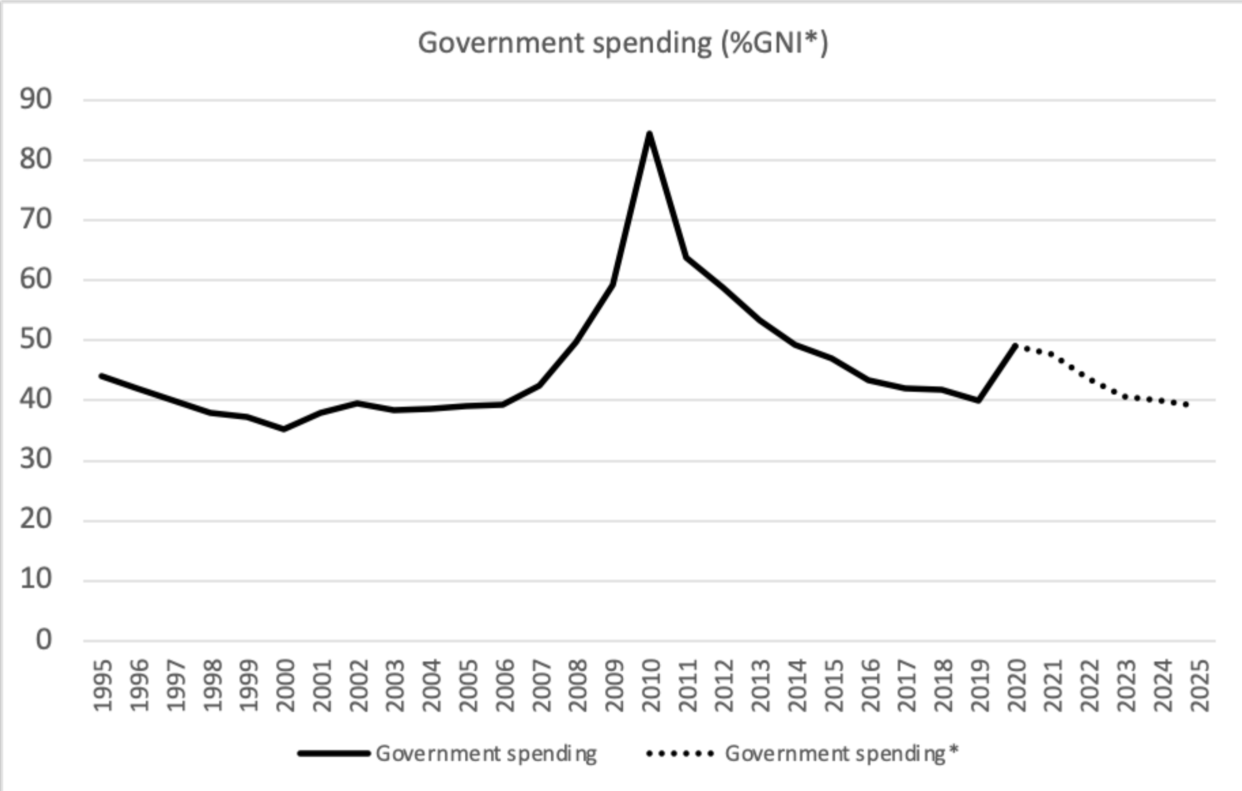
Public spending trajectory

Given the rising demands on the state to expand public spending, it is instructive to turn to the past, present and future trajectory of public spending. While historic figures on spending are straightforward to access and interpret, projections of future spending are uncertain and updated regularly. The most recent projections can be found in the documentation accompanying Budget 2022. These are informed by the most recent budget and longer-term spending plans, such as the *National Development Plan*.

Figure 2 below shows the trajectory of government spending. The black line refers to spending that has actually been recorded, whereas the dotted line refers to projected spending. Government spending has fluctuated around 40% of national income for the past two and half decades. It ballooned following the financial crisis due to the contraction in the economy and bank bailout, but had returned to its trend level by 2019. 2020 saw a large increase due to Covid-related support. Spending is projected to fall relative to national income so that, by 2025, it will be a percentage point below the 2019 level.

6 Similarly, it seems the state has been reluctant to bring private house prices down through public building out of a fear that the economic viability of property development will deteriorate, as prices in the sector had collapsed during the crash. Subsidies to private renters such as HAP help affordability for low-income households but are expensive and, indeed, sustain high prices compared to public building-led increases in supply.

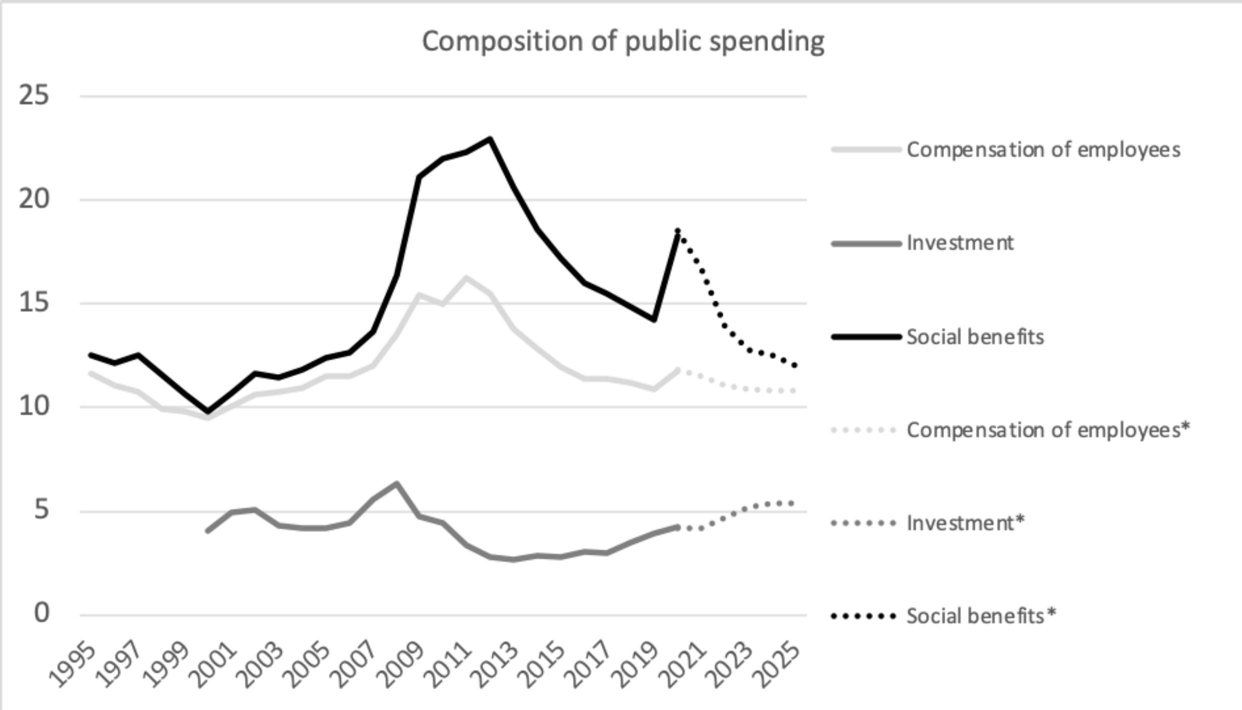
Figure 2: Trajectory of government spending 1995-2025



Source: CSO and DoF (2021)

Figure 3 looks at the composition of spending in the coming years. As can be seen, the major increase in spending between 2019 and 2020 was due to social benefits, namely the Pandemic Unemployment Payment (PUP) and the Temporary Wage Subsidy Scheme (TWSS). Benefit-related spending is set to fall so that in 2022, it will return to its 2019 level. It is then set to fall further, to its mid-2000s level. Published shortly after the budget in October 2021, these projections do not account for higher than expected inflation witnessed in Ireland in 2022. Nevertheless, they are revealing of the government's intentions. It is unclear to what extent the planned fall in expenditure was related to projected improvements in employment, or whether it represented planned reductions in the growth of benefits relative to economy-wide earnings. The latter might arise if welfare payments increase by only €5, as is often the case on budget day, which would be below the growth rate of the economy.

Figure 3: Composition of public spending trajectory 1995-2025



Source: CSO and DoF (2021).

Compensation of employees, which is a proxy for spending on public services, also grew somewhat during Covid. It is set to fall back to the mid and early 2000s levels. On the other hand, public investment spending is set to grow after years of underinvestment post-financial crisis.

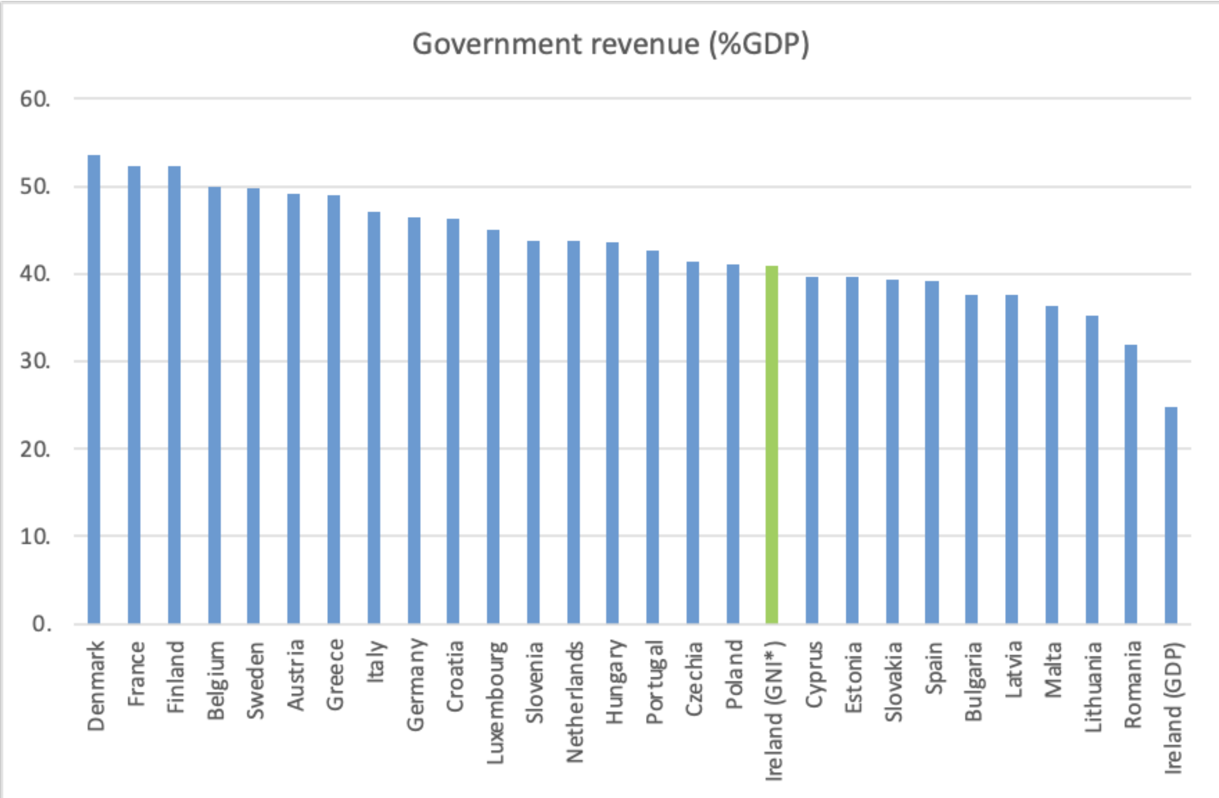
It should be noted that, over the longer-term, spending is set to rise due to population ageing. This is driven by growth in pension and health care spending from 2040 on, each of which is set to increase by around 5% of national income by 2050. Other spending areas such as education and social spending see only very modest changes (IFAC, 2020). The costs of meeting climate targets are unclear, even with respect to the shorter term horizon of the next decade (IFAC, 2021).

Revenue sufficiency

As part of the programme for government, the commission on taxation was established in 2021. Due to report in 2022, it will review how the taxation and welfare systems can be reformed so as to support economic activity and redistribution in the coming years. The commission has been given greater saliency by Covid, while also considering the immediate and long-term challenges of climate change and population ageing. The following discussion provides brief commentary on Ireland's revenue sufficiency and its capacity to increase it, if necessary.

Figure 4 below compares government revenue in Ireland to other EU countries. Revenue refers to the general government intake which is mainly taxation and social insurance contributions, but also income, for example, from state-owned enterprises. Among all EU countries, Ireland is slightly below middle as government revenue is just under 41% of national income. Compared to high-income countries, it has the lowest intake.

Figure 4: Government revenue in the EU 2019



Source: Eurostat and CSO.

The major shortfall in the Irish state's revenue base arises from the taxation of labour. Ireland, in particular, generates comparatively little revenue from social insurance contributions. Social insurance is used to fund a variety of welfare payments, primarily contributory pension payments but also unemployment benefit and other payments. Among social insurance contributions, it is principally the low intake from employers that results in Ireland's relatively low intake. If taxation of labour was around the EU average, Ireland's intake would be higher by around 5% of GNI* (Goldrick-Kelly et al., 2020). Employee and self-employed social insurance contributions are also relatively low, though the shortfall is not as large as employer social insurance.

As a share of national income, taxation on capital is around the EU average. A major reason for this has been the buoyant receipts from corporation tax. High corporate profits posted by multinationals lead to capital income being a large component of total income in Ireland. This elevates taxation on capital above what would be the case were corporate tax receipts not so high. The rate at which capital is taxed is actually comparatively low. Ireland has low levies on stocks of property and wealth held by households. Taxation of the self-employed is also low as is tax on inheritances. Other taxes such as consumption and environmental taxes relative to national income are around the middle by EU standards (Goldrick-Kelly, 2020; Goldrick-Kelly and McDonnell, 2017).

Kakoulidou and Roantree (2021) provide a menu of options for revenue raising in Ireland. Increasing self-employed PRSI so that contributions match those made on behalf of employees (by the employees themselves and their employers) would raise around half a per cent of national income. Collins and Hughes (2017) note that tax supports to encourage private and occupational pension savings constitute some 1.6% of national income. Removing some of those subsidies would raise significant income.

Looking at taxation on assets, Kakoulidou and Roantree (2021) caution against a general wealth tax. They instead discuss how the tax intake can be raised by modest increases in the rate of local property tax, and by updating the property values used to calculate the tax, which are based on 2013 figures. The tax intakes would be comparatively modest – of the order of 0.1% of GNI*. Increasing Capital Gains Tax (CGT) by ten percentage points would raise a similar amount,[7] but abolishing CGT relief on homes could raise as much as 1% of national income according to a dated estimate (Ibid). Similarly, reducing reliefs on inheritance or Capital Acquisitions Tax (CAT) may be preferable to increases in the headline rate of CAT, which would yield relatively modest gains.

Finally, though environmental taxes are around average by EU standards, raising them will be part of the strategy to reduce carbon emissions over the coming years. The CSO (2021) notes that fossil fuel subsidies in Ireland amount to some €2.4 billion, the second highest in the OECD relative to the size of the economy. Of that amount, €2.1 billion is in the form of tax reliefs, which is around 1% of national income. Phasing them out would therefore raise considerable revenue. Naturally, as Ireland and other countries move toward carbon neutrality, use of fossil fuels would diminish and, with it, the revenue from taxing them (Kakoulidou and Roantree, 2021).

