National Reform Programme for Ireland
2013 Update
under the Europe 2020 Strategy

Contents

Introduction

This update sets out Ireland's progress towards our headline targets under the Europe 2020 Strategy. It is presented within the framework of the enhanced economic governance arrangements underpinning the European Semester and in tandem with the medium-term macroeconomic outlook provided by our Stability Programme Update.

While the crisis hit Ireland particularly hard, we are beginning to see the results from a very difficult recovery process. We have taken necessary steps to fix our economy, restore financial stability and confidence in our country and help get people back to work. The extent of these measures has been far-reaching, impacting on every citizen. The scale of adjustment has been unprecedented but we are starting to see positive results:

- Our economy has seen further growth of 1.4% in 2011 and 0.9% in 2012.
- The correction of our public finances is on track with 90% of the fiscal consolidation complete and the deficit on track to fall to below our 3% of GDP target by 2015.
- Ireland has regained access to the international debt markets, with recent sales of 10 year bonds building on the successful shorter term issuances last year and earlier this year. These developments, together with the improvements seen in Government bond yields, represent a strong vote of confidence by the international debt markets in Ireland.
- We have made significant competitiveness gains with prices and costs to business falling significantly.
- Our export-growth is strong, with total exports in 2012 at their highest level ever after a 2.9% annual increase in real terms.
- We have recently experienced a stabilisation of our employment levels, albeit with unemployment at an unacceptably high level.

National policies reflect determined action to promote competitiveness, growth and jobs in line with the priorities set by the Annual Growth Survey. This orientation has been strongly reinforced by the Spring European Council and the Synthesis Report prepared by the Irish Presidency highlighting the key discussions within the Council on the Union's growth and jobs priorities:

- *Pursuing differentiated, growth-friendly fiscal consolidation*: The aggregate fiscal measures needed to restore balance to our public finances over the period to 2015 are equivalent to around 20% of GDP. The bulk of this severe adjustment is being delivered on the expenditure side (around two-thirds), while broadening the tax base, and protecting investments in productive capacity to the greatest extent possible. This includes last year's €2.25m stimulus (2012-2018) to support delivery by PPP of key national infrastructure projects. We are actively reviewing potential for accelerated implementation of EIB-supported investment projects in line with the orientation set by the ninth review mission of our EU/IMF programme. The distributional impact of these cumulative fiscal measures is also independently measured as progressive.

- *Restoring normal lending to the economy*: This is a central feature of our recovery and growth plans in light of the severe impact of the crisis on all aspects of financial support for SMEs. We are developing a financial environment that meets the needs of a modern economy built upon exports, enterprise and innovation. Under the new Action Plan for Jobs 2013, the National Pensions Reserve Fund will deliver €850 million of funding supports for the SME sector; the pillar bank lending targets have been increased to €4 billion each for 2013; we are introducing a new Seed and Venture Capital scheme run by Enterprise Ireland worth up to €700 million; a Development Capital Scheme worth €225 million will support growing mid-sized indigenous companies; and the Credit Review Office will recruit additional staff to support its monitoring work. We are also actively reviewing the scope for further EIB-supported measures, strengthening SME access to finance.

- *Promoting growth and competitiveness*: Our annual Action Plan for Jobs process aims to create the environment where the number of people at work will increase by 100,000 net by 2016; to get back to a top-5 ranking in international competitiveness; to build world-class clusters in key sectors of opportunity; and to build up the export market share of Irish companies. The first year of the Action Plan for Jobs approach saw more than 90 per cent of the actions committed to by Government delivered in the timeline set down. The 2013 Plan contains a total of 333 actions for delivery across all Government Departments and 46 State agencies. This includes seven landmark projects, or "Disruptive Reforms", which have been selected for particular attention because of their potential to have a significant impact on job creation.

- *Tackling unemployment and the social consequences of the crisis:* Our Pathways to Work policy introduced in February 2012 is aimed at ensuring that as many as possible of the job vacancies that are created are filled by people from the Live Register, with a particular focus on those who are long term unemployed or at risk of long-term unemployment. The policy is underpinned by five core strands: transforming and reforming the employment and income support service institutions through the new integrated INTREO service delivery model; more regular and on-going engagement with people who are unemployed through active case management and profiling; greater targeting of activation places and opportunities; incentivising the take up of opportunities; and creating and enhancing relations with employers. The social protection system continues to perform effectively in minimising the social impact of the crisis and in preventing poverty, despite the requirement for fiscal consolidation. The Government has made jobless households and child poverty key policy priorities in the fight against poverty.

- *Modernising public administration:* The Programme for Government reflects a clear commitment to more open and more effective public administration. This work is being led by a dedicated Department of Public Expenditure and Reform, newly established in 2011, focused on: placing customer service at the heart of everything we do; maximising new and innovative service delivery channels; radically reducing our costs to drive better value for money; leading, organising and working in new ways; and a strong focus on implementation and delivery. Progress is being underpinned by a thorough modernisation of national budgetary procedures. Our Medium Term Expenditure Framework (MTEF) now sets multi-year envelopes for current spending (in place for capital spending since 2004). Preparations for Budget 2014 will continue the direction set last year towards 'performance budgeting'. This means a clear focus on outputs and outcomes supporting enhanced parliamentary oversight of the allocation and deployment of budgetary resources. We are currently preparing to bring the budgetary cycle in line with the provisions of the 'two-pack' on foot of the agreement secured by the Irish Presidency with the European Parliament at the end of February. This year's Fiscal Responsibility Act also places the Irish Fiscal Advisory Council on a statutory footing.

These wide-ranging measures anchored in the Annual Growth Survey set the context for this update on national progress under the Europe 2020 Strategy: supporting growth that is smart, sustainable, and inclusive. The key goal for Ireland and Europe alike is unlocking the new wave of investments that will generate the new jobs necessary to address unacceptably high levels of unemployment. The key foundation is sustained commitment to the difficult structural reforms needed to adapt our economies to twenty-first century reality.

This 2013 update builds also from steadfast implementation of our EU/IMF programme. This remains fully on track for successful completion and exit this year.

Macroeconomic Context and Scenario

Recent developments

The Irish economy recorded a second consecutive year of moderate growth in 2012. GDP is estimated to have expanded by 0.9% in real terms with GNP increasing by 3.4%.

Recovery is being led by external demand on the back of strong competitiveness gains in recent years. Exports are estimated to have grown by 2.9% last year which, when combined with a broadly static level of imports, resulted in a positive contribution to growth from net exports. Some weakness in both the production and exports of chemicals and pharmaceuticals was recorded over the second half of the year, although the manufacturing PMI remained in strong positive territory.

Domestic demand is set to have contracted for the fifth successive year, albeit at a slower pace than in previous years, as private consumption, government consumption and investment continued to fall. Fiscal consolidation, still-falling employment levels, household deleveraging and ongoing uncertainty held back consumer spending. Consistent with signs of stabilisation in domestic demand at the end of last year, retail sales in the final quarter were in positive territory in year-on-year terms, growing by just over 1%. On the investment front, spending by firms remains at low levels due to weak demand and high levels of indebtedness.

Employment fell by 0.6% in 2012, although a small year-on-year increase was recorded in the fourth quarter, the first since 2008. Unemployment fell to 14.2% in the final quarter, ahead of expectations as labour force participation continued to fall. Inflation remained subdued for the year as a whole with the full-year HICP measuring 2.0% in line with weak price pressures in the economy.

Outlook for 2013

A further modest expansion of economic activity is anticipated this year, with GDP currently expected to increase by 1.3% in real terms (GNP by 0.8%). Growth is likely to be more balanced than the pattern of the past two years (net export growth offsetting declines in domestic demand) – as the domestic economy stabilises and returns to growth in the latter half of the year.

However, the external environment in which the Irish economy operates remains challenging and the outlook for 2013 growth in many of our main export markets remains weak. Despite a general calming of sovereign bond market tensions over the last six months or so, real economic activity remains subdued in trading partners. The second half of last year saw weakness in the pharma-chem sector, and it remains to be seen how production and exports will evolve in an environment where some products are coming off patent.

Available indicators point to a stabilisation of domestic demand in 2013. The largest component of domestic demand is consumer spending and this is likely to increase marginally by around 0.2%. Investment is set to increase by 3.7% from 2012 levels, in line with continued FDI inflows as well as increased investment in social infrastructure. Government consumption is forecast to fall by 2.1%, in line with stated policy objectives of the reduction of public service numbers.

A modest increase in the level of employment of 0.4% is expected this year. This is based on the assumption of further employment growth in the exporting sectors as well as positive dividends from the various labour market initiatives. However, some employment losses in sectors subject to continued downsizing appear inevitable. Inflationary pressures are set to remain relatively contained this year. Underlying price increases are assumed to be relatively moderate, given continued weak domestic demand. The HICP is expected to measure 1.2% this year.

Outlook for medium term

The working assumption of most international forecasting agencies is that the global economy will improve during the second half of 2013, with the pace of growth accelerating in 2014. On this basis, a strengthening of Irish export growth is expected over the medium term. The improvement in exports should also translate into higher investment, with beneficial effects in the labour market and, eventually, on personal consumer spending. As a result, domestic demand is projected to increase once again in 2014, although the pace of growth will likely be moderate given the scale of the imbalances that will still need to be worked through.

Inflation is set to remain subdued over the forecast horizon, in line with moderate price pressures in the economy. Employment is set to improve by a cumulative 4.2% over the 2013-16 period. This is set to bring unemployment down to 12.3% in 2016. Historically speaking, aggregate supply is highly elastic to the economic cycle in Ireland. Labour force participation of 15-64 year olds is forecast to rise by about 1¾ percentage points by 2016 compared with 2012 levels, given the relatively constrained domestic demand growth forecast over the period.

