Poverty Reduction and Policy Regimes
Country Overview Paper

Explaining Ireland's Development

Economic Growth with Weakening Welfare

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Acronyms

CME	coordinated market economy
CSO	Central Statistics Office
DETE	Department of Enterprise, Trade and Employment
DOF	Department of Finance
DSFA	Department of Social and Family Affairs
DOT	Department of the Taoiseach
EC	European Community
EEC	European Economic Community
ESRI	Economic and Social Research Institute
EU	European Union
EU–SILC	European Union Survey on Income and Living Conditions
FÁS	An Foras Áiseanna Saothair *(Training and Employment Authority)*
FDI	foreign direct investment
GDP	gross domestic product
GNI	gross national income
GNP	gross national product
GP	general practitioner
IDA	Industrial Development Authority
IFSC	International Financial Services Centre
INOU	Irish National Organisation for the Unemployed
ISI	import substitution industrialization
LME	liberal market economy
NAPS	National Anti-Poverty Strategy
NESC	National Economic and Social Council
OECD	Organisation for Economic Co-operation and Development
PD	Progressive Democrat
TD	Teachta Dála *(member of the Irish Parliament)*
UK	United Kingdom
US	United States

Summary/Résumé/Resumen

Summary

This paper is divided into three main sections. The first section (parts 1 and 2) offers an overview of the principal development strategies used by the Irish state, the social policies associated with them and their impact on poverty. The survey of policy regimes is divided into two periods: from independence in 1922 to 1987 and from 1987 to 2006. The first of these periods is further divided into subperiods: (i) 1922–1932, a period of fiscal conservatism and minimal developmental or welfare activity; (ii) 1932–1959, a period of very active economic and social developmentalism that, however, ended with serious fiscal and social problems; (iii) 1959–1973, a period of economic and social liberalization with a significant expansion of welfare effort; and (iv) 1973–1987, a period of major recession and growing national indebtedness but of large increases in welfare spending and of timid moves toward welfare reform. Box 1 shows how the state was actively involved in housing provision, especially since 1932, but that budgetary cutbacks in 1987 resulted in a steep decline in public housing and much greater reliance on the market for housing provision. The overall trends over this 65-year period show a stagnant labour force, shifts in employment from agriculture to industry and services, the constant safety valve of emigration, low female participation in the labour force and a modest rise in per capita income over much of the period. Fragmentary evidence on poverty and inequality shows Ireland to have high rates compared to neighbouring countries.

Part 2 offers an overview of the Celtic Tiger period, divided into two subperiods: 1987–2000, its creation and flowering, and 2000–2006, post–Celtic Tiger Ireland. In the first subperiod, there was spectacular growth in gross domestic product/gross national product (GDP/GNP), in the labour force and in employment from the early 1990s. State industrial policy was successful in winning high levels of foreign direct investment (FDI), and there was significant policy innovation by the state toward indigenous industry and mechanisms of economic and social governance; yet there was a weakening welfare effort as social spending growth failed to keep pace with the growth in GDP/GNP. Somewhat lower but still very healthy economic growth rates over the second subperiod mask a change in the economy as growth came to depend more and more on domestic demand—particularly construction and consumption—and export sectors slowed. Services came to take on a more central role in economic activity, and box 2 examines the contribution of Dublin's International Financial Services Centre and how it operates as "an enclave economy" with weak links to the rest of the national economy. This subperiod saw no significant social reforms, though there was a certain reversal of the state's weakening welfare effort. Overall, the period from 1987 to 2006 was one of immense changes in the Irish economy and society, which are illustrated in the final section of part 2. The population, the labour force, employment and living standards all increased dramatically. Yet, over the same period, relative poverty and inequality grew and remained high by comparison with European Union (EU) and Organisation for Economic Co-operation and Development (OECD) countries.