Ireland therefore has ample scope to raise taxation, should it choose to expand public services in coming years. Capital taxation could be increased, especially through phasing out reliefs. Environmental taxes will be another source of revenue in the coming years. Raising revenue through PRSI, especially employer's PRSI, is another option if the state is to expand the scope or generosity of welfare spending. Increases in PRSI will be very likely in the decades ahead as pension spending increases due to societal ageing.

Public finance constraints

There are two basic ways through which the state can increase spending. The first is through taxation and the second is through borrowing. Having dealt with the former, the fiscal rules ordinarily limit the extent to which states can borrow and accumulate debts. The onset of Covid-19, however, led to the general escape clause of the fiscal rules being activated. This has significantly expanded the policy space, though a reformed set of fiscal rules are likely to be reinstated in 2022.

As the future of the fiscal rules is uncertain, and to gauge the financial constraints the state currently faces, it is useful to momentarily abstract from the ruleset. During the financial crisis years, mainstream economic thinking was of the view that elevated levels of public debt impose a drag on growth, as a consequence of which, debt levels ought to be reduced through fiscal austerity. Thinking has evolved since and there is less emphasis on the destabilising effects of public debt and deficits (see, for instance, Furman and Summers, 2020).

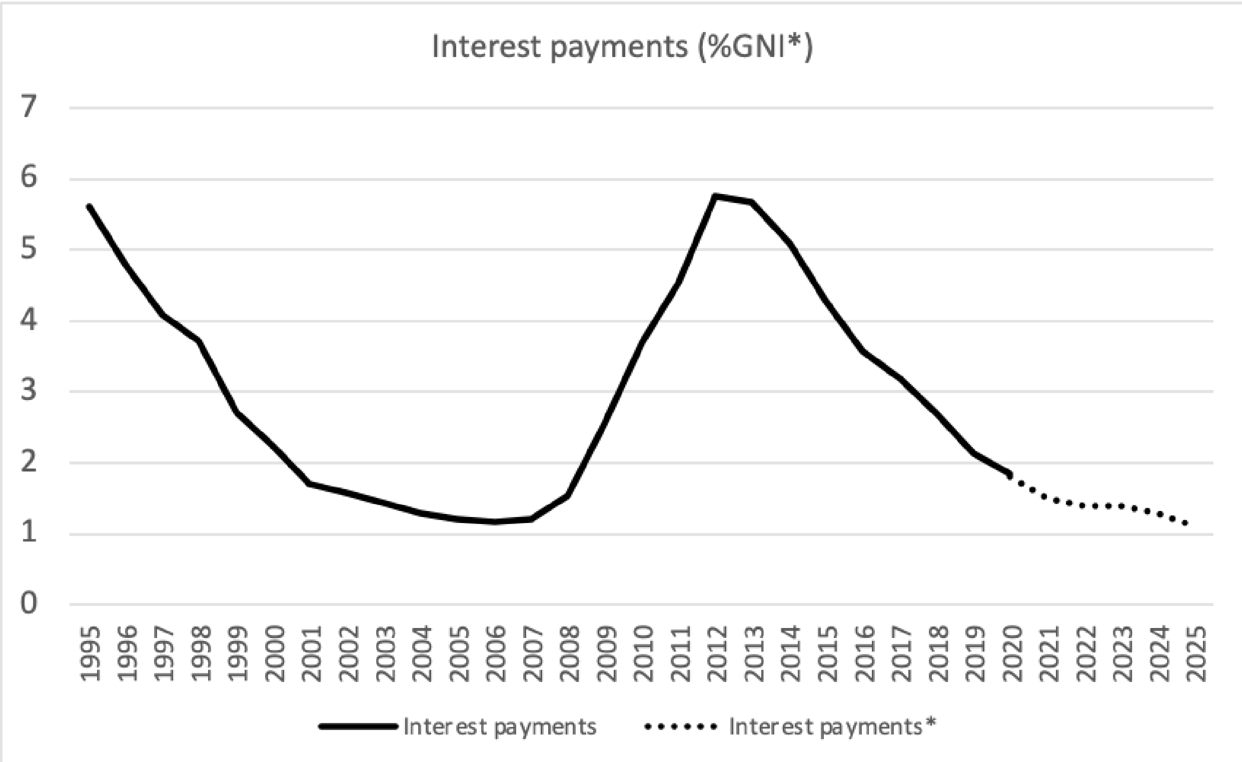
Many economists emphasise the burden of servicing as a superior metric, measured by interest payments on public debt as a share of national income (Ibid.). Indeed, when the principal payment on a debt comes due, governments typically do not draw down or use their cash balances to repay the obligation. More commonly they 'rollover' the debt, issuing new debt to repay the

7 Extrapolating from the estimation that €33 million would be raised from increasing the rate from 33 to 34%.

old. Similarly, this new debt is likely to be rolled over in the future, and so on. It is therefore not so much the level of debt or size of the deficit per se that imposes an economic cost, but the burden of servicing that debt. Interest rates may rise in the future so there is a risk that when future debt is rolled over, it will be done so at a higher cost. Nevertheless, it is still the debt servicing burden, current and future, which is the ultimate drag on public resources and not the level of debt or the size of the deficit.

Figure 5 below shows the recent historical evolution of interest payments as a percentage of national income, and projected payments for the next five years. The debt servicing burden was high for most of the 1990s, as Ireland reeled from the public debt crisis of the previous decade. Debt servicing then fell to historic lows of below 2% of national income (see Fitzgerald and Kenny 2019), after which the effects of the financial and European debt crisis became apparent. The improvement in public finances since 2012 reflects the general economic recovery in Ireland, and the fall in interest rates as the ECB engaged in quantitative easing. In 2020, debt servicing comprised 1.8% of national income, which is similar to the 2000s, and is set to fall further in years to come. As interest rates are expected to remain low, which reduces the risk of refinancing the debt in future, financial conditions for an expansion in public spending are particularly favourable.

Figure 5: Debt servicing burden in Ireland 1995-2025



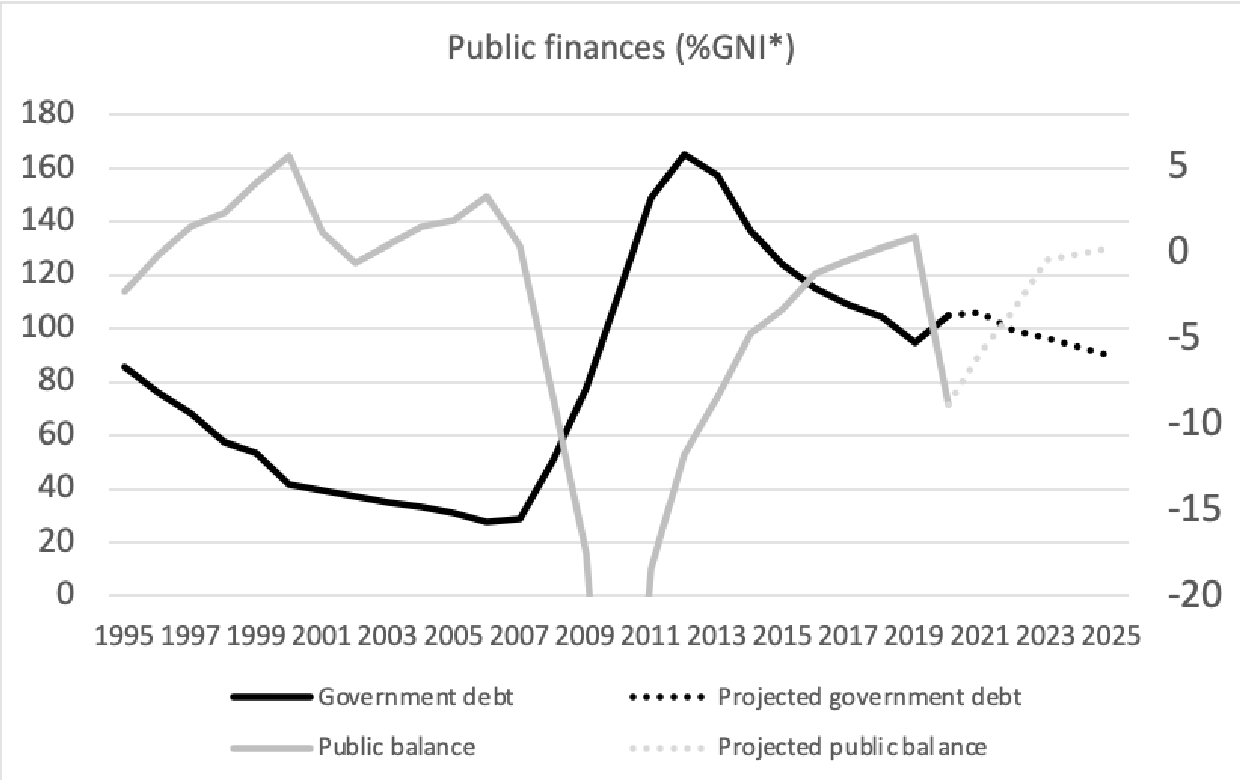
Source: CSO and DoF (2021).

Of course, the fiscal rules will be reinstated, likely in 2022. The current format has evolved over a period of years and the rules are now very complicated. The two founding principles are that government debt-to-GDP should not exceed 60% and that the public deficit should not exceed 3% of GDP. Later amendments specified the speed at which the national debt must be reduced when in breach of the 60% mark. These rules were formulated under macroeconomic conditions that prevailed in Europe in the 1980s and 1990s and formed part of the Stability and Growth Pact (FinanceWatch, 2021).

Post-financial crisis revisions inserted a number of further restrictions on government spending. They mandated that the structural deficit should not exceed 0.5%. The structural deficit is that part of the deficit that cannot be attributed to the short-term fluctuations of the business cycle. The reforms also limited increases in expenditure that were not accompanied by tax increases. In normal times such 'unfunded' spending increases must be limited to the projected growth rate of the economy, aside from one-off and other temporary measures. When in breach of the structural deficit rule, an additional margin is added to the limitation on unfunded spending increases. The structural deficit is unobservable and its estimation is subject to high levels of uncertainty. This is also true of the potential growth rate of the economy. Indeed, the fiscal rules have been criticised on these and other grounds, across the political-economic spectrum (Ibid., 2021; Nielson, 2021).

Figure 6 shows the trajectory of the national debt and deficit. The level of debt ballooned from a historic low of 28% of national income pre-financial crisis, to 165% in 2012, and currently stands at 104%. It is projected to fall below 90% in 2025. Similarly, from running budget surpluses for much of the 2000s, the deficit reached 42% in 2010, largely due to bank recapitalisations. After being in balance the prior year, the deficit surged to almost 9% of GNI* in 2020 as the government handled the ongoing public health crisis. By 2023, the books will be all but balanced again.

Figure 6: Trajectory of public finances 1995-2025



Source: CSO and DoF (2021).

While GNI* is a better measure of underlying activity in the economy, it is GDP that forms the basis for the fiscal rules. The Irish Fiscal Advisory Council (IFAC) forecasts the government deficit to be 3.1% of GDP in 2021, which is very close to the 3% threshold. Ireland is forecast to be below the threshold the following year. The structural deficit is forecast to be 0.2% of GDP for 2021, within the 0.5% limit. The government debt for the same year is estimated to be 55.2% of GDP, within the 60% limit. In other words, the country will marginally breach the fiscal rules in 2021, and be compliant in 2022 (IFAC, 2021).

In July 2021, the government committed to limiting permanent increases in exchequer[8] spending to 5%, which is in line with the projected growth rate of the economy. This is similar to the spending rule required under the suspended fiscal rules. The idea is that anchoring spending at or below a benchmark allows for the debt and deficits to be reduced, which have become elevated since Covid (GoI, 2021a). Current spending growth will be below the benchmark and capital spending above it. Spending is allowed to fluctuate by more or less than 5% to meet temporary increases in welfare or health spending, for instance. Permanent increases in spending must be met with tax and other revenue-raising measures.

Looking to the longer term, the debt is expected to be around the same level in 2040 as 2020, but rise to almost 110% of GNI* by 2050. This assumes no changes in revenue or taxation. As above, this is due to the cost of ageing, namely pension and health spending. Deficits begin to breach 3% of GNI* by 2045, but would likely exceed 3% of GDP only by 2050. Debt servicing costs are expected to fall to 0.4% of GNI* by 2040 and rise to just 0.7% by 2050 (IFAC, 2020).

Projections three decades from now are highly uncertain, but they do point to some interesting dynamics. They suggest that there is little public financial barrier to expanding the state given that the cost of servicing the debt is set to fall despite public spending as a share of national income being set to rise. This is, in large part, a result of expectations that interest rates will remain low. While simulations on the trajectory of the structural deficit are not available, the forecasts that are available imply the fiscal rules, as currently composed, would only be breached in 25 years, and then only marginally so.

Aside from inflation, the main financial impediment to expanding public spending relative to national income in the short-run is therefore the self-imposed spending rule. Given governments' reluctance to significantly raise taxes, at least in the short-run, the rule effectively imposes a limit on spending increases. Limiting public spending may make compliance with future fiscal rules easier, but such a limitation may be overly cautious from a financial sustainability perspective. There is therefore scope for expansion in the near term. Nevertheless, the spending rule is in place and fiscal rules are likely to be in place in the near future. Any spending increases will need to be funded through taxation and other revenue-raising measures.

All considered, the Irish state is smaller than most of the high-income European welfare states that Irish public opinion is pivoting towards. This is mostly driven by lower spending on pensions and other benefits, a result of demographics and the more targeted nature of Irish welfare spending. The dysfunction in the housing market has been met with high levels of public spending, which is unlikely to subside over the next few years. There does appear to be scope for long-term saving in healthcare by moving toward a public model. Better early years and eldercare services, however, will require spending increases. Similarly, Ireland underspends on education and higher education, even after allowing for its young population. It also spends

8 Exchequer spending excludes local authority and other types of spending not subject to central government discretion.

relatively low amounts on environmental protection and public R&D, including economic affairs. While there has never been a better time to borrow, the country is pursuing a cautious policy of limiting 'unfunded' spending increases, or permanent increases in spending that are not accompanied by tax increases. There are many areas where Ireland could raise revenue, including environmental and capital taxation, and social insurance contributions.

Views of policymakers

This section looks at policymakers' views on expanding the state, what spending priorities should be, and how spending may be funded. First of all, there was widely shared agreement that the state's response to Covid had been appropriate and that its large countercyclical deficit spending had been necessary to support households and businesses during the lockdown. These views were held by policymakers, business and the trade union movement. There was also unanimous agreement that expansion of the state is inevitable in the years ahead.