"SNAPSHOT" OF THE IRISH ECONOMY					
	2012	**2013**	**2014**	**2015**	**2016**
activity					
GDP growth	0.9	1.3	2.4	2.8	2.7
GNP growth	3.4	0.8	1.8	2.0	2.0
labour market					
Employment	-0.6	0.4	1.1	1.3	1.4
Unemployment, %	14.7	14.0	13.3	12.8	12.3
prices					
HICP inflation	2.0	1.2	1.8	2.0	2.0
external trade					
exports	2.9	2.3	3.0	4.3	4.2
current account, % GDP	4.9	5.0	5.1	5.2	5.3

Figure 1: "Snapshot" of the Irish Economy 2012 (CSO) and 2013-2016 (Department of Finance forecasts)

Target 1- Employment

***Ireland's Headline Target:* To raise to 69-71% the employment rate for women and men aged 20-64, including through the greater participation of young people, older workers and low-skilled workers, and the better integration of legal migrants, and to review the target level of ambition in 2014, in the context of a proposed mid-term review of the Europe 2020 Strategy.**

Current Situation:

The employment rate for women and men aged 20-64 was 64% in 2012, unchanged from 2011 suggesting a stabilisation in the labour market after a fall from 74% in 2007 to 71% in 2008 and 66% in 2009. As noted in the 2011 NRP there is a divergence between male and female employment rates. Recent Eurostat data show that the employment rate for men in Ireland is 68.2% compared with 59.4% for women. The gender gap has almost halved from 16 percentage points in 2008 to 9 percentage points in 2012.

The unemployment rate is currently 14.0% (March 2013) and while it has fallen from 15% in February 2012 after several years of increases, the rate remains unacceptably high. The male unemployment rate of 17.8% compares with a female unemployment rate of 11%. It is of additional concern that long-term unemployment (defined as being unemployed for a year or more) accounted for 60% (176,400) of total unemployment in Q4 2012(Figure 2), and for 46% (27,300) of the unemployed under the age of 25.

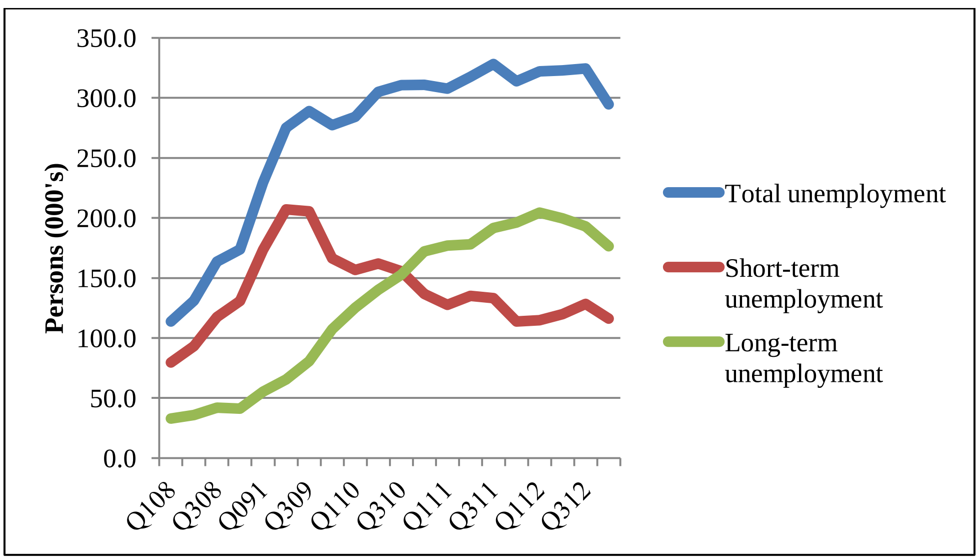


Figure 2: Unemployment by duration, Q1 2008 to Q4 2012 (Source: CSO)

Twin Strategies

The main issues giving rise to unemployment continue to be the weak domestic demand including downsizing of the construction and retail sectors in Ireland and weak growth among key trading partners. The Government is tackling unemployment and the stabilisation of the employment rate through the twin strategies of the *Action Plan for Jobs* and *Pathways to Work*.

Action Plan for Jobs:

The multi-annual *Action Plan for Jobs* process aims to have 100,000 more people in work by 2016 and 2 million people in work by 2020 through the introduction of additional employment supporting measures. Assuming the current 20-64 year old population holds constant, attaining the *Action Plan for Jobs* target would have a significant positive impact for Ireland's 2020 employment rate target, reaching 67.6% by 2016 and 70.1% by 2020, almost exactly the mid-point of Ireland's ER range of 69%-71% for 2020.

The Government's first *Action Plan for Jobs* was launched in February 2012 and contained 270 distinct actions to be implemented across 15 Government Departments, as well as a number of State Agencies and Offices to improve the operating environment for business and support the creation of jobs. 249 (92%) of the 270 actions for delivery in 2012 were implemented on time and while unemployment remains high, there are signs of progress in the labour market. For example in 2012, IDA Ireland-supported multinational companies created the highest number of new jobs in a decade with 6,570 net new jobs recorded, whilst Enterprise Ireland-supported indigenous companies had their best performance since 2006 with the creation of more than 3,000 net new jobs.

In February 2013, the Government launched the 2013 *Action Plan for Jobs* which will build on the progress made in 2012. The 2013 Plan contains a total of 333 actions for delivery across all Government Departments and 46 State agencies. These actions will support improved access to finance by SMEs, help to build competitive advantage, further improve the skills base, encourage entrepreneurship and support start-up activity, assist businesses to grow, and develop and deepen opportunities from global investment.

The Plan includes seven landmark projects, or "Disruptive Reforms", which have been selected for particular attention because of their potential to have a significant impact on job creation.

The Government will publish Progress Reports on the delivery of the measures under the 2013 Action Plan on a quarterly basis.

Pathways to Work:

The Government's programme of change to improve the 'activation' services it offers to unemployed people, as set out in the *Pathways to Work* policy, is aimed at ensuring that as many as possible of the job vacancies that are created are filled by people from the Live Register, with a particular focus on those who are long-term unemployed or at risk of long-term unemployment.

The *Pathways to Work* strategy, which was launched in February 2012, introduced a new integrated employment and support service involving the transformation of local social welfare offices into a "one-stop-shop" (called *Intreo*) allowing jobseekers to access their entitlements and get help with planning their return to work.

Although the transformation of the existing service infrastructure to deliver this type of approach is a major undertaking, good progress has been made in implementing key elements of the approach over the past year – with all new clients now being profiled.

In addition, the Government has committed in its *Action Plan for Jobs* to report on quarterly targets of the roll-out of *Pathways to Work* to ensure that the process is as transparent as possible.

In 2013, a renewed focus will be given to targeting activation places to the long-term unemployed. While the level of long-term unemployment has stabilised, the outlook for people who are already long-term unemployed is bleak, and the average duration of unemployment for this cohort is increasing. Therefore, it is planned to extend the activation process to the stock of long-term unemployed during 2013, specifically to:

- double the number of staff deployed on case work duties
- profile every client on the Live Register to help prioritise and direct interventions
- develop a proposal for contracting of services to supplement the Department's own resources
- increase utilisation of Local Employment Services
- increase the number of work placement and training places available for long term unemployed people.

Labour Market Bottlenecks

The 2011 NRP highlighted five bottlenecks in the Irish labour market. The twin policies outlined above provide a wide range of specific measures which are complementary to the ongoing efforts to address these bottlenecks. Some of the new measures associated with these specific policy responses are outlined below.

1. *Weak labour market demand, particularly in domestic services*
   In recognition of the problem of weak labour demand, a new initiative will be introduced in 2013 – the *JobsPlus Initiative* – which is also designed to promote the recruitment of long term unemployed people. The scheme will provide two levels of incentive - a higher incentive for the recruitment of people more than 24 months unemployed and a lower rate for those between 12 months and 24

months unemployed. It will be simple to administer both for the State and the employer, and will replace two existing measures.

2. *<u>Long-term and structural elements of unemployment</u>*
   and

3. *<u>Access to opportunities for upskilling and reskilling, especially sectors that have been most affected by the impact of the recession</u>*
   Opportunities for vocational education and training course places continue to be prioritised, including in the further education and training sector, specifically for those on the Live Register for 12 months or more:

   - Since 2011 a number of new competitive funding streams have been introduced to address the specific skills needs of enterprise and to support jobseekers to re-skill in areas where employment opportunities are emerging as the economy is recovering. More than 10,000 unemployed or previously self-employed people have been provided places under the two rounds of Springboard that have issued to date and a further 5,000 places are expected to be delivered in 2013.
   - As part of the ICT Action Plan, in February 2013 more than 760 new places were made available on the second phase of the ICT graduate conversion courses. This is in addition to the more than 700 places provided in 2012. Further details are included under the Education Target.
   - A new Labour Market Education & Training Fund, known as *Momentum* was launched in December 2012. It will provide a range of quality, relevant education & training interventions for up to 6,500 individuals who are long-term unemployed including young people. Training will be co-financed by the European Social Fund (ESF) and will be provided within the context of four themes. Three of the themes will support occupational clusters where demand and vacancies exist within identified Labour Market sectors. A fourth theme will focus on the specific needs of people under 25 who are unemployed, assisting them to access and/or return to the Labour Market.
   - The Irish Government's Action Plan for Jobs contains a commitment to reviewing the current Irish apprenticeship training model, with a view to providing an updated model of training that delivers the necessary skilled workforce to service the needs of a rapidly changing economy and ensures an appropriate balance between supply and demand. This review is currently underway.
   - As part of the ongoing Reform of the Further Education and Training Sector a new Further Education and Training Authority, to be known as SOLAS, is to be established to oversee funding and policy direction for the Further Education and Training sector and to merge the Further Education and Training sectors into a single cohesive unit. The timing for establishment of SOLAS is dependent on the enactment and entry into force of legislation.