When asked what spending priorities ought to be, aside from the unavoidable increases in spending due to ageing, the most widely-cited challenge was climate change. All respondents agreed that state spending in this area should increase in the coming years. There was agreement that improvements in public services are needed. Public investment can play a role in bringing other costs down, or it can increase the output of the economy. The higher tax burden that greater investment would require can therefore be offset. As a business group representative put it:

> "[W]ithout that mechanism to channel things towards the public goods, we're just seeing wage increases there that are trying to compensate for the lack of public infrastructure. And then it's just you just keep paying higher wages. Yeah, not getting the things that are needed."

More specifically, the affordability problems in the Irish housing market were perceived to be damaging to competitiveness, more so than problems in the health service. This is because scarce and expensive housing inhibits the country's ability to attract highly-skilled professionals whereas outcomes in the health service are perhaps not as bad as sometimes perceived. Childcare investment was another policy that can bring economic growth. High costs drive up wages and other costs, and also disincentive employment. Most respondents were in favour of public provision, including moving towards a Nordic-type model.

Education was more likely to be considered a success story. Although pupil-teacher ratios are high, this is mitigated by the fact that teachers are well paid, and hence respected. It was pointed out, especially by the representatives from the trade union and business groups, that spending on higher education was low, and should be increased. The fall in the rankings of Irish universities was flagged as was the low level of publicly-funded research undertaken in Irish universities and other institutes. This, it was argued, inhibits the country's capacity to develop domestic enterprises. Although some of the benefits from research undertaken in Ireland accrue elsewhere, and likewise with research done elsewhere benefitting Ireland, it could do a lot more:

> "[W]e're gonna pick up on most of the innovation in the world that we're going to just use ourselves. But if we were creating more innovation here, and then licensing us and transferring us, and that kind of thing, that would be a hugely positive thing. But I think the only way you can do that is by the state kind of committing more funding to us on an ongoing basis."

In terms of how this might be financed, there was broad agreement that revenue would need to be raised. The most commonly discussed measures were environmental and carbon taxes, especially as a mechanism to fund just transition. PRSI was also discussed. Interestingly, the business group representative accepted that increases in all classes of PRSI are inevitable in the future. That is, employer, self-employed, and employee PRSI are necessarily going to increase. The trade union representative also mentioned capital taxation, but focused more on the stock of assets such as property taxes rather than flows, such as CGT. The trade union organisation representative also raised the possibility of increasing consumption taxes, especially as public investment is likely to bring other costs down, such as the cost of childcare. Policymakers were somewhat more reticent to advocate raising particular types of taxation or revenue. They often saw themselves as impartial advisers that presented a range of options to the relevant decision maker.

As regards to running deficits and accumulating debt, there was widespread agreement that the fiscal rules need to be reformed. They are overly complicated and based on a number of unobservable metrics. A reformed fiscal rule set would not be overly prescriptive but may have general principles with some flexibility in how they are implemented. There should also be allowances for capital investment, especially green-related. As is, there is a lack of clarity on the fiscal rules are applied by the European authorities, with arbitrary changes that affect countries differently, and that are not well justified. According to one knowledgeable respondent:

> "[T]hey're complex in terms of all of the flexibilities that are allowed, how they're those flexibilities communicated, what the actual rules mean, when they're implemented … And there's no conviction really, that owners of them would have when they're trying to monitor these things. Because ultimately, you know, it's kind of a political choice and the actual implementation, the rules can change overnight, depending on who it is… (with) footnote changes or appendix changes in this massive rulebook."

All policymakers were supportive of the spending rule recently introduced by the government. They urged that government spending should be restrained in the coming years, even if the burden of servicing debt was modest. This may be justified as the rule compelled the government of the day to act with prudence, and will assist the government in abiding by the fiscal rules. It was also raised that Ireland is highly dependent on corporation tax receipts, as almost a fifth of revenues derive from the corporate sector. Those revenues, moreover, were concentrated in a handful of companies. As the recent surge in corporate tax revenues had been unpredictable, and not grounded in the general growth of the economy, it was felt wise that they should be spent in the near term. One policymaker advocated ring-fencing those revenues whereas another felt that they could be spent once it was established that the buoyant receipts were permanent, not transitory. There was a sense that the government should not repeat past fiscal mistakes.

While most policymakers felt that the burden of servicing debt was an important indicator, it was one among many others. If policymakers could design the fiscal rules from scratch, the level of indebtedness and size of the deficit would also feature prominently as important benchmarks, independent of how onerous those debts are to service. This was justified on the grounds that financial investors pay attention to debt and deficits, and that it was important to allow some breathing room if the government needed to engage in fiscal stimulus, as it had done during Covid.

The representative from the trade union organisation put more emphasis on the debt-servicing burden as a measure of public financial sustainability, and would use this as the leading indicator if fiscal rules could be re-designed from scratch. A number of metrics are relevant, and a number of stress tests should be undertaken to see how the debt-servicing burden performs under various scenarios. Despite being supportive of the recent expenditure rule, one policymaker pointed out that debt-servicing was the main metric used within the Department of Finance:

> "[I]f you talk to the senior civil servants in there, if you talk to X, in private, you know, it's all about the debt servicing costs, because that's the meaningful metric. Like, that's the thing that matters. I mean, you know, the size, the quantum of the debt and deficit that are just entirely arbitrary. Things like they're kind of accounting things they don't have any, they're not rooted in any, you know, real world economic kind of consequence."

The Department of Finance is not as fiscally conservative as is sometimes perceived. After all, Ireland's fiscal response to Covid had been one of the most robust in the developed world. It is, however, concerned about how the money would be spent. For instance, it is wary of wasteful projects such as the national broadband plan.

In sum, policymakers are in agreement that the state is going to expand post pandemic. Aside from the inescapable increases in age-related pension and health spending, all agreed that climate-related spending is set to increase, albeit details are yet to be ironed out. Most policymakers were supportive of moving towards public provision of childcare, and some flagged Ireland's low investment in higher education. Despite Ireland's large fiscal response to Covid, policymakers within the state were generally conservative about engaging in deficit spending. Spending increases need to be funded by revenue raising measures, which will, in any case, be necessary once fiscal rules are reinstated.

FÓRSA

What might the state post pandemic look like?

This section outlines what a transformed or expanded state might look like post pandemic using a series of case studies. It looks at early years care, eldercare, renewable energy, and higher education reform. A common theme is that increases in government expenditure will be necessary to meet the demand for high-quality public services. Moreover, greater interaction between different government departments is necessary to ensure high-quality delivery of services throughout the life-cycle.

Childcare

Background

Public funding for care is essential if it is to be accessible and decently paid. As care work is necessarily a time-consuming face-to-face service, it does not lend itself to productivity improvements—the basis for higher wages. The willingness and ability of employers to pay high wages is therefore low. Moreover, unlike other types of work, caring work can be performed in the home when it becomes prohibitively expensive. As a result, even when care workers are successful in securing better pay and conditions, unless publicly provided or subsidised, higher costs will eventually translate into employment losses. This is because households and women find it more economical to leave the labour market and provide care themselves as high wages push up the cost of purchasing care, ultimately lowering female employment generally and within the care sector itself (Appelbaum and Scettkat, 1994; Freeman, 2007).

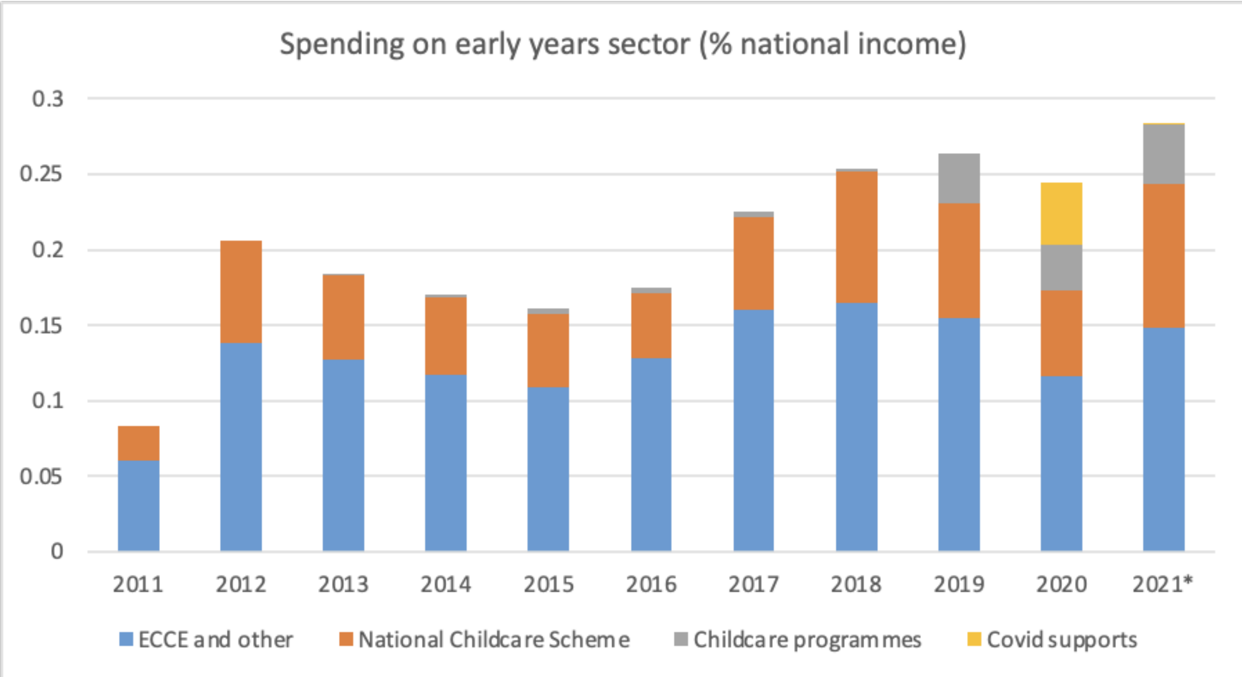
Ireland's childcare sector is in many ways less developed than in other European countries. Women's participation in the labour force has historically been low and insofar as early years services were provided outside of the nuclear family, they were often carried out by extended family members or informally by childminders in the community. To the extent that it was provided formally, voluntary organisations were most common (O'Connor, 2008).

Over the course of the 1990s and 2000s, a variety of measures were introduced that increased government funding and involvement in the sector (see Sweeney, 2020b). Today, two main schemes are in place, the Early Childhood Care and Education Scheme (ECCE), and the National Childcare Scheme (NCS). ECCE is the main source of funding, a universal, publicly-funded scheme available to all children in the two years prior to starting primary school. The scheme is offered in early years settings for three hours a day, five days a week, 38 weeks of the year. Under the scheme, the government pays the private or third sector provider, who then provides the care. Budget 2022 left the scheme unchanged.

The NCS provides financial support to parents to meet the costs of childcare and operates alongside ECCE. Up until now, it provided a universal subsidy for children aged under three and a means-tested subsidy for children up to the age of 15 which is means-tested. The universal subsidy is 50 cents an hour (up to €1040 per year) and has been expanded under Budget 2022 to provide care for children up to the age of 15. The means-tested subsidy differs according to individual circumstances. A majority of the sector's income comes from state funding and the rest is made up of parental fees.

Figure 7 looks at the breakdown of government spending on childcare programmes. As can be seen, most of the spending relates to subsidising free pre-school childcare through ECCE. In 2019, the government spent almost 0.16% of GNI* on ECCE and almost 0.08% of national income on the NCS. Though funding declined during 2020, the figures are obviously distorted by Covid. 2021 figures are provisional, but it appears that funding is on an upward trajectory.

Figure 7: Public spending on early years in Ireland 2011-2021



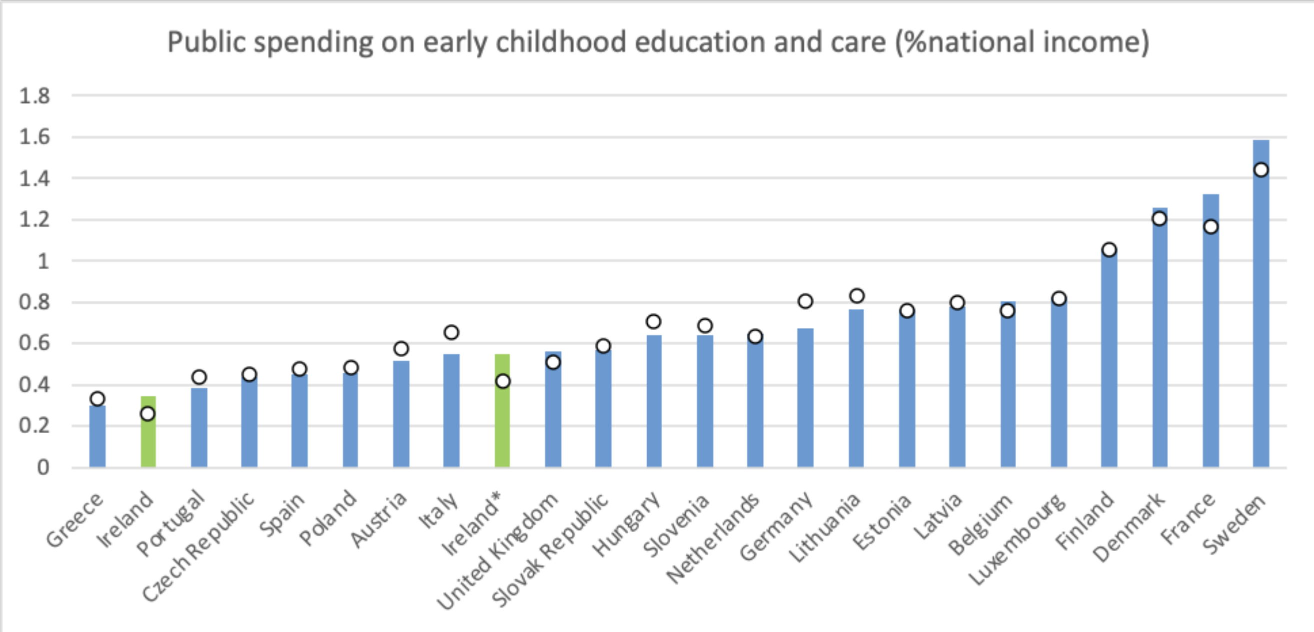
Sources: PER database and CSO and Department of Finance.

Notes: 2021 figures based on estimates for spending and national income.

Cross-country comparisons are not perfect, and not updated regularly, but they point to Ireland being one of the lowest spenders in the EU. The figure below puts Ireland's spending into perspective. It is based on OECD public spending on early years and pre-primary education as a percentage of national income (* represents GNI*, the favoured measure of national income in Ireland, otherwise GDP). As such, it excludes after school childcare spending and the figures relate to 2016. As can be seen, Ireland ranks at the bottom in the terms of public funds allocated to the early years sector.

How does this spending compare internationally? Cross-country comparisons are not perfect, and not updated regularly, but they point to Ireland being one of the lowest spenders in the EU. The figure below puts the country's spending into perspective. It is based on OECD public spending on early years and pre-primary education as a percentage of national income. As such, it excludes after-school childcare spending and the figures mostly relate to 2017. As can be seen from the bars, Ireland ranks toward the lower end in the terms of public funds allocated to the early years sector. At just over 0.5% of national income in 2017, it suggests spending is much higher than in Figure 7, which is based on national data. This suggests methodological differences such that when Irish spending is standardised for cross-country comparative reasons, Ireland's spending is elevated.

Figure 8: Public spending on early childhood education and care 2017



Sources: Spending figures based on OECD social spending series, population figures based on Eurostat.

Notes: Hungary and France figures relate to 2018.

Of course, Ireland has a young population by EU standards such that the above figures flatter Ireland's spending performance somewhat. The points in the figure adjust spending for the demographic structure. If a country has twice the EU average share of its population below the age of 14, then its spending is reduced by half. Once Ireland's younger demographic structure is accounted for, Ireland's spending moves from being the ninth to the third least generous.

There are many consequences of such underinvestment. One is that care is unaffordable. On a number of measures, Ireland has the most expensive childcare in the EU, and perhaps the third most expensive care provision in the OECD (OECD, 2020). Another consequence is that wages in the sector will necessarily be depressed. Latest figures show that non-managerial early year workers earn just €12.45 per hour on average (Pobal, 2021: 12). As well as making it difficult to live, it contributes to the sector's low status, high staff turnover, and ultimately quality of service. Unionisation in the sector is between one fifth and one quarter of the workforce (Sweeney, 2020b).

Another consequence of Ireland's lack of affordable childcare is a highly skewed distribution of market income, that is, income before the welfare state redistributes it through taxes and transfers. Though it has relatively underdeveloped public services, this is somewhat mitigated by a comparatively generous system of cash transfers. The combination of cash transfers, high levels of low pay, and very high childcare costs creates employment barriers for marginalised groups, such as low-income mothers and lone parents. With many people earning little or no money from employment, this contributes to Ireland having one of the highest levels of market inequality in the developed world (Sweeney 2020a; Sweeney, 2020b, Roantree, 2020).

Despite improvements, funding for childcare remains woefully inadequate. Though on an upward trajectory over the past decade, at the current rate, it would take several decades for spending to reach 1% of national income––the target set by UNICEF. This has implications for parents, children, workers, and society more broadly. We next turn to how stakeholders in the sector view reform.

Stakeholder views

Some interviewees raised concerns about the effects of inadequate early years education and care on child development. It was felt that lack of early intervention disadvantages children by impairing their social and educational development. Childcare goes beyond supervision or care of children, and if the correct training and staffing is in place can be a key part of socialisation:

> "[T]he pedagogical interaction or relational experience that children have that matter to child outcomes … It's where the wellbeing and the development of the child are an integrated part of the practice of the profession. It's where the professionals are trained so that they can pick up early identification, for example, for early intervention on issues of speech language, for example, occupational therapy, special educational needs."

Lack of investment in the sector is short-sighted as it can lead to problems further down the line, such as physical and mental health problems. This poses measurement challenges so that the social return on investment should not be viewed only or primarily through its short-run effects. The challenge for this approach is measurement of long-term impacts, in this case, as children reach adulthood rather than after a few years. However, if the long-term focus in policymaking won out, then it could be linked to forecasting trends in other areas, from tertiary education to public health to labour supply. Relatedly, provision of accessible early years care and education contributes to long-term economic growth. One interviewee raised the possibility that, over the long-term, investment in the sector can end up paying for itself:

> "[I]f you said you went for a Danish or a Swedish model, where the state provides a much more generous childcare, that's going to be expensive. However, if it means you substantially increase labour force participation, and therefore output in the economy, it could end up more than paying for now."

Consistent with the small increments in funding discussed in the previous section, several interviewees were critical that the government lacked any overarching vision for the sector. Additional policy and funding streams were viewed as piecemeal so that "you're just giving a bit more money to this group, and a bit more money to that group. And a little bit more training happening here and a little bit more effort to network there." Many respondents suggested cohesion could also be achieved if government departments worked together effectively.

An example of this is the First Five strategy (GoI, 2018). First Five is a high-level interdepartmental strategy aimed at improving the lives of babies, young children, and their families. This ranges from pre- and antenatal care, to improving access to early learning care and education. It commits to increasing coordination in policies across governmental departments, such as parental leave, which is under the remit of the Department of Social Protection, and early years care and education, under the remit of the Department of Children and Youth Affairs. However, there appears to be little concrete action on this front. As one interviewee responded:

> "[T]he First Five Strategy absolutely relies on better integration by all departments who are concerned with children. Call me sceptical, but I haven't seen that happen. I haven't seen that happen successfully before. I think generally government departments go into silos. I suspect day to day relationships [between departments] are very positive but I think by and large people stick to their own knitting. But then at some point, you'd wonder if difficult decisions had to be made, what that would look like."

There was also criticism of the varying quality of the service across locales and there is an excess of demand for childcare relative to the supply of affordable places. This leads to a reliance on childminders, who offer parents flexibility and a consistent and warm environment for children to develop relationships. Dependence on private providers and an absence of childcare as a public good meant that the location of services could not be decided as a matter of policy. Again, the Nordic model of public provision was referred to as a potential solution.

Finally, staffing issues were repeatedly raised as a key issue for the sector, and the way in which personnel interacted with the quality of provision. Qualifications had clearly increased, but there was still some way to go for the sector to fully professionalise, a pre-condition for high-quality delivery. Qualifications are expensive to acquire but at the same time pay is low. The incentive for workers was to either not acquire them or to leave the sector after completing the qualification. Moreover, providers are unable to offer them a decent wage to stay. Low pay and status was thought to discourage men from the sector in particular. As one interviewee put it:

> "[P]roviders and workers [in childcare] have been asked to professionalise and to get greater qualifications, but they haven't seen any change in their circumstances … It's unrealistic as well [to ask to train without remuneration], because I don't think providers can get the workers because of course, if you're going to have to train for the same amount of time to become a teacher or a childcare worker, I mean, why would you?"

Indeed, a number of interviewees drew the comparison between the respect given to teachers as opposed to early years workers. For instance, many of the latter are unemployed and unpaid during the summer months as settings are not open at that time of year. That, of course, is not the case with teachers. There is then the obvious issue of pay, where primary school teachers and early years workers are worlds apart. One interviewee argued for paying early years workers comparable salaries to teachers, as early years work has a significant education component. As well as the obvious benefits to the workers themselves, it would reduce staff turnover and ultimately improve the quality of the service. Obviously, private providers would be unable to do this given current funding, therefore such a move would entail either significant increases in funding or a move towards a model of public provision.

Eldercare

Background

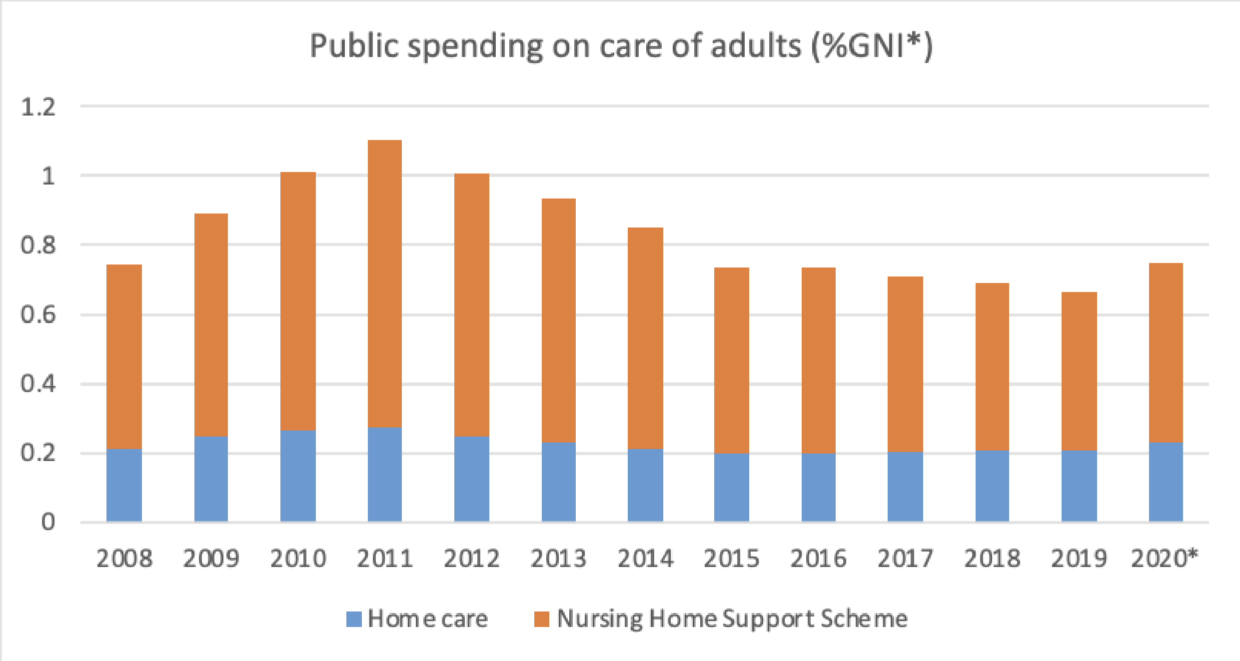
As with the care of children, care of adults in Ireland has traditionally relied on informal workers, facilitated by the exclusion of women from the labour market. The 1980s witnessed the rapid growth of residential care, largely due to the growth of private nursing homes. By the early 2000s, private beds had become the dominant mode of provision of institutional care of older people (Mercille, 2018). As the sector grew, the system was characterised as over-reliant on institutional and hospital care (Law Reform Commission, 2011: 7-18). Home care had been legislated for in the 1970s, but remained at the discretion of local health boards, with religious organisations playing an important role in delivery. Care did continue to expand into the 1980s as Ireland began to make its shift towards community-based solutions. In recent years, the state has favoured providing cash payments to purchase home services from private providers rather than procuring services on behalf of the cared for (Timonen and Doyle, 2008).

Excluding healthcare and informal care supports such as the carer's allowance, the state continues to use two main mechanisms to support care of adults today: home care and institutional care. Under the Home Support Service, older people can apply for home help from their local Health Service Executive (HSE) office, with an assessment based on need and not means-tested. The care is delivered by either a carer directly employed by it, or a voluntary or private sector organisation commissioned by it. People aged 65 or over can apply, though under-65s can also apply in cases of disability or early dementia. Home care can also be purchased from private providers that operate outside of publicly-funded schemes.

As with home care, every older person can apply for state assistance for institutional care through their local HSE office. Upon application, the person's care needs are assessed to ensure that institutional care is appropriate. Their financial situation is also assessed so as to determine their contribution towards the cost of care. The contribution is 80% of the person's income and 7.5% per annum of the value of assets in excess of €36,000. Housing assets are only assessed for three years so that a maximum of 22.5% of the value of housing assets is contributed. The HSE then pays the balance of the cost. It applies to approved public, private and voluntary nursing homes. In 2013, two-thirds of beds were provided by the private sector, 10% by the voluntary sector, and the remainder by the state. Most places are majority state-funded, regardless of the sector.

In terms of resources allocated to adult and long-term care, Figure 9 looks at public spending on nursing homes and home care as a percentage of national income. The figure is constructed using a variety of sources and excludes spending related to health, such as medical treatments for older people. As can be seen, there has been an overall decline in spending as a percentage of national income in the last decade. Spending appeared to increase sharply as national income declined during the crisis but nominal spending held steady. More revealing is that since the recovery, spending has slightly declined (as national income has grown faster than spending), though spending increased in 2020. Changes in spending have generally been driven by changes in spending on institutional care.

Figure 9: Public spending on nursing homes and home care (% of GNI) 2008-2020



Sources: Nursing home spending up to 2014 are taken from PER databank. Thereafter figures are based on HSE annual reports (net spending). See also Timoney (2018: 11). Home care figures are taken from Mercille and O'Neill (2020) Home and Community Care Ireland (2019). 2020 home care figure is based on a budgeted rather than actual spending figures. GNI* figures are from the CSO.

Much of elder and social care comes under health spending. Unfortunately, cross-country comparisons are hindered by a lack of standardised data. Some studies report Ireland to be a very high spender, while others put it towards the lower end in international spending, which is more in keeping with its young population (see Sweeney, 2020b: 80). Total spending, public and private, on long-term care comprises a larger share of the Irish health budget than the vast majority of other countries (OECD, 2019). This could be due to greater reliance on expensive institutional care as hospital and nursing home spending comprises a relatively large component of the long-term care budget (OECD, 2021b: 269). Again, this points to a greater need for community care, though it is unclear whether the Irish state overspends. Much of the social care and nursing home sector has been effectively privatised through outsourcing and the growth of for-profit providers (Sweeney, 2020b).

In terms of how this bodes for care workers, the main story has been the trend towards privatisation. Mercille (2018) shows that, in the early 1980s, public nursing homes accounted for almost two-thirds of total beds whereas in 2014 the figure stood at just over a fifth. The decline of public beds mirrors the rise of private beds – from about a fifth in the early 1980s to almost 70% today. The homecare sector has also been subject to similar forces, though the growth of private providers is more recent. In 2006 spending on private providers constituted around 1% of total public spending. By 2019, that figure had grown to two-fifths of spending (Mercille and O'Neill, 2020). Again, a key issue has been a desire to reduce costs, specifically the higher labour costs that prevail in the public sector. The process of competitive tendering also puts downward pressure on labour costs, so as to win contracts.

Official statistics on the pay of adult care workers are not available. Based on a one-day survey during Covid in 2020, most adult care workers earn around €12 or less, though a considerable number earn more. Average pay is around €12.80 per hour (Sweeney, 2020b). It is not clear how pay varies according to care settings. International research suggests that pay and conditions within the home care sector are worse than other care settings (Eurofound, 2013: 18). As well as having sick leave and pension rights, public sector home care workers may earn €2-3 more per hour than those working in the private sector. Perhaps only a quarter of care assistants are members of a trade union, and precariousness is also high in the sector (Sweeney, 2020b).

Stakeholder views

Policies towards home care and residential care for older people were also viewed as fragmented, without long-term goals and vision. By framing policy to encompass the process of ageing, the public sector would be looking for a continuum of care across components, namely hospital, residential, and home care, and at different stages, rather than towards the end of life. Rather than identify one area for policy intervention and streams of funding, all areas of care for older people should be interlinked as they may all be used by one person. For instance, hospitals also have little coordination with homecare agencies when patients are released. When the HSE issues a call for homecare, the first agencies that respond are given the work, regardless of whether or not staff possess the right skills for the patient's needs.

A related point raised by a number of interviewees was the geographical access to care facilities. Many of the nursing homes currently being constructed are located in urban areas such as Dublin and Cork as the pricing structure provides greater income for the operators. Rural users and visitors may therefore have difficulty in accessing care. Similarly, the idea that older people who remain in their homes can downsize to smaller units may be more difficult in practice. Such units may not be available in their locales, especially in rural areas where similar-sized houses are the norm.

A number of interviewees pointed to the benefits of investing in home care. Nursing home care is much more expensive compared to home care. Although at around 4%, the number of Irish people aged over 65 in nursing homes is not high, it could be lower. One interviewee pointed to Denmark, the gold standard, where the corresponding figure was around 0.4%. For each person not in a nursing home, perhaps three or four people can be cared for through home care. Another interviewee within the nursing home industry pushed back on the idea that home care can substitute for long-term residential care. That older people would need all forms of care was inevitable. Moreover, as homecare expands, and people utilise homecare for longer, the costs of providing that care will rise.