- ESF funding is also being used for about 30 projects, through the *HCIOP*[1] *Equality for Women Measure*, which work to provide confidence building and basic skills for women primarily from less advantaged communities with a view to encouraging them to return to the labour market or to mainstream training or education.
- The *Redundant Apprentice Placement Scheme* (RAPS) introduced in 2011 provided redundant apprentices with the opportunity to complete the minimum on-the-job training requirements of the Standard Based Apprenticeship Programme. The scheme assisted 2,250 apprentices in 2012 and will continue in 2013.

4. *The challenge of targeting cost-effective activation programmes to those most at risk of losing contact with the labour market and drifting into long-term unemployment, and of increasing labour market participation of those cohorts with lower than average participation rates, including lone parents and people on illness/disability payments, and to reintegrate into the labour market the group of women who have interrupted their careers for child rearing;*

While it is clear that long-term unemployment remains stubbornly high, there has been a noticeable reduction in the inflow into long-term durations on the Live Register in the recent past. For example, the number of people unemployed for between one and two years fell from almost 80,000 in early 2011 to 55,000 at the end of 2012. However, many of those who became unemployed at the height of the jobs crisis in 2009 have found it particularly difficult to find employment. They are now a priority group for activation measures.

While there should be an impact in the medium to long term in improving people's probability of sustainable exit from the Live Register as a result of these measures, the impact is somewhat difficult to quantify. A preliminary evaluation of a significant component of *Pathways to Work* - the *JobBridge Internship Scheme*[2] has been undertaken. The JobBridge evaluation found that 61% of finishers secured employment within five months of completing their internship. These progression rates compare favourably with European averages in this area and represent very significant progress in a short period of time. Long-term unemployed made up 38% of participants covered by the evaluation.

[1] Human Capital Investment Operational Programme (HCIOP) 2007-2013.
[2] Interim evaluation of JobBridge, by Indecon International Economic Consultants, October 2012.

5. *<u>Developing a more effective and streamlined response to the needs of the unemployed and removing disincentives to participation in training</u>, <u>education and employment opportunities</u>*

   The establishment of a single "one stop shop" public employment and benefits service in the framework of *Pathways to Work* has been progressed through the ongoing conversion of local offices to the new *INTREO* operation model as outlined above. This comprises a number of key elements:

   a) Integration of welfare services – leading to a single income supports decision process.

   b) Integration of welfare services with employment services such that each person who registers with the income support service is also provided with an employment service.

   c) The introduction of a social contract – rights and responsibilities.

   d) The implementation of a new activation process based on:
      i. Profiling of all new clients to determine their probability of exit from the Live Register;
      ii. The roll-out of a Group Engagement process for all new clients to provide information on the supports available;
      iii. The scheduling of initial one-to-one interviews with case officers based on client profiles;
      iv. The implementation of a new personal progression plan - involving detailed actions and periodic one-to one reviews;
      v. The implementation of a single 'one-stop-shop' service – i.e. a physically co-located service with a single reception;
      vi. The implementation of extended opening hours.

All of the elements (a) to (d) (i) to (iv) will be rolled out to all national offices by the end of Q3 2013. The implementation of a single 'one-stop-shop' and extended opening hours will be rolled out progressively to the end of 2014. Ten offices were rolled out in 2012 with a further 33 planned to be completed during 2013.

<u>Youth Unemployment</u>

Overall, the under-25 age group had an unemployment rate of 30% (40% for 15-19 year-olds and 28% for 20-24 year-olds). This compares to an unemployment rate of 13.5% for prime age workers (ages 25–54). Of particular concern is the continued increase in the share of youth unemployed who are out of work for more than one year. They now account for two out of five of all youth unemployed.

Despite the high rate of youth unemployment, the absolute number of young unemployed people has fallen somewhat – from close to 80,000 on average in 2009 to 68,000 on average in the most recent twelve months. This reflects demographic developments arising from birth trends in the 1980s and 1990s, the tendency for some young people to stay longer in education rather than seeking work in a depressed market and the impact of emigration. As a result of this fall, young people now represent 22% of all the unemployed, down from a share of 35% in mid-2008. The most recent figures show youth unemployment down by 9,000 year-on-year to 59,000 in Q4 2012. It is to be hoped that this trend will continue as the economy recovers.

Based on current trends and projections, the youth unemployment rate would be likely to fall to 25-28% by 2015.

In terms of targets for reducing youth unemployment, the *Pathways to Work* initiative has specific targets for increasing the number of people who are long-term unemployed moving into employment and reducing the average length of time spent on the Live Register. As two out of five young unemployed are long-term unemployed, these targets are pertinent to young people.

On 28th February 2013, the EPSCO Council adopted a European-wide approach to a "youth guarantee". Existing policies related to youth unemployment will be reviewed to identify the measures that will be required for the implementation of the guarantee. In addition to increasing its focus on long term unemployed, the Government will seek to improve its services to unemployed young people with a particular focus on optimising the benefits of the Youth Guarantee for Ireland.

Target 2- Research and Development (R&D)

***Ireland's Headline Target*: Improving the conditions for research and development, in particular with the aim of raising combined public and private investment levels in this sector to 2.5% of GNP (approximately equivalent to 2.0% of GDP).**

Figures 3 and 4 below illustrate Ireland's total spend on R&D over the period 2011-2013 as a percentage of GNP (*2012 and 2013 figures are latest available estimates):

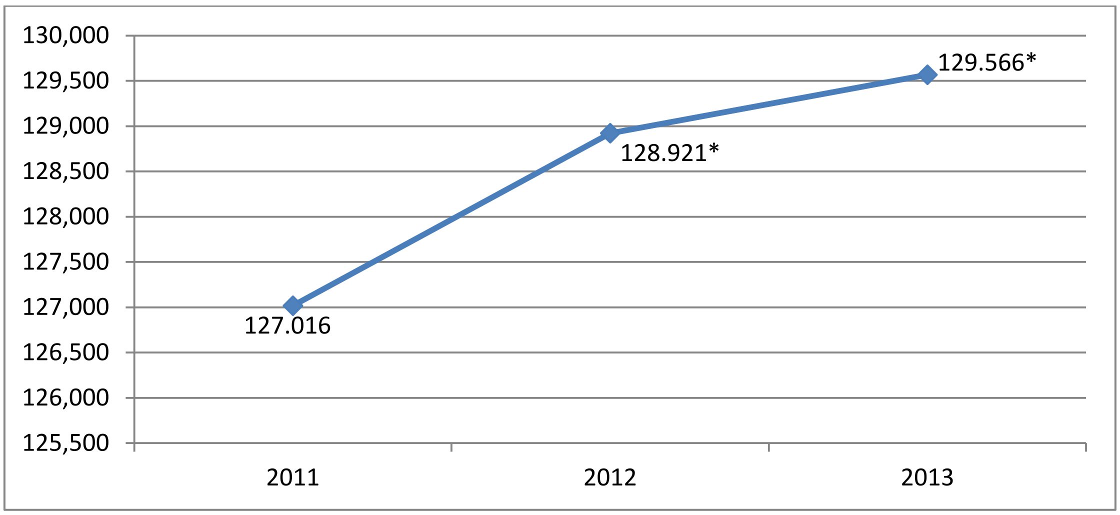


Figure 3: Total GNP 2011 – 2013

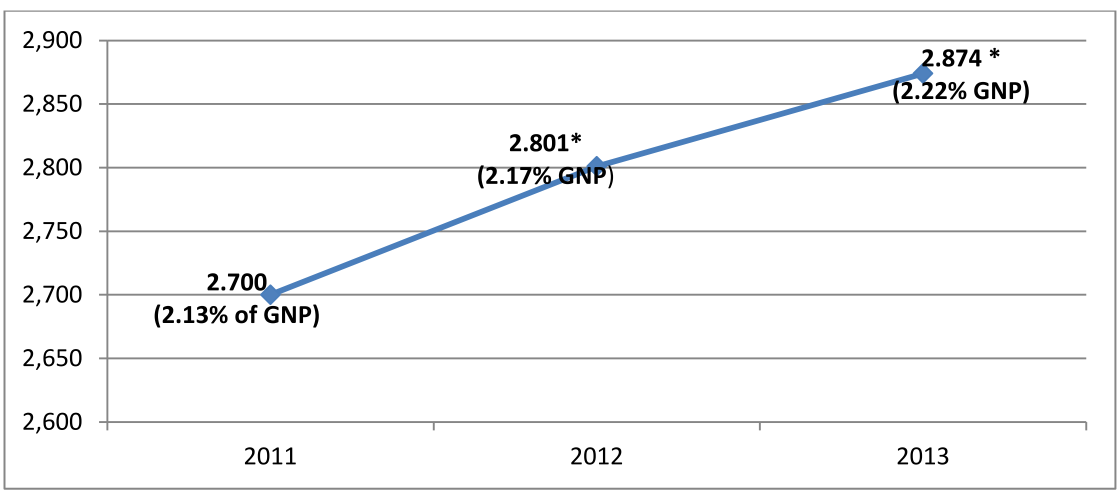


Figure 4: Gross Expenditure - €bn - on R&D (GERD)

Gross Expenditure on Research and Development (GERD) is an internationally recognised metric which measures the total amount of expenditure on R&D in an economy. It includes all expenditure by Government and private enterprise and it measures the total amount of expenditure on all research performed in the enterprise, higher education and government sectors.