Another reason to favour home care is that older people prefer to remain in the community in which they have a social connection, and the autonomy that living at home affords. One advocate referred to older people feeling like 'inmates', with for-profit nursing homes particularly poor. Very much echoing the previous discussion on how care is time-consuming and not easily squeezed for higher productivity:

> "[W]e had a pre-budget survey of older people, a couple of 100 people replied, and very strong views from a number of people that nursing homes shouldn't be for profit, the profit is a problem. Because if I'm giving you extra care, I'm reducing my profit. So everything is run very tightly, everybody is restricted … we wouldn't deprive hospital patients of their rights. And yet somehow, it's seen as normal to deprive older people of their rights to tell them what to do to tell them when they can have visitors to tell them, you know, whether they can listen to music or not. I mean, it's an extraordinary thing. And most older people don't have dementia."

Industry representatives naturally disagreed with such a negative characterisation of private and for-profit care. Reducing labour costs was seen as positive, and not in tension with the standard of care. They believed the private sector delivered care more efficiently, whether it is home care or nursing home care. As with early years care, industry favoured increased government spending, while maintaining the system of private care. As one trade body representative put it: '[I] think the mixed model approach works well. The private sector aims to deliver it more efficiently and not just with labour costs.' Privately-provided homecare was also seen as providing greater flexibility that can better meet clients' needs than state-provided care. This could arise from greater scheduling and flexibility.

In terms of workforce development, many of the challenges present in early years education and care are also present for those who care for adults. Adult care will be one of the main growth occupations in the coming years. Many raised the possibility, and, indeed, likelihood, of the sector experiencing staffing shortages as it grows. This is true of both home care and residential or nursing home care. As one representative from the nursing home sector put it:

> "[W]orkforce is going to become the biggest issue, there's no doubt across the entire care spectrum.. even if we had all the capacity [in terms of beds], there are very significant and fundamental challenges about how health and social care staff will be recruited and retained in sufficient numbers and to meet the profit pressures."

The issue of recruiting, while at the same trying to meet 'profit pressures', returns to the tension between pay, conditions and also quality of care on the one hand, and the financial viability of private care on the other. The relatively poor pay and lack of career development was seen as stymying recruitment in the sector, though many care workers appreciated the flexibility it offered them to work part-time. Echoing trends in the early years sector, there was little incentive for those who worked toward a qualification to remain in the sector, given prevailing levels of remuneration. Many would-be care workers may be more inclined to become nurses. It is therefore important that pay, terms and the status of the profession improve.

The appropriate level of pay for adult care workers was discussed by some respondents. One interviewee pushed back on the belief that care workers are low-skilled and raised the point that those working in nursing homes assist people with complex care needs. This, in turns, raises the question as to whether society should develop professional pay and grading systems for care workers. One member of the trade union movement made the point that early years work involves an education component, and so it is natural for those workers to be on education professionals' pay scales. Adult care is more difficult but pay should be sufficient for people to make it a career:

> "[S]ocial care is more difficult, because there isn't a teaching role, per se, in so much as childcare is ... it is still a caring post, I would see it as something that we should try and turn into a profession. And that ultimately means having courses in universities or ITs, where people learn skills … There are right ways to run with it. And so we should encourage it as a career option for people ... In practice that means paying them."

Renewable energy

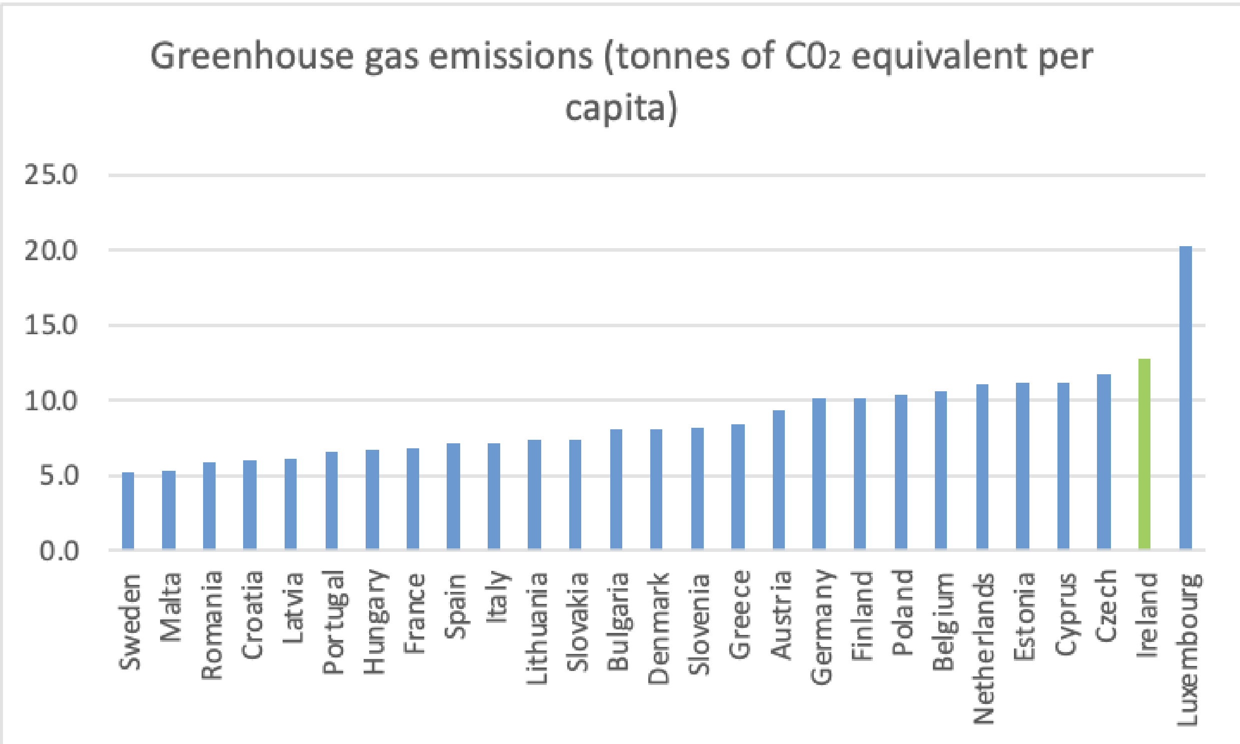
Background

Just as population ageing is a novel challenge facing advanced countries, the threat posed by climate change is more profound, and addressing it more formidable. This is because climate change is a truly global problem, and therefore necessitates global solutions. The direct effects on Ireland are likely to be comparatively mild with weather events of escalating extremity, sea level rises, and coastal flooding. The developing world, especially the Middle East and the South East may bear the worst effects through inhospitably hot climates, famines, droughts, and more. This feeds back into problems for Ireland with potentially large numbers of climate refugees, pandemics and food shortages as global systems of food production become disrupted.

Global warming operates as the burning of fossil fuels through economic activity releases greenhouse gases into the environment. These gases trap radiation from the sun in the atmosphere, contributing to planetary warming. The most important greenhouse gas is carbon dioxide $C0_2$, but it is not the only one. Methane is another major contributor to planetary warming, which is relevant in the Irish case as it is a byproduct of modern, dairy-based agriculture.

Figure 10 below looks at emissions of greenhouse gases per capita among EU countries in 2019. The metric used is tonnes of $C0_2$ equivalent per person. This is a measure that converts all greenhouse gases into a common scale based on their potential global warming effects relative to $C0_2$. Obviously, no conversion factor is used for $C0_2$. As can be seen, Ireland emitted 12.8 tonnes of greenhouse gases per person, making it the second most polluting country in the EU. Only Luxembourg emitted more, which is something of an outlier.

Figure 10: Greenhouse gas emissions in Ireland 2019

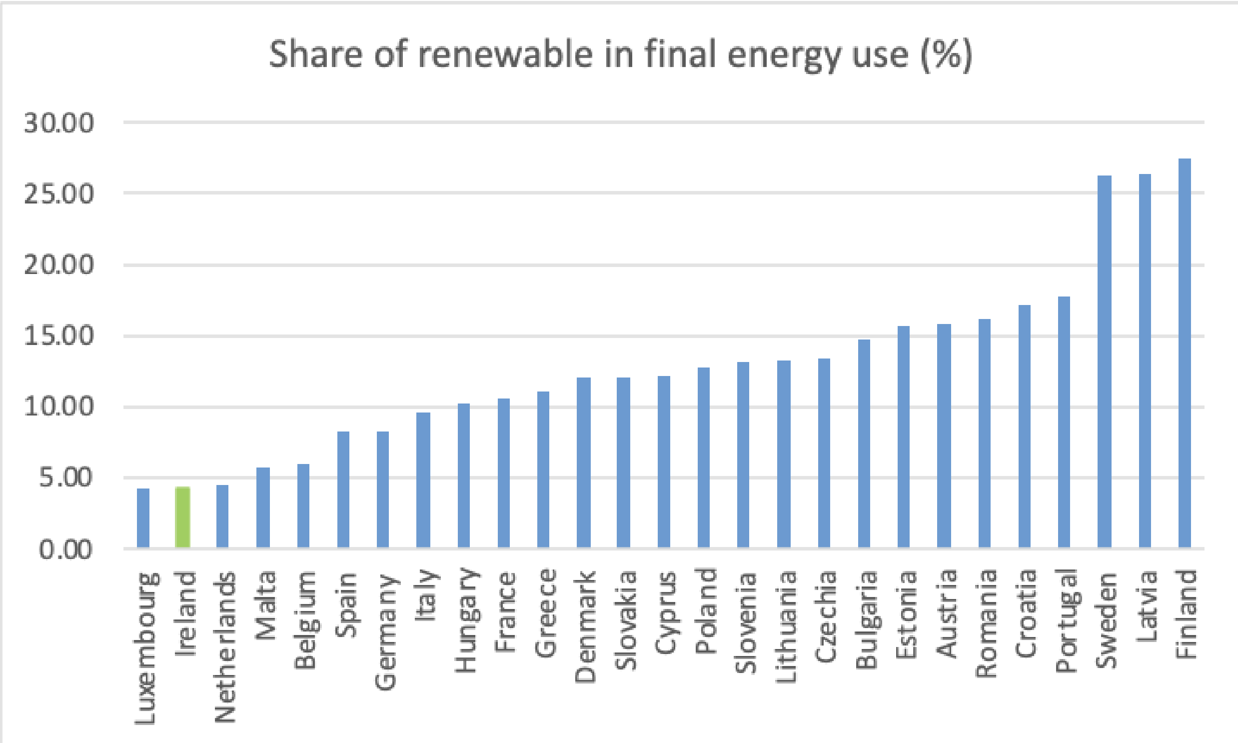


Source: Eurostat.

Such aggregate figures, of course, only tell a partial story. When we dig a little deeper, it becomes apparent that a small number of industries are responsible for the lion's share of Ireland's emissions. First and foremost is agriculture, which accounted for 37.1% of emissions in 2020. Next comes transport, which created 17.9% of emissions, after which comes the energy sector, which generated 15% of emissions in 2020 (GoI, 2021b: 18).

Despite its large contribution today, the energy industry has actually experienced one of the biggest declines in emissions. It emitted almost double the amount of greenhouse gases two decades ago compared to what it emits today. This has been driven by greater reliance on renewable energy and a phasing out of peat production. However, 15% understates the importance of the energy sector in reducing emissions. This is because it provides energy for other sectors, whose output then contributes to emissions. For instance, after energy, the residential sector is the next biggest emitter, which creates emissions through burning of oil and other fuels to heat homes (Ibid.). Moving towards a more renewables-based economy would therefore have a very large effect on emissions, over and above the direct impact of the energy sector.

Figure 11: Share of renewables in final energy consumption 2019



Source: Eurostat

Figure 11 looks at the share of renewable energy sources in final energy consumption. Final energy is a measure of energy delivered to end users such as households and businesses as they undertake a variety of activities from cooking to transport and more. It excludes both energy used by the energy sector and in the transformation of energy from one source to another. As can be seen, at 4.3% the share of renewables in final energy consumption is the second lowest in the EU. It helps explain Ireland's poor performance in greenhouse gas emissions.

As a result of its poor performance, and in response to the growing obligations on countries to reduce emissions, the Irish government produced an updated Climate Action Plan in late

2021 (Ibid.). It plans to cut the 2018 level of emissions by 51% by 2030. The plan does not include sectoral targets but, instead, has indicative ranges from emissions reductions. Among the major areas, emissions from transport are to fall by between 42-50%, from industry or enterprise by between 29-41%, from buildings by between 44-56%, from agriculture between 22-30%, and from electricity by between 62-81%.

It is estimated that the transition will cost €125 billion, though the precise mix of public versus private funding is unclear. Most of the investments will be in electricity generation (€32-37 billion), transport (€51 billion), and buildings (€35 billion). Investment in buildings will focus on insulation and retrofits, and also installing heat pumps. The vast majority of transport investment comes from electrification of the car fleet, and also trucks and vans. Electricity investment will come mostly from investments in new renewable infrastructure but also upgrading the existing system.

The electrification of transport is expected to increase demand for electrical energy to a significant extent. The courting of international companies to locate data centres in Ireland is expected to put comparable pressure on its electrical system. Between the direct effect of investments to reduce emissions in electricity generation, and the indirect effects of growing demand for electricity through data centres and electrification of vehicles, investment in renewables is therefore a key component of decarbonising Ireland's economy. 80% of its electricity generation is to be from renewable sources by 2030, which constitutes a doubling of what it is today. Over half of this will be from onshore wind, perhaps a third from offshore wind, with the remainder being solar-based (Ibid.). Industry group Wind Energy Ireland (WEI) presents a pathway through which emissions could be reduced further by, for example, raising the price of carbon and investments in long-duration energy storage (WEI, 2021).

Public support for renewable energy R&D in Ireland could be higher. In 2019, it spent around €11 million on publicly-funded R&D in the sector. This compares to its peak level of funding of €23 million in 2015, which is three times the 2019 level in national income terms. When scaled against national income, the 2019 figures put Ireland in the middle among EU countries for which data is available (OECD-IEA/Eurostat, 2021). However, given Ireland's poor performance in emissions, its natural climate favourable to developing renewable energy, the impending climate emergency, the comparatively small amount of spending involved, and the fact that spending has fallen significantly since the mid-2010, this figure could be higher.

Goldrick-Kelly (2019) outlines some of the labour market implications of moving Ireland towards a more ecologically-sustainable economy. There would be significant regional implications were Ireland to reduce emissions according to the sectors that are most polluting. However, given the relatively unambitious plans to reduce emissions in agriculture despite it being the biggest contribution of any of the major economic sectors, the country appears intent on avoiding regional disruptions. Upskilling existing workers and adding new workers with expertise in engineering, construction, accounting, and project management will be required. Ireland has a high share of workers with a tertiary education, and a poor match between occupations and individuals' skills. Transition to an ecologically sustainable economy therefore provides opportunities to better align skills and work.

Stakeholder views

An integrated long-term strategic vision

The interviews with stakeholders in the renewables sector reflected the finding in the other case studies that, to address long-term climate change, the state needed to take the lead, invest and formulate policies as a matter of urgency:

> "But the key concern here is coordination and pace. And trying to get those policy positions in place. The overall ambitions for climate action and the climate action plan of the government--with a 51% reduction by 2030. It just won't be achieved unless we get these things up and running sooner rather than later."

Respondents felt that the government lagged behind due to lack of political will and "a long-term constraint on our national innovative capacity, and therefore the productive capacity of the economy long term" and that there was "this kind of feeling that potentially we missed the opportunity."

They wanted to see the state demonstrate long-term ambition and this meant approaching policy holistically. Reflecting on the growth of renewable energy in Ireland, an academic expert asked the government to look beyond the industry itself to "broader debates on the role of the state in decarbonising the economy and society" and that reducing emissions required "a much more creative, extensive way of thinking about energy or our relationship to energy. I think the state needs to be obviously involved in fostering those kinds of debates across all policies."

The state's role was not only to develop new forms of supply of energy and increase that supply, but also to lead the public conversation on sustainable consumption of energy. A crucial part of leading that conversation was to communicate the long-term benefits of policy through a whole systems vision, particularly as the positive impacts may not be seen for many years. It also had a vital role in raising public awareness about their own role in climate action policy. One interviewee made the observation that to date "mostly, it's [been] about your consumption habits, your behaviour as an individual, rather than, like citizens, and just hope that when policies come down the line, they can be brought in."

Funding the sector

There was disagreement as to the extent to which the state would need to fund renewables. Some respondents argued that financing was not a problem in the sector and that the focus should be on a re-design of market structure to facilitate renewable energy providers and allowances for green-related capital investments. Others felt the state would actively promote the sector, including equity stakes in emerging firms:

> "[T]he enormous investments involved in offshore wind, you know, our problems are probably more suited to its own holding company, equity stake type model, or you can do it in partnership with the private sector, or you can do it yourself if no one's willing to do it."

Others felt that the government's focus should not be on subsidising the private sector. They warned that rapid expansion of the sector without consideration of other industries or local concerns was not the solution. One interviewee had analysed sales of wind farms and commented:

> "They're like financial assets in much bigger portfolios. And I feel like, probably a bit like the vulture funds and the way in which housing has become a financial asset. I think that probably the state isn't paying enough attention to that. You know, there is big money, and I think the kinds of financial logics that are sort of driving the purchase and sale of wind farms." He added, "it's not to do with renewable energy, it's to do with speculation and other things."

He warned against allowing this short-term investment for quick profits to predominate. Instead the state needed to develop indigenous supply chains with knock-on effects for communities and the Irish labour market that would ideally generate domestic economic growth. The government should therefore ensure that the expansion of the sector corresponds with equitable distribution of profits and regulation of other industries, such as hi-tech and data centres, which emit carbon.

One respondent elaborated in detail where state spending on climate change would likely arise. Electrification of private cars is one area that requires state investment. This is because many households in poorer countries rely on purchasing secondhand cars, and secondhand electric cars will take time to enter the market. The state will therefore need to provide a once-off scrappage scheme if electrification is to be affordable, costing €5 to €10 billion.

The agricultural sector will also have to reduce the number of cattle, which will require compensation for farmers' lost incomes, which could be half a billion a year. Retrofitting homes is currently not economical and a carbon tax would take a long time to change behaviour. That leaves the state to fund much of the retrofitting, which could cost between €1 and €2 billion a year, or up to 1% of national income according to today's economy. It was also pointed out that retrofitting homes will create competition for resources and stretch the construction sector.

Climate justice

Respondents felt that the government's role should be ensuring energy companies pay attention to local policymaking and the economic and social impact on residents, protecting communities from any economic or physical damage caused, for example, by wind farms. The point was made across the interviews that any policy model had to have the state coordinating it: "[a]s long as it's done in a way this brings all the stakeholders and parties into us and consults with them from early on." As discussed earlier, concern with climate change tends not to be a high priority for lower income households with more immediate concerns. Respondents were asked what role the state can play in intersecting climate action with improving everyday barriers to quality of life. They felt it returned to the need for the state to drive local development of businesses or industries related to climate action that have a direct benefit for the community. The rural remote movement (a maintained register of vacancies for jobs that can be worked remotely) was given as an example of combining the environmental, social and economic elements of sustainability in such a way that people can see a purpose to it.

The state should therefore not just be funding large-scale projects but developing community buy-in to the sector at the very local level. Other examples given were individuals and communities developing their own energy projects, co-operative local energy generation selling back to the grid; the installation of solar panels and shared ownership. At the same time, respondents acknowledged that there were constraints on the state's ability to set the terms, as with the tech industry, and that compared to some of these global companies, the state was relatively 'small fry.'

Climate justice was therefore central to any climate action policy, including strengthening local government, addressing regional inequalities, energy poverty and looking at the distribution of new infrastructure projects (e.g. avoiding concentration of new wind farms in one area). Rather than a centralised model (which would reproduce the fossil fuel system it is trying to replace), what was needed was a government-led strategy that democratised the market at a very local level taking into account the specific geographies of place (with biomass for example) and ensuring that local communities benefitted. Community acceptance was thought of as "becoming increasingly the most fundamental part of being in the industry - to try and bring people with you" directly affecting the pace of change in energy supply, declaring, "there's definitely a social challenge there in terms of bringing people on board with the need for action."

Investment in research

Experts on renewable energy also called for greater investment in 'discovery' research to contribute to the development of indigenous industry and avoid replicating reliance on foreign companies that characterises other industries such as hi tech. A representative of the wind energy industry said,

> "For us, research is becoming increasingly important … We see it as something that ultimately will be a connection between industry and academia that potentially wasn't there before. We see that it's hugely important."

While much of Ireland's hi-tech sector is foreign-owned, respondents spoke of "the potential of an indigenous supply chain being established in Ireland" which would need state investment in infrastructure and the development of clusters of coordination between industry and academia. As such, the percentage of GDP dedicated to research funding needed to increase, as should the Irish government's support for researchers to access European funding in climate action.

Research was also needed on how best to communicate climate action to the general public and the university sector, understanding better the social impact of the growth of climate-friendly industries. Calling for social science research on the 'social piece', one respondent stated that: "it's probably only now that we're starting to start looking at how we can actually answer it or solve the issue of [community acceptance]." And that it was the state's role to shape policy in this area, to map out how government, industry and local communities should work together.

The need for evaluation was also discussed––developing evaluation metrics for evaluating regional sustainable development––that would include qualitative assessments of local impact. Stakeholders pointed out that this would involve reform of the planning system to be able to make decisions about aspects of renewable infrastructure's impact that are currently difficult to measure (the noise and light pollution of turbines for example). It would also take reform of the procurement process (McCabe, 2021):

> "[R]eally start to rethink what at least onshore renewable energy projects could look like that local communities could really get behind that would genuinely provide livelihoods that would genuinely provide work."

Potential for job growth

All respondents agreed that the huge potential of the renewables sector for job growth, of making it an Irish industry (rather than bringing in foreign workers as other countries had done) and to promote social mobility for those currently in low skilled, low paid jobs or facing the phasing out of their current jobs. Industry representatives wanted training made available to workers whose jobs were being eliminated because of digitalisation and climate action and to younger people from disadvantaged backgrounds, so that they could find jobs in the area. One trade unionist highlighted the importance of union engagement in this process. The case of Germany was pointed out where unions administered a fund that retrained workers in declining industries. While the collective bargaining structures in place in Ireland are weaker compared to other countries, Irish unions could play a role by promoting buy-in among workers. They could also ensure that pay and conditions are attractive in 'green jobs' in those sectors where they have influence in wage setting.

Skillnet courses were also discussed as one mechanism to create new opportunities and transition people from their existing careers. The same representatives stressed the potential for significant job growth over the next thirty years in the sector including jobs in the installation and maintenance of onshore and offshore wind turbines and solar panels, in local transport, heating and retrofitting houses, and in support for electric vehicles.[9] Education was also felt to be central to this long-term strategy, beginning with introducing the subject of renewables at the earliest stage in the curriculum.

Higher Education

Background

Ireland's system of higher education has undergone significant transformation in recent years, and in the last decade in particular. The number of third-level graduates has grown as has the number of universities. While access to higher education among the broad population has expanded, the ethos, funding, and employment model within the sector has shifted. This has implications for the sector itself and for the Irish economy and society generally.

Mercille and Murphy (2017) describe the neoliberal restructuring of higher education in Ireland. The ethos of training students to be members of society, established with the foundation of the state, was being eroded as early as the 1980s. In its place emerged a system of equipping students with skills for the labour market. While not bad in and of itself, the extent of the shift in emphasis is problematic, such that the university's public function and ethos has been lost. Accelerated since the financial crisis, the commercialisation of the university has forged ever greater links between industry and academia with a focus on entrepreneurship, spillovers, innovation targets and general subordination to the needs of the private sector.

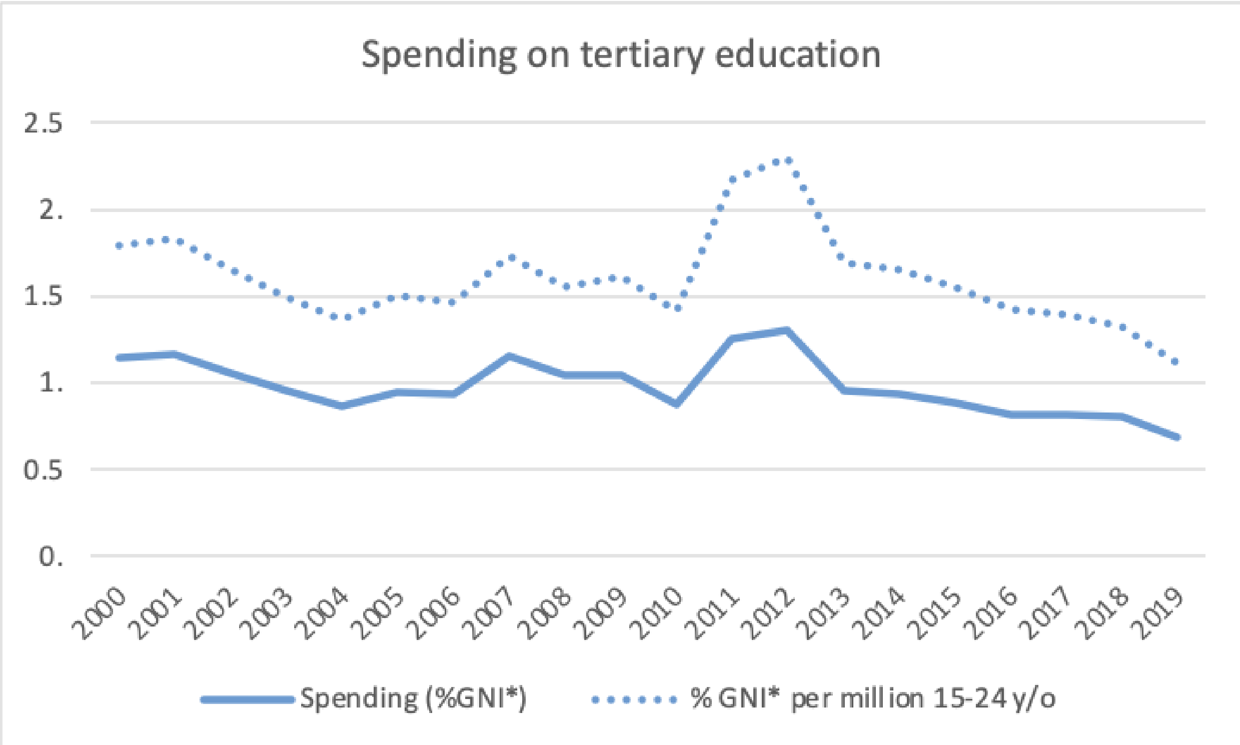
A review of funding in higher education notes a lack of clarity in funding sources and inadequate data (PBO, 2019). Public funding to higher education institutes (HEIs) comes in the form of block grants, which are based on student numbers, expenses associated with running courses, and sometimes specific purpose grants. There is also performance-based funding, which allocates funds according to the meeting of targets set by the Department of Education and Higher Education Authority (HEA). Up to 10% of the block grant can be withheld based on

9 A 2021 KPMG report for Wind Energy Ireland highlighted job creation potential in the industry stated that: "The sector creates direct jobs through its direct activities, indirect employment in particular through capital activities, such as in legal and financial advisory roles and in firms involved in storage, electrical supply, related services, and induced employment, through spend by direct employees in local shops. Throughout its supply chain, the sector currently supports ~5,130 jobs, with a strong foothold in rural Ireland. This figure does not include employment in grid development by some players and is therefore a conservative estimate. Currently, through its direct and indirect activities and employment, the sector supports payment of labour incomes totalling €225 million, with a significant share flowing to rural communities. The majority (62%) of labour income is generated in the sector's supply chain, highlighting how the sector can act as a catalyst for wider employment." (p. 9)

performance criteria. The remainder is made up of fees and other public and private grants. The most recent, but dated, funding figures suggest that 25% of higher education institutes' funding comes from state grants; 12% from conventional or 'exchequer' student fees; 35% from non-exchequer fees such as non-EU and mature students fees; 20% from research and grants and 8% from endowments and private investments.

The high share of university income generated from foreign students points to a broader funding trend – as public spending has fallen, student fees have been plugging the hole, but only partially (Mercille and Murphy, 2017). Restrictions on international travel during Covid may have squeezed them further. Figure 12 below presents two series. The main series is public spending on tertiary education as a share of national income. The second is the share of national income that is spent on tertiary education per million 15-24 year olds. It adjusts spending as a share of national income for changes in the demographic structure of the population.[1] A focus on only the first series may therefore give a misleading picture.