The NRP 2011 outlined the investment which has been made by Ireland in R&D and the expectations in relation to further investment towards meeting the target, having regard to the National Recovery Plan 2011-2014 and the Programme for Government 2011-2016. The NRP also outlined a number of supporting initiatives.

The latest available data show that the research intensity rate for 2012 is now estimated at 2.17% of GNP (1.75%of GDP). The research intensity rate for 2011 is confirmed at 2.13% of GNP (1.7% of GDP).

Based on the current trajectory, it appears likely that it will be closer to the end of the decade before the target of a research intensity rate of 2.5% of GNP (2.0% of GDP) will be achieved.

Since last year's update, the Government has maintained its strong commitment to Ireland's research system in budget 2013. A provision of €385m, to be delivered through the Department of Jobs, Enterprise and Innovation to support research funding, was made in 2013.

The current position in relation to support initiatives outlined in NRP 2011, aimed at progressing qualitative and quantitative increases in R&D investment, is as follows:

Research Prioritisation

As outlined in NRP Update 2012, the final report of the Research Prioritisation Steering Group identified 14 areas on which Ireland should focus its research investment in order to deliver economic and societal impact, and ultimately jobs. A Prioritisation Action Group (PAG) was subsequently formed as a vehicle for implementing Research Prioritisation. It brings together senior officials from the ten state agencies funding research, as well as nine Government Departments. The key objective of the PAG is to achieve greater coherence and cooperation between these bodies in relation to research investment and the Priority Areas.

The PAG has adopted Action Plans for the 14 priority areas in order to re-align competitive research funding around the priority areas for the next five years. To complement the targeting of the investment, a Framework for monitoring the impact of that investment is being developed – proposals on this will be brought to Government this year.

Tax Incentives for R&D Investment

The primary purpose of the R&D tax credit scheme is to encourage additional business expenditure on research and development (BERD) by foreign owned and indigenous firms. The R&D tax credit scheme provides for a 25% corporation tax credit on the incremental increase in expenditure on R&D compared to the base year of 2003. It also provides a 25% volume based credit for eligible capital expenditure. As the R&D expenditure incurred qualifies for the normal trading deduction from a company's taxable profit, it thereby reduces the overall cost of the R&D project to the company by 37.5%.

Since the introduction of the R&D tax credit, there has been a significant increase in BERD and in the use of the R&D tax credit (see figure 5 below). BERD as a percentage of GNP has increased from 0.93% in 2003 to 1.46% in 2011. BERD intensity ratio at 1.46% of GNP in 2011 now exceeds the 2011 EU27 average of 1.2% and is moving closer to the 2011 OECD average of 1.58%. In terms of impact, agency supported R&D performing firms have performed better than non-R&D performing firms in terms of sales, exports and jobs in recent years.

Figure 5: Business expenditure on R&D (€m)
in current and constant prices, 2003-2012 (Source: Forfás)

Almost every year of its existence, the Irish R&D tax credit has been amended, more recently to increase its relevance to smaller firms. The general trend internationally has been to increase the availability, simplicity of use and generosity of R&D tax incentives. Budget 2013 announced that the Government would review the R&D tax credit and the terms of reference for the review were published in February 2013. The objectives of the review are to ensure that the R&D tax credit remains 'best-in-class' internationally as well as representing value for money for taxpayers.

Mathematics and Science Literacy

The bonus points scheme for Higher Level Mathematics is ongoing with participation by the seven universities, Dublin Institute of Technology, Royal College of Surgeons in Ireland, and the Institutes of Technology as part of the four-year trial period from 2012 to 2015 inclusive. A review of the trial is due to be carried out in 2014.

In addition, the national roll-out of Project Maths began in September 2009 and is due to be completed by the end of 2013. It involves the introduction of new syllabuses for both Junior and Leaving Certificate Mathematics which place a much greater emphasis on students' understanding of mathematical concepts, with increased use of contexts and applications. A Project Maths Development Team has been providing in-service training, with two full-day workshops being offered to all teachers of mathematics (c. 6,000 nationwide). Around €3m will be invested in the programme this year.

A new Professional Diploma in Mathematics for Teaching was launched in September 2012 to facilitate the upskilling of 'out-of-field' teachers of maths. The course has capacity for up to 390 teachers for each of the first three years. The course is a two year part-time programme, delivered locally and through online modules, leading to a university accredited professional diploma. Following a public tendering process, a consortium led by the National Centre for Excellence in Mathematics and Science Teaching & Learning (NCE-MSTL), based in the University of Limerick (UL), won the three year contract. This represents a further investment of approximately €2m per annum.

This is part of a rolling programme of continuing professional development (CPD) for teachers which will continue in 2013.

In March 2012, responsibility for the Discover Science & Engineering programme transferred from Forfás (Ireland's national policy advisory board for enterprise, trade, science technology and innovation) to Science Foundation Ireland (SFI) as a reform measure to further improve the awareness at primary and secondary level of the STEM subjects – science, technology, engineering and mathematics. The alignment of the Discover Science and Engineering (DSE) Programme with SFIs existing awareness activities will help to further enhance the STEM education and outreach focus.

National Intellectual Property Protocol and associated structures

In June 2012, the Government published a new national Intellectual Property Protocol. This IP Protocol marks a major evolution of Ireland's approach to industry engagement with public research and sets out the Government's policies to encourage industry – from start-ups and small and medium enterprises to multinational corporations - to benefit from the research and development done in Ireland's public research institutions. It also describes the practical arrangements for accessing the research.

A key feature of the Protocol centres around the development of a 'one stop shop' for businesses seeking to use IP deriving from publicly funded research. This will be achieved through the establishment of a central Technology Transfer Office to provide an effective interface between industry and the research community and which will also drive a world class technology transfer system in Ireland, ensuring it is responsive to the needs of both industry and academia.

Other key recommendations from the IP Protocol, such as the use of standardised IP terms and enhanced IP management practices, will support both industry parties and research performing organisations in making their commercial negotiations faster, more consistent and more transparent.

Further Measures to support commercialisation of research and cross-border collaboration

The Industrial Development (Science Foundation Ireland) (Amendment) Bill 2012 has been prepared to extend the remit of Science Foundation Ireland to include funding of applied research in order to support the development of research findings into commercial opportunities. It will ensure that the strategic focus of SFI is aligned with the 14 areas of priority identified in the report of the National Research Prioritisation Steering Group. The Bill will also provide SFI with the legal power to fund on a wider geographical basis, including supporting research teams and institutions in Northern Ireland. SFI will also, subject to the consent of the Minister for Jobs, Enterprise and Innovation, look to participate in collaborative funding programmes with countries of the European Economic Area or other countries.

In February 2013, the Bill passed successfully through one of the Houses of the Irish Parliament (Seanad Éireann). It is now being considered by the lower house (Dáil Éireann) and is expected to be approved through the legislative process by Q2 this year.

Target 3- Climate Change

***Ireland's Headline Target*: Reduce greenhouse gas emissions in the non-traded sector by 20% compared to 2005 levels; increase the share of renewables in final energy consumption to 16% by 2020; to move towards a 20% increase in energy efficiency.**

Ireland has continued to make progress in relation to its obligations under the Europe 2020 strategy of achieving 20-20-20 targets on greenhouse gas emissions, renewable energy and energy efficiency.

Climate Change

The Environmental Protection Agency publish annual inventories of and projections for greenhouse gas emissions[3]. Ireland will meet its EU greenhouse gas emissions reduction target for the purposes of the Kyoto Protocol, on the basis of the response set out in the National Climate Change Strategy 2007-12. While it will take some time to finalise and validate emissions and removals for the five-year commitment period 2008-12, it is likely that compliance will be achieved, or substantively achieved, on foot of domestic emission reductions.

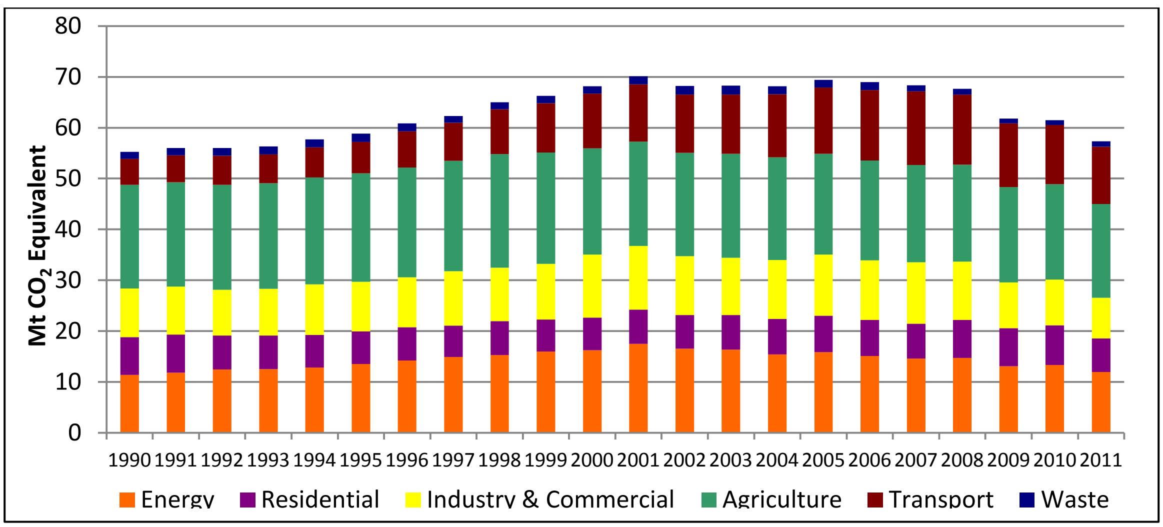


Figure 6: Trends in Greenhouse Gas Emissions 1990-2011 (EPA)

Since adoption of the EU Climate and Energy Package in December 2008, a parallel focus of national climate policy has been prepared for compliance with Ireland's challenging mitigation target for the 2013-20 period under the Effort-Sharing Decision 406/2009/EC. In 2011, some 73% (41.7Mt CO2e) of Ireland's greenhouse

[3] www.epa.ie/climate/emissionsinventoriesandprojections/

gas emissions fell within the scope of the effort-sharing decision, of which approximately 44%(18.5 Mt) are attributable to the agriculture sector . The 27% of national emissions which do not fall within the scope of the effort-sharing decision are covered by the EU Emissions Trading Scheme.