Figure 12: Spending on tertiary education 2000-2019

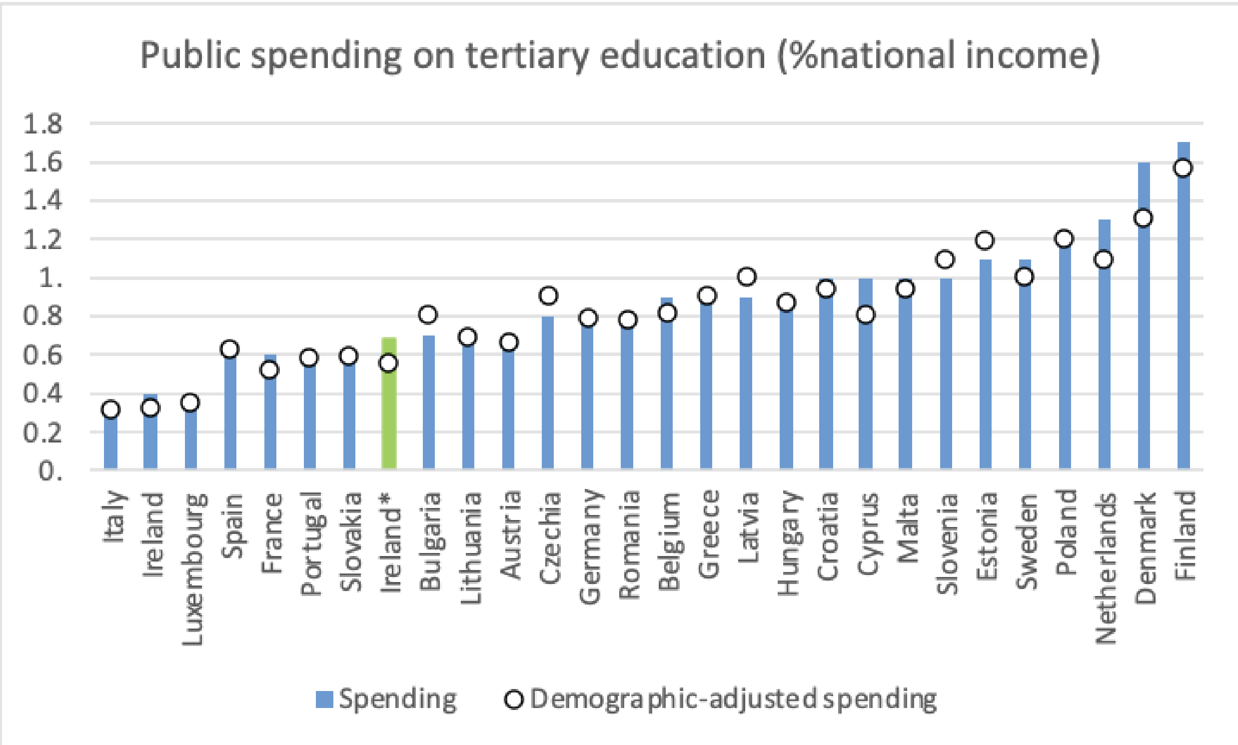


Source: Spending figures taken from Eurostat, GNI* and population figures from the CSO.

Funding to the sector was comparatively stable at around 1% of national income up until the financial crisis. When it hit, spending relative to national income peaked as a result of the decline in the latter. The withdrawal of the Irish state from funding third-level education is evident since the recovery as fewer and fewer resources have been devoted to the sector. Between the series beginning to its end, spending has fallen by around 40% in national income terms. Only a small part of this is related to emigration of young people – on a demographic-adjusted basis, spending has fallen by 38%.

One consequence of state withdrawal from the sector has been deteriorating working conditions. An employment control framework, overseen by the HEA, has been limiting the number of staff that HEIs can hire. While staff increases have been limited, academics have been under increasing pressure to meet performance targets as universities attempt to climb the rankings. Hodgins and Mannix-McNamara (2021) report an increase in burnout, workplace stress, managerial control, unrealistic workloads, and what they term 'institutional bullying.' Student-to-staff ratios increased from 16:1 to 20:1 between 2007 and 2018. At the same time, the number of managers has also increased, with higher education institutions now employing more non-academic than academic staff (Courtouis and O'Keefe, 2015). Data on precariousness is scattered but, based on the Cush report, we calculate 58% of academics are on full-time permanent contracts (Cush, 2016), of whom perhaps 60% are men (Delaney, 2020). Though part-time work can be voluntary so that non-standard employment need not imply precariousness, the Cush report underestimates the true level of precariousness as the data do not include research staff and tutors (O'Sullivan et al., 2021). Aside from its effect on those working in the sector, the reduction in funding bodes poorly for society and for the long-term competitiveness of the country. Figure 13 compares public spending on tertiary education across the EU. In 2019, Ireland spent just under 0.7% of national income. This placed it 20th out of 27 countries. When adjusted for demographics, as Figure 8 does with early years spending but now using the share of 15-24 year olds in the population, its place falls to 23 out of 27 countries.[10] In other words, Ireland is the fifth least generous funder of higher education in the EU.

Figure 13: Public spending on tertiary education in the EU 2019



Source: Eurostat.

10 For instance, if the share of young people in the population were to fall, as it did post-financial crisis, one would naturally expect spending as a share of national income to also fall. This metric is superior to inflation-adjusted per capita spending as used by the CSO (2019). Real spending per capita could remain constant suggesting a maintenance of resources, but if national income is growing faster than inflation, spending as a share of national income would be falling. This would indicate shrinking resources devoted to the sector relative to the resources available.

It is difficult to measure the output of educational institutions, but there are reasons to be concerned. Beginning as far back as the mid-1990s, grade inflation has been identified as a problem (O'Grady and Guilfoyle, 2007), one that has been reiterated in recent media discussions of education under Covid. The move away from a model focusing on students who need to learn to one that focuses on consumers who need to be satisfied is likely to have deepened this trend.

The quality of research may also suffer, although the quantity may increase. However, publicly-funded research comprised 0.39% of national income in 2018, which places Ireland considerably below the EU average 0.59%, and further still behind high-income EU countries. A review of public funding of R&D states that over 30% of public funding is performed in HEIs. This figure may be as high as 49% but it is unclear to what extent HEI research funds originate outside of the public system (GoI, 2019: 19-20). The use of international rankings to evaluate and ultimately fund HEIs has undoubtedly led to a greater emphasis on research. As discussed by Hodgins and Mannix-McNamara and many others, however, there is a difference between publishing many research papers and engaging in original, quality, time-consuming research. The rankings focus incentivises researchers and HEIs to engage in 'institutional window dressing' over substantive inquiry (Hodgins and Mannix-McNamara: 12). Nevertheless, the low level of public funding allocated to research and the slide in international ranking of Irish universities, despite their flaws, is likely to undermine competitiveness and Ireland's ability to assist and grow a sustainable indigenous sector.

Stakeholder views

Lack of investment

The disjuncture between the expansion of the sector and the decline in its investment, both in relation to infrastructure and teaching, was repeatedly raised by interviewees. Enrolment in further and higher education has consistently risen over the past five years, though without commensurate investment in the sector. One respondent commented, "[n]ot only do we need extra funding to fill the gap that is now clearly recognised, but we have the challenge of providing funding for the extra quota of students that are coming into the system." In particular, funding is needed for lower faculty/student ratios, to hire more permanent faculty, and for better facilities for both students and faculty.

The representative explained that the sector had the same number of permanent staff in 2020 as in 2008. Approximately 19,000 permanent pensionable staff are provided for under core funding, so universities, even if they wanted to, cannot employ permanent staff. This is because they are subject to the Employment Control Framework, something that the sector had been campaigning for years to have removed (HEA, 2011).

One justification for the continued freeze is state liability for staff pensions, though in other areas of the public sector, the freeze has been lifted. The freeze has, in turn, as mentioned above, led to a rise in staff/student ratios and reliance on temporary contracts. Without being able to hire on a casual basis, the ratios would have increased much more.

While respondents argued that the quality of education had remained high, they commented on the impact of increasing staff/student ratios ("in 2019" they were the highest in Europe):

> "You do get to a tipping point where quality begins to suffer because, you know, the nature of higher education is that it requires a level of direct or small group interaction with students to be effective. And if you begin to lose that, I think you'll begin to lose some of the quality aspects of the system."

The interviewees also pointed out that the ability for highly-educated workers to live anywhere for a job meant that they could opt for locations with better training and further education opportunities:

> "We're now going to be competing with people who have a choice. I mean, you know, the people who are employed in Google and in Facebook, and all these places have a choice where they want to work, not just where they want to work from home in Ireland, but they can work from home anywhere. So if we don't have a very good, well-thought-out, well-resourced, well-financed, you know, whole range of education opportunities, then why will they stay here because they can now move and work from anywhere."

Respondents also spoke about the negative implications for the student experience. For example, low levels of investment in infrastructure meant that "students suffer because they're not being educated in the right type of environment." The lack of planning, or political unwillingness, has created conditions that undermine not just learning of material, but the skill of learning.

A union activist representing lecturers said that the long-term effect of underfunding was to have larger class sizes than other EU countries and this policy weakened capacity to compete with other countries with smaller class sizes, though he acknowledges the government's motivation to act upon this, which has been costed into Budget 2022 (from 25:1 to 24:1). The EU and OECD average, though, is 15:1, enabling teachers to focus on learning skills as much as learning material.

Beyond potentially damaging the general student experience, the lack of funding influences inequality. The representative of the sector said:

> "[I]nclusiveness and access, I think, has to remain a core pillar of policy priority in the sector. Significant progress has been made, I think, over the last decade, but there is still a very long way to go. There is still [...] deep rooted inequality in access to higher education. And while all schemes really push that agenda along, I think there's still a lot more to be done."

A union representative argued that underfunding for infrastructure affected further education colleges the most:

> "[A] lot of further ed colleges are old schools that were no longer needed as schools and where new schools were built. These are older buildings, they're quite old fashioned, they're not attractive to students, when you see some of the other, you know, places that they can go to."

He also mentioned inadequate funding to support students with additional needs:

> "[T]here is money available for students with additional needs, but it has not been focused enough, or how it should be spent isn't focused enough. And when you have a student with a wide range of additional needs, they are very well supported now in second level, but that progression or those supports don't follow into third level or higher education."

He added that the funding was inconsistent between places and not used effectively:

> "[T]hose students who've had support perhaps throughout their whole career in school lose it when they move into further and higher ed. That's an opportunity lost, for those students maybe just need a little bit more time to progress and more support."

Deteriorating working conditions

The interviews confirmed that jobs in FEHE, particularly since the financial crisis, are often precarious, with no benefits or clear opportunities for future careers despite requiring long years of education to obtain. Thus, though seemingly distinct from occupations such as childcare or home care, teaching in tertiary education shares many of the same negative characteristics. Interviewees representing the sector overwhelmingly wanted hiring practices to change and, in particular, the cap on hiring permanent staff instituted with the Employment Control Framework, to be removed. The retention of this cap has led in turn to the use of temporary contracts and casual labour, so as not to drive up dramatically staff/student ratios.

The reliance on temporary staff was seen as "a very direct consequence of central government policy." As we discussed above, staff/student ratios are still high compared to other countries and Irish universities are absent from the top 100 of global rankings. This is of significance for further and higher education and to the quality and competitiveness of the labour market as well as, of course, impacting the quality of working conditions. As with homecare and childcare, they suggested a need for greater public awareness of instability and precarity in teaching contracts.

Research and development

In all three cases studies, interviewees emphasised the urgency of reversing the lack of investment in R&D, citing the contribution of research to professional training, innovation in business, economic and educational competitiveness, and service quality as reasons for the government to dramatically upscale funding for university-based research. Interviewees in higher education differentiated between state funding for academic research and industry-led studies, arguing that the former contributes both to preparation for current and future challenges, like the global vaccine effort, and to innovation separate from specific company needs.

Representatives of higher education criticised the concentration of investment in business, namely market-driven applied versus 'blue sky' research aimed at discovery and development of ideas. As one representative of the sector stated, "[w]e've contended consistently that we need more funding for discovery, sometimes called basic research, I think we prefer to call it discovery research." He added that this principle should apply in all areas, not just science: [i]t's not just about scientific research, but that we have underinvested in our cultural research and in creativity. And, you know, we are an innately creative nation, in terms of the arts and in terms of literature. But that, too, needs investment and research." He particularly cited the need for research on the societal changes and community development issues that the pandemic and transformation in working are engendering.

Integrating educational policy

As with the other case studies, interviewees were concerned at the lack of government strategy on higher education. A university president remarked, "[I]'m not too sure if they [the government] have a policy for third level education. I think there's no long-term policy[DS1], I think this is where the challenge is." He then spoke to what he thought the government should consider, namely preparing for a rapidly changing job market while not undermining the essential purpose of education to generate and disseminate knowledge.

The lack of strategy extended to the economic importance of the sector. The representative of the FEHE sector wanted tools developed for measuring the local economic and social impact. He contended, "[I] don't think the tools are in place to measure [social impact] in the way that it needs to be. And I think . . . measuring the softer impact, shall we say, of the institutions, particularly at a local and community level, is hugely important. But I think our data on that is very poor." These tools would complement consolidating the technological universities and advancing their regional focus. He added: "[i]t might have been wise to have some of this impact assessment to have some baseline research in place in advance, and then to measure it every five years or every 10 years or whatever, on an ongoing basis." Positing that the government could still support this research, he stressed that it would offer a "valuable basis on which to make policy decisions."

Interviewees also highlighted the difficulties moving from one type of tertiary educational institution to another, for example, from Education and Training Boards (ETB) to community colleges to higher education. They wanted a clearer structure within government, highlighting specifically needed differentiation between the Higher Education Authority and the Department of Higher Education. A representative of the sector argued that, "we need better integration. I think that's an absolute, in my view. And I think all of our members would support that." He elaborated on the connection between further and higher education, describing two necessary policy directions: raising the status and value of apprenticeships and training in the job market and facilitating the passage both from further to higher education and vice versa. He argued:

> “[W]e really need to develop further education as a viable life pathway in itself. Much more so than we’ve done here. I mean apprenticeships. And it’s not just apprenticeships but also the various other forms of training that are available through further education that have been deprioritised or perhaps, you know, are seen to be somehow lesser, than higher education.”

The representative also felt that the emphasis on moving from further to higher education required a parallel structure for going in the reverse direction:

> “[T]he pathway from higher ed to further ed needs to be deepened and strengthened… It also can be that graduates of higher ed can, and this is back to the flexible learning module model, go back and do a top up at a further ed institution.” He concluded, “I think that is where we have a lot of work to do in that space, I think we’re way off the place.”

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Discussion

Public opinion is clearly moving towards policies that imply support for an expanded state, albeit the public is less than enthusiastic about paying higher taxes. The latter would be more palatable if public services were linked to demonstrable improvements in outcomes and delivery. Health and housing are top priorities, areas in which Ireland already spends considerable resources, underlining the importance of good governance. However, there is clear support for expanding public provision of care, both child and elder, which can only be achieved through allocating more resources. Spending on the climate and investment in renewables is also likely to prove popular. Higher education is less of a public priority.

With the fiscal rules suspended, Ireland has been able to engage in deficit spending in recent years. As those rules are to be reinstated in some form in the near term, expansion of the state will have to be accompanied by higher levels of taxation. Compared to other high-income European countries, the Irish state is small as it spends less on social welfare and pension. The flipside of that is that Ireland collects low amounts of social insurance contributions. Other areas where Ireland can raise revenue are capital taxation, closing tax reliefs, and environmental and carbon taxes.

Irish policymakers, trade unions and organised business agree that the state will and should expand in the years to come. Aside from age-related spending, climate change is an area where expansion is inevitable. All those who offered opinions favoured public provision of childcare. Greater funding for higher education, especially in research, was also seen as favourable. Policymakers within the state apparatus were, however, more likely to be fiscally cautious with a concern for the level of debt.

In terms of how these findings may be viewed, the focus on debt and deficits by many policymakers reveals a certain level of fiscal conservatism within segments of the state. Ireland's reliance on volatile corporate tax receipts does merit a more cautious fiscal stance than is the case in other countries. However, it does not follow that debt and deficit indicators should stand on an equal footing as the burden of servicing debt in calibrating fiscal policy. As discussed, the debt level and deficit are measurements that are in and of themselves not consequential. If corporate tax receipts were to fall, Ireland would have to borrow more in the short-term, increasing the deficit and expanding the stock of debt, and ultimately increasing the debt servicing burden. Attention to the debt servicing burden therefore requires attention to debt and deficits, but it is still the debt servicing burden per se that has real-life consequences for the state. Put another way, stress testing adverse policy scenarios under which the debt servicing burden rises subsumes attention to the level of the debt and size of deficit, including when this arises from an adverse shock to corporate tax revenues.

At the time of writing in early 2022, Ireland has been experiencing significant levels of inflation. This is a consequence of goods shortages due to problems in international supply chains, rising energy prices, and pent up demand finally being released as the economy reopens. The spectre of inflation raises the possibility that interest rates rise, which would increase the burden of servicing debt. To avoid overheating the economy and for the sake of fiscal prudence, a broad fiscal expansion in the near-term is ill-advised. Targeted measures that protect households' living standards, or spending that mitigates—as opposed to adds to—price pressures are warranted. Public spending on housing or investment in care, which will be discussed shortly, are examples.

If Ireland were to match other countries in terms of state spending, much of that spending would be on social protection. The underspend in social protection may be surprising given that Ireland has one of the most redistributive systems of cash transfers in the OECD, if not the world. As alluded to before, part of the pension underspend is due to other countries linking public pension benefits to career earnings to a greater extent. This contributes to pension poverty being generally lower than the broader population in the EU. In Ireland, the at-risk of poverty rate among pensioners is in the middle by EU standards which suggests a reasonably effective system of income support. However, among the entire population, the at-risk of poverty rate is now toward the lower end among EU countries. This suggests scope for spending increases if the redistributive performance of Ireland's transfer system is to be as robust for older people as it is for the entire population. Maintaining the retirement age at 66 will require additional spending – a little under 1% of national income on top of projected increases in spending due to ageing (Pension Commission, 2021). There is also scope for expanding other entitlements such as sickness benefit, introducing pay-related unemployment benefit, and other measures to increase the 'social wage.'

But if Ireland were to match the spending of other high-income countries, it would require a transformation of its pension system. Public pension entitlements would be more aligned with earnings, which the recent pensions commission did not consider. Linking earnings and entitlements has the benefit of generating support for the welfare state outside of low-income groups, though it makes the transfer system less redistributive.

Outside such a transformation in the Irish welfare state, increases in spending on care, the just transition, education and higher education have the capacity to enhance social and economic outcomes. Such programmes are likely to prove popular and, if accompanied by high standards of governance, that popularity is likely to endure.

Turning now to the specific area of care, the Irish early years sector has suffered from years of underinvestment. Although programs have expanded, Ireland remains one of the least generous countries in the EU when it comes to public spending on early years, especially considering its young population. Despite the fact that most of the sector's funding comes from the state, most providers are for-profit and fees are currently unregulated. The combination of low public spending, for-profit provision, and the absence of fee regulation translates into Ireland having among the most unaffordable childcare in the EU.

These policy failures are felt in many arenas of social and political life. Low investment means that wages in the sector are low, and providers have difficulty retaining staff. The high cost of early years care lowers female labour force participation as fewer women enter paid employment. As well as exacerbating gender inequality, it has knock-on effects for broader societal inequality and social mobility. Children from low-income households are unable to access the system, and do not acquire the social and education skills that early years education and care offers. With fewer people in employment, fewer are earning wages so that income inequality grows. Indeed, Ireland has one of the highest levels of market inequality in the developed world as many of its population earn little or no income.

A clear overarching strategy for the sector is absent, as several interviewees pointed out. Reforms in the sector had been piecemeal with an absence of integrated strategy across governmental agencies and departments. The First Five strategy which commits to improving the lives of babies, young children, and their families across departments was a case in point, with little in the way of discernible action. The long-term advantages of investing in early years—outside of the immediate care and education benefits—were not being accounted for. Similarly, qualification standards in the sector have increased, but without funding and wages to match, the incentive is to either not acquire them or leave the sector.

Several interviewees had raised the possibility and desirability of moving towards a Nordic-style system. Early childhood care and education would be mostly publicly provided. One possibility would be to integrate the early years system into the broader education system so that public provision of early years care and education takes place in the vicinity of primary schools. This would imply more funding as the state becomes the main provider. More funding would be needed to pay workers decent wages, to encourage them to remain in the sector, and develop career structures. Approximately 0.7% of national income in extra public spending is needed. This would bring Ireland to the UNICEF benchmark of 1% of national income.

Similar findings were made in relation to adult care. However, unlike the early years sector, public spending on adult care has at best remained stable as a share of national income. It is likely that spending on home care will continue to grow in importance relative to institutional care. Cross-country comparisons are hindered by a lack of standardised data, but there is reason to believe that Ireland spends comparatively little, which can at least partly be explained by its younger population.

The stakeholders interviewed on adult care pointed to a lack of integration in government agencies. For instance, the health service did not coordinate with homecare providers as older people are released from hospital. The ability of older people to downsize in rural areas is made more difficult by the lack of smaller units in the locale, which suggests a need to link up care services with the housing or planning system.

Ireland's relative underspend on adult care is suggested by the low pay that care assistants receive. Though official statistics are not available, pay appears to be comparable to that of early years workers, which is known to be low. There seems to be considerable discrepancies between the pay of public and private workers. Moreover, adult care services have been effectively privatised through the growth of for-profit operators. As in the early years sector, this has led to recruitment problems and staff retention challenges, and a lack of career development.

In terms of resources that might be devoted to eldercare, not only demographics but adequate pay must also be considered. It is not unreasonable for care assistants to be paid €15 on average, which would imply an increase of up to 17%. That would raise public spending by around a tenth of a percentage point to 0.9% of national income in 2020 numbers. However, both nursing home and social care spending will rise independent of any pay increases-- perhaps both could increase by a third in the next decade (Burke et al., 2019). Taking both, it is reasonable to expect public spending to rise by 0.4% of national income over the coming years to fund increases in services and adequate pay.[11]

Ireland faces formidable challenges if it is to move toward an ecologically sustainable economy. Reducing emissions by 51% over the next decade, with most of those emissions reductions coming in the latter part of the decade, seems highly ambitious. This is especially the case given the modest targets for emissions reductions in agriculture, its most polluting sector.

11 Hourly pay is approximately €12.80, so that €15 per hour implies a spending increase of 17%. That raises spending from 0.8% of GNI* to 0.9% assuming all costs are labour costs. A demographic-induced spending increase of one third raises spending to 1.2% of GNI*.

If Ireland is to make inroads, renewable energy in the country will need to expand. This will be needed to meet the projected increase in electricity usage, as well as make energy generation more environmentally friendly. That the cost of this transition to the state is unknown undermines public confidence that the country is treating the problem with the seriousness it merits.

Uncertainties about the level of public investment needed aside, a number of interviewees expressed concern about Ireland's strategy for developing renewables. The fear is that current policies are not maximising the linkages and benefits to Ireland's economy as the emerging sector matures. It was pointed out that some of Ireland's most promising IT companies had been bought by foreign companies. This suggests an active role for the state, including in the form of equity stakes, even if companies have access to finance. The state can also lead the way by scaling up public spending on renewables-based R&D to meet its 2015 level in national income terms. This constitutes a trebling of current resources, and more, if Ireland wishes to surpass 2015 funding levels.

The move toward carbon neutrality will require significant amounts of reskilling. In the construction sector, homes will need to be retrofitted, including through the installation of solar panels. While market forces can be expected to entice workers into occupations if and when the demand is there, unions can play a facilitating role today. Unions can ensure attractive pay and conditions through sectoral agreements and can help coordinate reskilling and retraining in declining, carbon-intensive occupations.

The legacy of the financial crisis haunts higher education to a greater extent than perhaps any other major public service. An almost 40% decline in public funding has dramatically changed the character and complexion of the sector. The public good focus on education as learning has been replaced by an ethos that places great emphasis on preparing students for the labour market. Within the academy, there has been a sharp decline in working conditions, an increase in managerial and bureaucratic control, and a commercialisation of its activities such that the focus is on producing research outputs to climb the rankings.

Indeed, interviewees working in the sector pointed to a lack of government strategy for the sector with concerns that standards have been declining. Consistent with the figures presented in the background analysis, the freeze on hiring permanent staff, growing precariousness, and rising staff-student ratios have meant that staff are struggling to maintain standards in light of dwindling resources. There was also concern that this had the most impact on non-universities and institutes for further education, with adverse implications for social mobility.

Based on feedback and the trends evident in the data, it is reasonably clear how the problem can be addressed. The recruitment freeze in hiring permanent staff needs to be lifted and more resources need to be allocated to the sector. We recommend that the funding levels seen in the 2000s should be restored whereby around 1% of national income was allocated to higher education. This represents an increase of around 0.3%. This may be seen as a conservative figure as the number of students enrolled in higher education has increased significantly since then, albeit HEIs have increased their funding from non-state sources.

Note that not all of the funding increases will go into increasing staffing. As discussed, publicly-funded R&D is comparatively low – around 0.2% of national income below the EU average. In order to develop Ireland's indigenous industrial base, including but not only renewable energy, funding should increase by at least 0.3% of national income, bringing it to 0.7% of GNI*. In line with current allocations, perhaps one third of this would go directly into higher education. The remainder would go to other agencies such as Science Foundation Ireland, Enterprise Ireland, Sustainable Energy Authority of Ireland, and others.

Trade unions can be expected to play a prominent role in the post crisis political landscape. In the care sector, for instance, public spending is low but has increased from its low base but pay and working conditions remain poor. Much spending translates into public funding of private services, but with little exertion of state influence in terms of how those services are run. If industries and services are to benefit from greater state funding, it is sensible that they be subject to greater public influence and scrutiny.

The establishment of a Joint Labour Committee, whereby employers, unions and the state agree minimum levels of pay and conditions in the early years sector, is a welcome move. It would be useful if a similar structure were implemented for care assistants working with adults. Pay is obviously better in higher education, where the immediate challenge for unions is tackling the high levels of precariousness which, as discussed, means lifting the recruitment freeze. Aside from pay and conditions, unions can, as discussed, play a role in the skills challenges that are emerging through the just transition.

Recommendations

All the interviewees in this report, although from very different industries, called for a more visionary state that would lead other sectors in planning; ensure investment in infrastructure; implement regulations to safeguard both the people providing and using public services and prioritise indigenous industry and human capital.

This bold ambitious policy framework would build connections for collective engagement with shared problems, developed between business and communities, further and higher education institutions, and forms of care. It would give more attention to local economic development and community sustainability and inclusion of climate action. Policies would be assessed by how they affect inequality, social mobility and social segregation; how they respond to stakeholder interests; if they facilitate concentration of private business or enable smaller businesses to flourish (e.g. childcare and nursing home chains versus family-run or community-based facilities); improve worker income and job security, enable climate action, and increase trust in government. As such, it would drive effective responses to the challenges that have and will face Ireland in both the short and long-term.

For such a framework to be implemented, persuading the public to pay higher taxes to adequately fund services would be a major challenge, especially given the low trust in public institutions. High standards of governance must be implemented at the same time as the state expands, lest support for public institutions and progressive economic policies lose legitimacy. If implementation is effective, support for policies can develop. For example, improvements in affordability of care will improve support for intervention among the population in general, while improving access among low-income households will generate support among poorer groups as they become users of the service. Improving governance, and extending the reach and quality of the welfare state will crucially change, for example, public perception of and support for a green agenda that will protect both workers and beneficiaries simultaneously.

The numbered points below summarise the report's recommendations. They are not intended to be a comprehensive set of policies on how the state should be reformed or should expand. They are based on the findings and analysis of the case studies examined, though some comments are made on pensions which were not explicitly considered. These measures total 2.6% of national income, some of which will not take hold until well into the future. For instance, maintaining the pension age at 66 will cost up to 1% of GNI* over a period of several decades (excluding the already projected increases in pension spending whereby the pension age is gradually increased to 68).

1. Provide for greater integration of government agencies, such as home care and health care services.
2. Establish an independent agency or commission for oversight of care for older people.
3. Integrate early childhood learning and care into local schools and subsidise staff salaries, in part so that workers in the sector could achieve career development.
4. With reforms to the corporate tax rate, investment in education becomes more important.
5. Maintain the retirement age at 66.

6. Increase spending on public pensions by up to 1% of GNI* over and above ageing-induced spending.
7. Increase funding for the early years sector by 0.7% of GNI*, bringing it to 1% of GNI*.
8. Initiate a long-term strategy for early years and move toward a model that relies primarily on public provision.
9. Benchmark wages of early years workers against primary school teachers.
10. Increase spending on eldercare by around 0.1% of GNI*, excluding demographics, to raise the wages of care assistants (demographic spending likely to cost around 0.3% over the next decade).
11. This could be done through tripartite agreement such as an Employment Regulation Order.
12. Cost and make publicly available the public financing of a just transition.
13. Treble the amount of public funding allocated for renewable energy R&D.
14. Provide a long-term strategy for higher education which allows for secure employment.
15. Remove the hiring cap on permanent staff.
16. Increase spending on higher education by 0.3% of GNI*, back to the 2000s level of 1% of GNI*.
17. Of this 0.1% will be allocated to research.
18. Increase publicly funded R&D by a further 0.2%.
19. Spur innovation by linking public investment in R&D to indigenous enterprise.
20. Push for reform of the fiscal rules based on the cost of servicing debt, not the level of deficit or debt.
21. Increase employers and self-employed PRSI to raise at least 1% of national income to fund maintaining retirement at 66 and expanding the social wage.
22. Raise 1% of national income through phasing out CGT relief and updating property values to calculate local property tax.
23. Raise 0.6% or whatever amount is necessary through phasing out fossil fuel subsidies.

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Appendix

List of interviews by organisation type and role of respondent

Interview	Type of organisation/Sector	Role of respondent	Date of interview
1	Trade union	Advisor	24/01/22
2	Trade union	Advisor	15/12/21
3	Business group	Advisor	15/12/21
4	Independent state body	Advisor	15/12/21
5	Government advisor	Advisor	15/12/21
6	Independent state body	Advisor	15/12/21
7	Independent state body	Advisor	15/12/21
8	Charity (adult education)	CEO	18/08/21
9	Older people organisation	Advisor	25/08/21
10	University	Lecturer	7/09/21
11	Arms length body (education)	CEO	18/08/21
12	Association (renewables)	Chairman	
13	Company (care sector)	CEO	18/08/21
14	Institute (technology)	President	18/08/21
15	Union (HE sector)	President & Advocacy Manager	09/21
16	Union (education)	General Secretary	18/08/21
17	Institute (technology)	President	07/21
18	Union (HE)	Deputy Secretary General	07/21
20	Charity (childcare)	Policy Manager	18/08/21
21	Representative body (renewables)	Head of Research	18/08/21
22	Association (HE)	Director	9/09/21
23	Membership organisation (care sector)	CEO	3/09/21
24	Institute (technology)	Vice President	18/08/21
25	University (and member organisation)	Professor & Chair	
26	Membership organisation (childcare)	CEO	18/08/21

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