Based on April 2012 projections published by the Environmental Protection Agency, Ireland faces a potential challenge (under the effort-sharing decision) of reducing greenhouse gas emissions by some 20Mt CO2e over the 2013-20 period. Consistent with the Government's progressive approach to the development of national climate policy, the primary focus for securing compliance with EU law in the period to 2020 will be domestic mitigation.

The 2011 Programme for Government included a commitment to introduce primary legislation on climate change, providing certainty in relation to national policy and a clear pathway for emission reductions in line with EU 2020 targets. Against this background, a short *Review of National Climate Policy* was published in November 2011; this set the backdrop for a new and constructive national debate on the challenge of climate change and the national response. A Programme for the development of national climate policy and legislation was published in January 2012.

Key elements of this policy development programme included –

i) a public consultation which took place in March/April 2012;
ii) policy analysis reports by the Secretariat to the National Economic and Social Council (NESC) – interim and final reports were released respectively in October 2012 and February 2013; and
iii) climate legislation – outline Heads of a Climate Action and Low-Carbon Development Bill were released in February 2013, for consideration by the Oireachtas Joint Committee on the Environment, Culture and the Gaeltacht (relevant Parliamentary committee) and stakeholders.

The outline Heads of the Bill reflect a strongly progressive approach to the fundamental mitigation challenge, having regard to Ireland's distinctive greenhouse gas emission emissions profile and the challenges it presents.

In anticipation of the planned legislation, Departments with responsibility for key sectors in the transition to a low-carbon economy have already been tasked with the preparation of individual 2050 low-carbon roadmaps. This step provides an opportunity for the Departments concerned, who are best placed in terms of ownership and understanding of their sectors, to lead the process of framing the low-carbon vision/objective for their sectors and to undertake the evaluation that is necessary to develop a robust and cost-effective platform for delivery of that vision in their area.

The key sectors are energy/built environment, transport and agriculture. While near zero carbon dioxide emissions in 2050 should set the context for the energy/built environment and transport sectoral roadmaps, generally reflecting the ambition at EU level, carbon neutrality is considered to be the more appropriate approach in the case of the agriculture sector. The objective is to finalise these sectoral roadmaps – including a reasonable period of public consultation – in the fourth quarter of 2013. These sectoral roadmaps are an essential first step towards development of an overall national 2050 roadmap to a low-carbon society with a competitive low-carbon economy early in 2014.

Renewable Energy

Ireland has a target under the Renewable Energy Directive (2009/28/EC) to increase renewable sourced energy to 16% of all energy consumed by 2020, along with a public sector energy saving target of 33%. The National Renewable Energy Action Plan sets out the planned trajectory for achieving the target across the electricity, heat and transport sub-sectors with 40% needed in electricity, 10% in transport and 12% in heating and cooling to meet Ireland's overall 16% commitment.

In 2005, 2.8% of Ireland's energy came from renewable sources. This had increased to 6.4% by 2011. On average in the period 2005–2011, the Sustainable Energy Authority of Ireland (SEAI) figures show that overall renewable energy usage has increased by 14.3% per annum. Ireland submitted this data to the Commission in the first report on the National Renewable Energy Action Plan in January 2012, which shows that Ireland is meeting the required trajectory to deliver the 2020 target.

Renewable electricity is now the fastest growing contributor to renewable energy consumption and is expected to contribute most to our 2020 target. The largest contribution in the electricity sector is expected to be made through generation from wind technologies, followed by biomass technologies. Renewable electricity share (normalised) of gross final electricity consumption has increased from 7.2% in 2005 to 17.6% of electricity in 2011, the latest year for which full figures are available. Provisional figures for 2012 estimate the share at 19.3%. Recent changes to the terms and conditions of REFIT 1 and REFIT 2 will assist in reaching Ireland's 2020 renewable electricity target. In addition, a new support scheme is to be designed that takes account of the structure of the target market that will operate in Ireland from 2016 onwards. This new scheme will represent the start of a trajectory of revising and reducing price supports for new onshore wind projects over time, while recognising the need for a predictable and transparent policy framework. Following consultation with stakeholders, the design details of the new scheme will be made available as early as possible ahead of its introduction to coincide with the start of the Target Market.

The 2009 EU Renewables Directive provides a mechanism whereby renewable energy produced in one country can not only be exported to another but can also be counted towards meeting that other country's national target. The electricity so exported is subtracted from the renewable output of the exporting state. Detailed analysis of how Irish renewable energy resources, onshore and offshore, might be developed to the mutual benefit of Ireland and the United Kingdom is currently underway. There are also potential significant benefits from pursuing this export opportunity in terms of employment, interconnection, enhancing security of supply, allowing for increased intermittent wind generation and facilitating the operation of the single market.

In the transport sector, the biofuels obligation under the Energy (Biofuel Obligation and Miscellaneous Provisions) Act 2010 requires transport fuel suppliers to provide a specified amount of their sales in the form of biofuels. The obligation was increased on 1 January at 2013 from 4% by volume to 6% by volume which is equivalent to approximately 4.9% in energy terms. This rate of obligation will remain in place for 2013 and 2014 but will subsequently be increased on a sustainable basis to 2020 (in a manner which takes due account of any revision to Directive 2009/28/EC, currently under negotiation in the European Union), to meet the Renewable energy in transport (RES-T) target of 10% in 2020. Alongside the growth in renewable electricity, the gradual introduction of electric vehicles into the road transport fleet will also contribute towards the renewable transport target. The share of renewables in transport was 2.6% on an energy basis in 2011.

The use of renewable energy in the heating and cooling sector has increased from 3.4% in 2005 to 4.8% in 2011; our target is 12% renewable heat by 2020. The growth is mostly due to increased use of wood and waste as an energy source in the wood products and food sub-sectors of industry. The introduction of REFIT (Renewable Electricity Feed in Tariff) for biomass Combined Heat and Power (CHP) technologies in 2012 will also incentivise the use of the heat generated during the production of electricity which can be counted against Ireland's renewable heat targets.

Energy Efficiency

Ireland's second National Energy Efficiency Action Plan, which was published in February 2013, reaffirms the commitment to deliver 20% energy savings in 2020. This equates to energy savings of 31,925GWh; the calculation of which was based upon the methodology outlined in Annex 1 of the Energy Services Directive (ESD) i.e. the average of the most recent 5-year period of unadjusted final energy consumption, expressed as 'primary energy equivalent'. At the time the relevant data period was 2001–2005.

The national target was calculated as 20% of the average of unadjusted final energy consumption for the period 2001–2005, expressed as 'primary energy equivalent'.

The emission trading sector is included in the national target, as opposed to the targets set out in the ESD.

The absolute level of primary energy consumption in 2020 is estimated to be 162,122GWh (13,940 ktoe). The absolute level of final energy consumption in 2020 is estimated at 135,931GWh (11,688 ktoe).

The conversion to primary energy equivalent takes into account the conversion losses in electricity generation and makes units of different energy streams more comparable. The final energy consumption is converted to primary energy equivalent by multiplying the electricity component by a factor (assumed to be 2.5) to reflect the average electricity generation efficiency during the reference period (assumed to be 40%) and adding it to the remainder of the final energy consumption.

The second Action Plan includes 97 measures designed to deliver energy savings across the economy in 2020. The Better Energy Programme remains the main driver of energy savings and contains a number of strands, each targeted at specific sectors of the economy. A three-year energy saving target of 2,000GWh was set for the period 2011 – 2013, with a new three-year target to be set for the period 2014-2017 in accordance with the new Energy Efficiency Directive provisions, specifically Article 7.

The Better Energy Programme has consistently delivered energy savings in the domestic, commercial and public sectors over the past four years, while a retrofit programme for low-income housing was integrated in 2009. Given the economic challenges faced by the country, the Better Energy Programme is moving from a grant-based programme to one that relies upon sustainable financing. A number of initiatives are under development including the recent launch of an Energy Efficiency Fund, the publication of a National Energy Performance Contracting Policy Framework and the call for Exemplar Projects. A project team has also been established to evaluate the potential for a national Pay-As-You-Save scheme in the domestic sector.

The Government has made available €35 million to create an Energy Efficiency Fund with matching funding coming from the private sector. The Fund will make monies available, at commercial rates, to energy efficiency projects; in the process addressing a persistent barrier to energy efficiency in the non-domestic sector – lack of financing. Other barriers, such as the balance sheet treatment of public sector EPC projects, are being examined but would benefit a European-wide solution. The Fund will be complemented by the creation of a National Energy Performance Contracting Policy Framework (the Framework), which will standardise the approach to energy performance contracting in Ireland and assist in the process of making projects investment-ready. As a means of validating the Framework a number of Exemplar Projects will be provided with technical assistance in 2013.

Target 4- Education

***Ireland's Headline Target*: To reduce the percentage of 18-24 year olds with at most lower secondary education and not in further education and training to 8%; to increase the share of 30-34 year olds who have completed tertiary or equivalent education to at least 60%.**

Tackling Early School Leaving

The percentage of early school leavers in Ireland fell from 11.4% in 2010 to 10.6% in 2011.[4] This represents positive progress towards achievement of our 8% target.

A number of measures have been put in place to support achievement of the target, including:

- **Implementation of the national action plan, "Delivering Equality of Opportunity in Schools" (DEIS).**

DEIS focuses on addressing the educational needs of children and young people from disadvantaged communities, from pre-school through second-level education. 860 schools primary and second-level schools are participating in DEIS. All of these schools are eligible for a range of additional supports to assist them in working to improve attendance, retention and educaitonal outcomes for their students.

Evaluations:

There is clear evidence that the DEIS programme is having a positive effect on tackling educational disadvantage. Separate studies by the Educational Research Centre and the Department's Inspectorate, published in January 2012, show that improvement is taking place in DEIS schools, both at individual and school level, in learning achievements and attendance levels of pupils.

Retention:

The latest Report on Retention Rates in second-level schools published by the Department of Education and Skills presents the retention rates of pupils who entered the first year of the Junior Cycle in the years from 2005 to 2006 and completed second level schooling no later than 2012.

The report shows that:

- the percentage of students sitting the terminal Leaving Cert examination has risen by more than 6% to 90.2% in 8 years.
- the average Leaving Certificate retention rate in DEIS schools increased by almost 7 percentage points from 73.2% to 80.1% in the same period.

[4] Source: Eurostat – revised figures following the Census of Population 2011 results

- **Integration of educational welfare services:**

The National Educational Welfare Board (NEWB), a statutory body under the aegis of the Department of Children and Youth Affairs, is developing a new Integrated Model of Service Delivery called 'One Child, One Team, One Plan' which involves the Home School Community Liaison Scheme (HSCL) and the School Completion Programme (SCP) which are key components of the DEIS programme as well as the Education Welfare Service and schools. This new service model is designed to facilitate a standardisation of service delivery across the country whilst also taking into consideration the need for flexibility given the unique nature of difficulties presenting in individual children's lives.

A consultation process around 'One Child, One Team, One Plan', undertaken by the Board with staff, schools, trade unions, management representative bodies and parent representative bodies, concluded at the end of November 2012. Both the draft practice model and related schools guidance document are publicly available on www.newb.ie.

The Board envisages that the model will be finalised shortly with implementation to commence this year.

- **National Strategy to improve literacy and numeracy among children and young people.**

The Literacy and Numeracy Strategy will continue to be rolled out in 2013 at a cost of €6.5 million. This investment was protected in Budget 2013.

The Strategy was launched in July 2011. It responds to areas of weakness identified in national studies and sets ambitious targets covering early childhood, primary and secondary education. All primary and post-primary schools are participating in the implementation of the strategy, and are required to set targets for the improvement of literacy and numeracy skills. Children who do not learn to read, write and communicate effectively are more likely to leave school early and, hence, the strategy will support achievement of the national early school leaving target.

Significant progress has been made since the launch of the Strategy. The time spent on literacy and numeracy at primary level has increased and the revision of the English and Irish curricula is being prioritised in Junior Cycle Reform (see below). Major changes are being made to initial teacher training and literacy and numeracy units are now in place in the National Teacher Induction Programme. School self-evaluation is being rolled out and new requirements have been introduced on standardised testing, including the return of aggregate data to the Department of Education and Skills. A national programme of professional development for primary and second level teachers is underway.

- **Reform Junior Cycle of Secondary Education**

The Minister for Education and Skills published in October 2012, the Framework for Junior Cycle, which will place students rather than examinations at the centre of the new approach to assessment. The new Framework amounts to a radical shake-up of the three year junior cycle programme for young people from age 12 – 15/ 16 years.

National research of the current Junior Cycle has highlighted that some students are:
- Not progressing in first year
- Disengaging in second year
- Not developing their particular skills and interests.

The new Junior Cycle will place the needs of students at the core of teaching and improve the quality of their learning experiences and outcomes. It will also contribute to tackling the problem of early school leaving. The new approach should enable all students to achieve their full potential and be properly challenged in their learning, thereby raising educational standards. To achieve this, assessment must become a key part of teaching and learning across the three years of junior cycle, and provide high quality feedback to students and parents. The opportunities for such approaches to assessment are even greater in situations where assessment is no longer high-stakes.

The terminal Junior Certificate Examinations will be replaced with a school-based model of assessment with an emphasis on the quality of students' learning experience. This new form of assessment will be introduced on a phased basis over 8 years. All subjects will be recast beginning with English which will be the first subject to be introduced to students entering post-primary education in 2014.

Tertiary Attainment

The latest Eurostat data show that Ireland's tertiary attainment rate for 30-34 year olds was 49.7% in 2011. The rate for 2012 is currently estimated at 50.9%. Ireland has the highest rate for this indicator of all EU27 countries since 2009. In the tertiary attainment rate for 25-34 year olds indicator presented by OECD, Ireland ranks 1st in EU27 and 4th in OECD.

This increase is due to the high participation rates for school leavers that have been growing steadily over the last decade, and the growing participation of adults in higher education.

Combined full- and part-time enrolments in publicly funded higher education institutions rose by 1.6% between the 2010/11 and 2011/12 academic years. Combined full- and part-time graduate numbers increased by 3% between 2010 and 2011. Part-time mature enrolments increased by over 1,000 (or 3.5%) while the number of full-time mature new entrants declined by some 500[5]. This is not surprising as part-time provision is often more suitable to the needs of mature new entrants and,

[5] *Higher Education Key Facts and Figures*, Higher Education Authority, January 2013

as the range and availability of part-time courses increases such as the part-time labour market relevant programmes under the Springboard Initiative, they may opt for these in preference to full-time courses.

Since the onset of recession, there has been a notable rise in the participation of males in higher education. Undergraduate new entrant gender trends show that the number of male new entrants continues to grow at a faster rate than female, from 2007/08 to 2011/12 there has been a 22.6% increase in male new entrants and just a 5.9% increase in female new entrants over the same period. Males now comprise 50.2% of new entrants compared to 46.6% in 2007/08.

The *National Strategy for Higher Education to 2030,* published in early January 2011, provides a framework for the development of the higher education sector for the next twenty years. An Implementation Oversight Group, established in February 2011, is supervising the implementation of the Strategy, which is taking place in partnership with the sector and other stakeholders. Progress to date and priority areas for 2013 are being regularly updated on www.education.ie.

Engagement with enterprise is one of the core pillars of the National Strategy and a range of recommendations to ensure the system continues to respond to enterprise needs is being implemented. This includes structured employer surveys, increased work placement opportunities, staff mobility into enterprise and a renewed focus on generic skills. The Higher Education Authority (HEA) has also published guidelines for the establishment of higher education institutional clusters at a regional level to support enterprise development and employment needs.

The first pilot national survey of employers, which was completed in December 2012, showed that over 75% of companies were confident that graduates have the right workplace and transferable skills and relevant subject or discipline knowledge.

The Department of Education and Skills has also introduced two new competitive funding streams at higher education level that address specific skills needs of industry, support jobseekers into employment and help increase the skills profile of the labour force.

The Springboard programme strategically targets funding of free part time higher education courses for unemployed people in areas of identified skills needs, such as ICT, Pharmachem and International Financial Services. More than 10,000 places have been provided under the two rounds of the programme to date. A new call for proposals, which was issued at the end of February, is expected to provide for an additional 5,000 places in 2013. A first stage evaluation report, published in February 2012[6], showed that 70% of participants were male and 20% had previously been employed in construction. A second stage evaluation report has

[6] www.hea.ie/en/node/1463

recently been completed and it shows that 30% of participants were back in work within 6 weeks of completing a Springboard course and that 40% were back in work within 6 months of completion.

The joint Government-Industry ICT Action Plan[7] has been developed as a direct response to identified ICT skills shortages and contains a comprehensive range of short medium and long term measures to build the domestic supply of ICT graduates. As part of the Plan, in February 2013 more than 760 new places were made available on the second phase of ICT graduate conversion courses, designed and delivered in partnership with industry. This is in addition to the more than 700 places that were provided in 2012. 77% of participants on the 2012 programmes were male and 25% had been previously employed in the construction sector.

A mid-term review of Ireland's National Plan for Equity of Access to Higher Education 2008-2013 identified that, despite difficult circumstances, some progress had been made. Work has now commenced on the development of Ireland's next national access plan for 2014 onwards. A key component of the new plan will be consideration of what targets and actions are needed to ensure a continuing focus on increasing the participation of under-represented and disadvantaged groups in higher education. This is with a view to progressing towards the Bologna Process target that the student body entering, participating in and completing higher education at all levels should reflect the diversity of Member States' populations.

In addition, the Minister for Education and Skills recently announced a package of measures to improve the transition between second level and higher education, entitled *Supporting a Better Transition from Second Level to Higher Education: Key Directions and Next Steps*. This initiative will, *inter alia*, contribute to achieving improvements in retention and completion rates both at second level and in higher education. It is envisaged that the full plans and timing with regard to the key measures will be available by the end of 2013.

The student grant schemes administrative function for tertiary education is currently undergoing a radical restructuring, enabled by the Student Support Act which was signed into law in February 2011. The key provisions of the Act are:

- the creation of a single unified grants scheme;
- the establishment of a Student Grants Appeals Board;
- the transfer of responsibility for student grants from 66 grant awarding authorities to a single grant awarding authority.

[7] Joint Government - Industry *ICT Action Plan: Meeting the High Level ICT Skills Needs of Enterprise in Ireland:* www.education.ie/en/Publications/Policy-Reports/ICT-Action-Plan-Meeting-the-high-level-skills-needs-of-enterprise-in-Ireland.pdf

The first two reforms have already been completed and the development of a single grant awarding authority has also commenced. While this process has not been without its difficulties in the introductory phase, it is envisaged that these reforms will deliver a significant service enhancement benefit to student grant applicants in the longer term. Within the student grant schemes, special rates of maintenance grants are provided for eligible disadvantaged students from welfare-dependent families who receive almost twice the level of the standard grant payment.

Target 5- Poverty

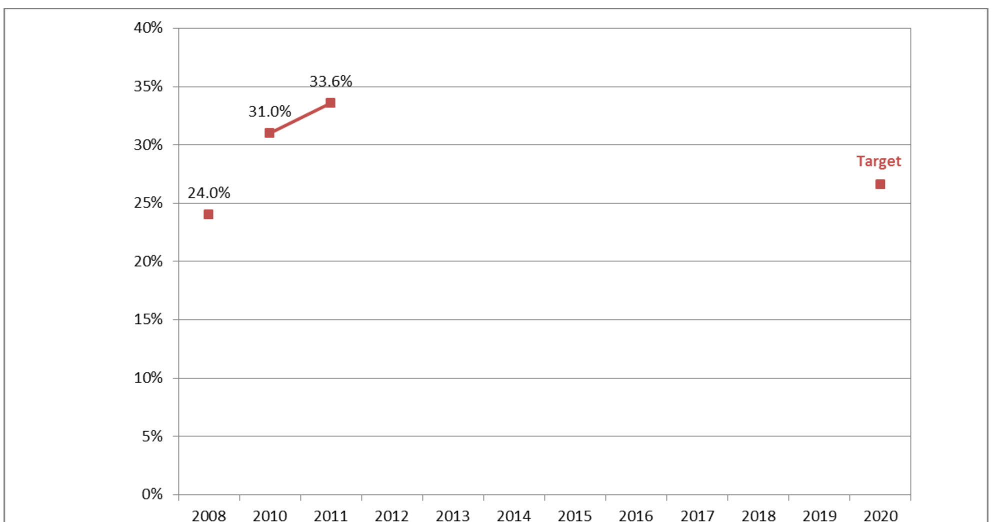
***Ireland's <u>Revised</u> Headline Target[8]:* To reduce consistent poverty to 4% by 2016 (interim target) and to 2% or less by 2020, from the 2010 baseline rate of 6.3%.**

The Irish contribution to the Europe 2020 poverty target is to reduce by a minimum of 200,000 the population in combined poverty (either consistent poverty, at-risk-of-poverty or basic deprivation).

<u>Progress towards the Europe 2020 poverty target</u>

The Government's national social target for poverty reduction is to reduce consistent poverty to 4% by 2016 (interim target) and to 2% or less by 2020, from the 2010 baseline rate of 6.3%.[9] For the Europe 2020 target, the Irish contribution will be a minimum of 200,000 people, drawn from the combined total of the population in consistent poverty, at-risk-of-poverty or in basic deprivation, between 2010 and 2020.

Progress towards the Europe 2020 poverty target is outlined in Figure 7:



	2008	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
IE Combination	24.0%	31.0%	33.6%									26.6%
IE Combination ('000s)		1,412	1,539									1,212
EU Combination	23.7%	29.9%										
EU Combination ('000s)		1,335										

Figure 7: Progress towards the Europe 2020 poverty target (Source: SILK)

[8] Ireland's <u>Former</u> Headline Target: To reduce the number experiencing consistent poverty to between 2-4% by 2012, with the aim of eliminating consistent poverty by 2016, which will lift at least 186,000 people out of the risk of poverty and exclusion.

[9] Revised figure released by the CSO in 2011.

In 2011, a third of the Irish population (33.6%) was in combined poverty, i.e. consistent poverty, at-risk-of poverty or basic deprivation. This equates to 1.5 million people. This was an increase of 2.6 percentage points on the 2010 rate of 31%.

In nominal terms, the increase year-on-year of those in consistent poverty, at-risk-of poverty or basic deprivation was 127,000.

The Irish target population is similar in scale and profile to the Europe 2020 target population 'at risk of poverty or social exclusion', though the indicators used are somewhat different (as illustrated in figure 7 above).[10]

This upward trend in the Europe 2020 target population highlights the social impact of the economic crisis in Ireland, and was foreseen in the 2011 NRP. In particular, the population affected by basic deprivation has increased (from 14% in 2008 to 22.6% in 2010 and 24.5% in 2011), though the rate of increase has slowed in 2011.[11]

Some groups continue to be disproportionately affected by poverty. These include jobless households, those living in social housing (often associated with spatial concentrations) and lone parent households (mainly female-headed), across the lifecycle, children are more likely to be in poverty than adults, while older people have by far the lowest risk of poverty of all age groups.

In 2012, the Government re-affirmed its commitment to reducing and eliminating poverty by revising and enhancing the national social target for poverty reduction. This included the setting of new poverty sub-targets for children and jobless households, while strengthening the monitoring and implementation of the target.

Ireland's active inclusion strategy for meeting the national social target for poverty reduction is based on the 'developmental welfare state', as outlined in the *National Action Plan for Social Inclusion*. This adopts a lifecycle approach which places the individual at the centre of policy development and delivery. It has three main policy components, similar to the EU active inclusion strategy:

- Adequate minimum income
- Activation and inclusive labour markets
- Access to quality services

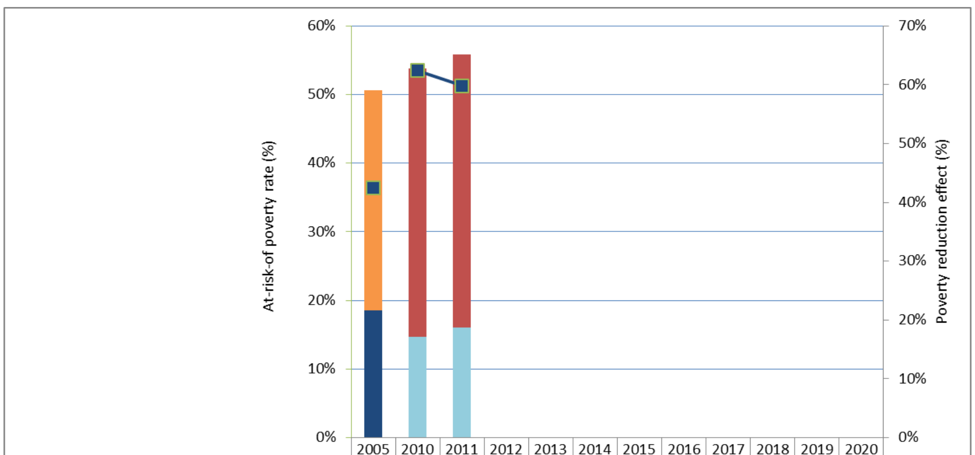
[10] The Europe 2020 target population is the combination of three indicators: at-risk-of-poverty, severe material deprivation and jobless households.

[11] The percentage of the population at risk of poverty or social exclusion using the EU indicators for 2011 was not available at the time this update was prepared.

Adequate minimum income

The Government continues to minimise the impact of fiscal consolidation on the most vulnerable under the EU/ECB/IMF Programme. In Budget 2013, the Government again maintained the nominal value of minimum welfare rates and pensions. A social impact assessment of the welfare and direct tax components of the Budget (amounting to €900 million in revenue) demonstrates that the main burden of budgetary measures is on the middle and higher income groups (four-fifths of total revenue is contributed by the top three quintiles, as compared to 20% from the bottom two); and that the at-risk-of-poverty rate is unchanged. It also highlights a greater impact on households with children, in particular lone parent households.

More generally, social transfers continue to perform effectively in reducing the at-risk-of-poverty rate. Figure 9 below shows the impact of social transfers on the at-risk-of-poverty rate, using the latest SILC data for 2011. Social transfers reduced the at-risk-of-poverty rate from 40% to 16%. This equates to a poverty reduction effect of 60%. Though a slight decrease on the 2010 figure of 62.4%, the 2011 figure compares very favourably with the 2005 rate of 42%, an improvement of 18 percentage points.[12] Including pensions, the poverty reduction effect of social transfers is even higher at 69%. The Irish rate is amongst the highest in the EU, where the average is 35% and in other member states most affected by the crisis, is less than 30%.



	2005	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
At-risk-of poverty rate before social transfers (ex pensions) (LHS)	32.1%	39.1%	39.8%									
At-risk-of-poverty rate after social transfers (LHS)	18.5%	14.7%	16.0%									
Poverty reduction effect (%) of social transfers (ex pensions) (RHS)	42.4%	62.4%	59.8%									

Figure 8: Impact of social transfers on at-risk-of-poverty rate (Source: SILC)

[12] 2005 is included as it is the reference year for the previous national poverty target.

Specific aspects of income support policy continue to be reviewed to improve their efficiency and effectiveness. Measures have been taken to improve work incentives for people of working age, especially in regard to housing income support.[13] In addition, the Government has established an Advisory Group on Tax and Social Welfare[14] whose first report on reform of child and family income support was published in February 2013. The report sets out options to increase the targeting of child and family income support and will now be considered by the Oireachtas and Government, taking into account the complexity of issues involved and the budgetary and fiscal situation.

Activation and inclusive labour markets

Recent research has highlighted the high proportion of the population in jobless households[15] and the attendant social and economic disadvantages. The population in jobless households has risen from 15% in 2005 to 24% in 2011. They comprise adults who are furthest from the labour market with a strong pattern of educational and social class disadvantages. The high proportion of the population in jobless households reveals a structural problem that predates the current recession, though one which has been greatly exacerbated by the rise in unemployment. The problem not only reflects the high percentage of the adult population who are not economically active but also the greater likelihood that jobless adults live with other jobless adults. It also indicates the high proportion of children living in jobless households.[16]

Although cushioned by large-scale social transfers, jobless households experience high levels of basic deprivation and consistent poverty. In 2011, jobless households accounted for three-quarters of the total in consistent poverty, or 5% in absolute terms, a rise of 0.5 percentage points from 2010. To highlight this problem, the Government has agreed to set a sub-target to reduce the share of jobless households in consistent poverty. The target is to be achieved in conjunction with the national social target.

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[13] The Government has decided in principle to introduce a new housing assistance payment (HAP) which will remove the barrier to employment under the rent supplement scheme.

[14] The Advisory Group on Tax and Social Welfare was established under the Programme for Government with the purpose of examining entitlements of self-employed and the elimination of disincentives to employment, including the interaction between the taxation and the welfare systems, to ensure that work is worthwhile, and examining family and child income supports, and a means by which self-employed people can be insured against unemployment and sickness.

[15] Jobless households are defined as those with very low work intensity, i.e. less that 20% of available adult time (excluding students) is allocated to paid work. All adults and children between the age of 0 and 59 years are subsequently included in the jobless household population. The terms jobless households and households with very low work intensity are used interchangeably in this document.

[16] Watson, D., Maître, B. and Whelan, C.T. 2012. *Work and Poverty in Ireland, 2004 – 2010.* Dublin: Department of Social Protection and the Economic and Social Research Institute (ESRI).

Active labour market policies are key to addressing the employment needs and capacities of jobless households in an inclusive labour market. A Programme for Government priority for 2013 is to make sure that economic recovery does not bypass jobless households. There are a number of actions being implemented which will have a positive impact on jobless households. Firstly, the new integrated employment and support service, *Intreo*, continues to be rolled out at a local level. Fifty thousand new applicants for jobseeker's payment have been profiled to identify their activation needs. Secondly, proposals for streamlining and restructuring of working age supports continue to be developed. In 2013 and successive years, significant cohorts of lone parents will be only eligible to welfare payments that are conditional on being available for and genuinely seeking work. Thirdly, additional measures are being put in place to assist those furthest from the labour market, in particular the long-term unemployed. Budget 2013 increased provision for labour market programmes by 10,000 places. Fourthly, a review of employment support programmes provided by the Department of Social Protection has been published and is now subject to consultation with stakeholders. The programmes benefited an estimated average of 75,000 welfare recipients in 2012, at a cost of €0.9 billion. The review assesses the contribution of these programmes to the Department's activation policy and makes recommendations for enhancing the effectiveness and efficiency of programmes.[17]

Access to quality services

In 2011, children were 1.6 times more likely to be in consistent poverty compared to adults. The Government has highlighted the higher risk of poverty for children (compared to adults) by agreeing to set a sub-target to reduce this differential as part of the national social target for poverty reduction. Child poverty is strongly associated with jobless households, with over half of all children in consistent poverty in such households. This highlights a risk of the intergenerational transmission of poverty and unemployment. The European Commission's recommendation on Investing in Children: Breaking the Cycle of Disadvantage, and the Government's forthcoming Children and Young People's Policy Framework, will inform the setting and implementation of the sub-target.

Access to quality services has a particular relevance to the prevention of child poverty, especially in the formative years of a child's life. As outlined in the European Commission's 2013 recommendation on investing in children, prevention is most effectively achieved through integrated strategies that combine support to parents to access employment, adequate income support and access to services that are essential to children's outcomes.

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[17] The report of the review and an accompanying high level paper can be accessed here: www.welfare.ie/en/downloads/Review%20of%20Employment%20Support%20Schemes.pdf and www.welfare.ie/en/pressoffice/pdf/High%20Level%20Issues%20Paper%20-%20Employment%20Support%20Schemes.pdf.

Budget 2013 provided new funding of €20 million to improve services for children, covering three discrete measures:

- An area-based approach to child poverty initiative, to extend prevention and early intervention programmes from three to six locations. The new approach draws on best international practice and existing services to tackle every aspect of child poverty. The approach will also seek to mainstream the lessons from successful early intervention programmes into existing services for children and families.

- An extension of the school food programme, to provide regular nutritious food to pre-school and in-school children who are unable to take full advantage of the education provided. The programme is an important component of DEIS policies to encourage school attendance and educational achievement by disadvantaged children, as outlined in target 4 - Education.

- An initiative to increase provision of after-school childcare places by 6,000. These places will be targeted at low-income families with children at primary school, where parents are availing of employment opportunities. The initiative will be delivered in conjunction with the community childcare subvention programme coordinated by the Department of Children and Youth Affairs. The new *Intreo* employment and support service will be used to identify potential beneficiaries.

The measures support and complement policies to tackle early school leaving described under the education target, as well as active labour market programmes to help parents, men and women, return to work.

Community-based initiatives have a vital role to play in supporting social participation and enabling access to services, in particular the local and community development programme and the family resource centres programme. Housing and health services are also important in the fight against poverty, especially for marginalised groups, as detailed in the National Action Plan for Social Inclusion.

<u>Governance and consultation</u>

The Social Inclusion Forum – a Government-sponsored body to monitor progress on poverty and social inclusion with the participation of national and local stakeholders – has been moved to align with reporting arrangements for the European Semester, in particular the preparation of the National Reform Programme. In 2013, the Forum took place on 26th March, with a theme of supporting the social dimension of Europe 2020. In preparation for the forum, the European Anti-Poverty Network and the Community Workers Cooperative consulted at local level with people experiencing poverty as well as community and voluntary groups working with people experiencing poverty.[18] A report on the discussions at the forum is in preparation and will be submitted to the Government for consideration.

A new *social inclusion monitor* was published in March 2013 to report on progress on the national social target and associated indicators, based on the results of SILC 2011.[19] The monitor is being used to inform the preparation of the National Reform Programme and will also contribute to the consultation process. The monitor complements other reporting mechanisms on the implementation of the high level goals and policy actions contained in the *National Action Plan for Social Inclusion*.

A new policy tool of 'social impact assessment' is being developed to assess the impact of policy on poverty and related social inequalities as a way to ensure greater policy coordination in the social sphere. This builds on the practice of poverty impact assessment and strengthens the focus on social equality.

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[18] The consultations identified four key messages: a new vision and urgency to tackle poverty, the value of bottom-up community development, the impact of the jobs crisis on communities and the situation of vulnerable groups. See www.eapn.ie/eapn/four-messages-from-regional-meetings-to-the-social-inclusion-forum .

[19] www.socialinclusion.ie

Consultation and Addressing Linkages

Consultation

As part of the process to prepare the NRP 2013 Update, the Joint Oireachtas Committee on European Affairs was advised in advance that the update was being prepared and was offered an opportunity for engagement. Subsequently, the draft NRP 2013 Update was sent to the Committee and a hearing was held on Tuesday 16th April when officials briefed the Committee on the approach being taken and on the content of the draft document, and answered questions from Committee members.

In addition, the Association of Irish Regions, the Southern and Eastern Regional Assembly and the Border Midlands and Western Regional Assembly, and representatives of employers, trade unions, the farming community, community and voluntary organisations, and environmental organisations were given an opportunity to provide views in advance of drafting. Furthermore, a draft of the NRP Update for 2013 was subsequently circulated to the same organisations, offering a further opportunity for input. Written submissions were received from a number of these organisations. While in some cases observations received went beyond the specific scope of the update, Departments responsible for various elements have, where possible and appropriate, reflected the input of these organisations in the text.

As mentioned under the Poverty Target section, the Social Inclusion Forum held on 26th March focused on the social dimension of the Europe 2020 Strategy and provided an opportunity for wide public consultation. In preparation for the Forum, consultation meetings at local level were organised by the European Anti-Poverty Network and the Community Workers Cooperative with people experiencing poverty as well as community and voluntary groups working with people experiencing poverty.

Linkages

Actions and policies outlined in the National Reform Programme Update 2013 under each target area are not mutually exclusive. Effective policy implementation requires a cross-Departmental approach and there are linkages between the five targets, mutually reinforced and supported by common policies.

A very strong driver of this approach has been the *Action Plan for Jobs* strategy which targets all 15 Government Departments and 46 State Agencies. Its focus is to ensure that all efforts are made to improve the overall enterprise environment, boost job creation and retention and bring about economic growth. This will contribute to progress against all five targets.

The linkages between targets are particularly pronounced in relation to employment, education and poverty targets. Examples of some of these linkages are as follows:

- Increasing participation in employment and reducing the number of jobless households at high risk of poverty;
- Promoting labour activation of welfare recipients and reducing the high poverty rate for lone parents and the long-term unemployed;
- Promoting the re-engagement by groups (including youth, older persons and women) who are currently detached from the labour market;
- Tackling educational disadvantage and preventing the inter-generational transmission of poverty;
- Achieving education targets while simultaneously ensuring a sufficient supply of science, mathematics and technology graduates to meet the skills requirements for the achievement of the R&D target and employment objectives.