The second section of the paper (part 3) examines Ireland's present welfare regime in greater detail and is divided into three subsections. The first of these examines the nature of the welfare regime and how it has evolved, illustrating how the Irish welfare system relies substantially on non-contributory benefits, many of them means tested. It has developed in an incremental and ad hoc fashion, adding new benefits as new needs became identified. The taxation system relies significantly more on taxes on goods and services as a source of revenue than is the case in other EU countries, and the reliance on corporation and property sales tax (stamp duty) is regarded as being vulnerable to downturns in these sectors. Overall, Ireland's tax and welfare systems are seen as heavily favouring middle-class interests. Box 3 reports on Ireland's health inequalities and on the widening nature of its two-tier health system. The second subsection analyses the effectiveness of Ireland's welfare regime in reducing poverty and inequality, and assembles a range of data to prove that it failed to overturn privilege and in many ways acted to reinforce it, and lags well behind the EU average in its ability to reduce poverty. The final

subsection discusses the impact of globalization on Ireland's welfare regime and concludes that the construction of a national discourse about globalization has reinforced policy choices about low taxation and the residual nature of welfare policy, and spurred a slow commodification of welfare. This has served to strengthen existing policy monopolies and to limit policy change. Box 4 critically examines the proposal from the National Economic and Social Council (NESC) for Ireland to become a "developmental welfare state", finding it ambiguous and ungenerous, while its failure to discuss how it might be funded weakens its credibility.

Arguing that the nature of Ireland's policy regimes and the place of welfare within them reflect the nature of the country's political institutions and the ways interest groups interact with them, the paper's third section (part 4) turns to the role of politics and political institutions in accounting for the policy regimes that are surveyed in parts 2 and 3. The first subsection examines the nature and functioning of the country's party and electoral systems and concludes that these have given rise to a culture of short-term pragmatic politics due to the cross-class, non-ideological and essentially populist nature of the major parties and to the impact of the Single Transferable Vote system of proportional representation in fostering a localized and personalized practice of politics. Box 5 outlines the growth of the state's labour market agency, An Foras Áiseanna Saothair (FÁS), to illustrate the functioning of Ireland's "anorexic welfare state". The second subsection examines the influence of interest groups and devotes most of its attention to the operation of Ireland's system of "social partnership", both in terms of the influence of the various social partners within it and its impact on poverty reduction. The paper reports that, far from being a form of social democratic concertative mechanism between capital and labour, social partnership has been used as a vehicle for imposing a neoliberal agenda and that the organizations representing the most marginalized have only residual influence within it. Social partnership's social objectives are found to be vague and aspirational, and subservient to the state's primary goals of economic competitiveness. The subsection ends by examining why the trade unions and the Community and Voluntary sector remain part of social partnership in this situation. It concludes that, despite their very limited influence on outcomes and in the absence of any alternative strategy that might achieve more for their constituencies, leaders in both groups see the balance of advantage as lying in remaining at the table rather than leaving it. The third subsection turns to the Irish state, examining its nature and functioning and how policy is made within it. It reports on a debate about whether the Irish state is best characterized as a new form of developmental state, a network development state, or a competition state.

The paper ends by situating Ireland in two literatures: varieties of capitalism, and typologies of welfare states. It sees Ireland as a liberal market economy, though with the "puzzle" that it has some of the coordinative mechanisms associated with the coordinated market economies. Turning to the typologies of welfare states developed by Esping-Andersen in his book, *The Three Worlds of Welfare Capitalism*, the paper concludes that Ireland is closest to the liberal model.

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Résumé

Ce document se divise en trois grandes sections. La première section (parties 1 et 2) donne une vue d'ensemble des principales stratégies de développement appliquées par l'Etat irlandais, des politiques sociales qui y ont été associées et de leur impact sur la pauvreté. L'étude des orientations politiques se divise en deux époques: de 1922, date de l'indépendance à 1987 et de 1987 à 2006. La première de ces époques est divisée en plusieurs périodes: (i) 1922–1932, années de conservatisme budgétaire, marquées par une activité minimale de développement ou de protection sociale; (ii) 1932–1959, période d'intense activité de développement économique et social qui se termine, cependant, par de graves problèmes budgétaires et sociaux; (iii) 1959–1973, période de libéralisation économique et sociale pendant laquelle l'effort de protection

sociale connaît une expansion sensible; et (iv) 1973–1987, période de nette récession qui se caractérise par l'accroissement de la dette nationale mais aussi par de fortes augmentations des dépenses sociales et de timides tentatives de réforme de l'Etat providence. L'encadré 1 montre que l'Etat s'est investi dans la construction de logements, surtout depuis 1932, mais que les réductions budgétaires en 1987 ont entraîné une diminution soudaine de l'offre publique de logements et une dépendance beaucoup plus forte de ce secteur envers le marché. Pendant ces 65 ans, la tendance générale est à la stagnation de la population active, à un glissement des emplois de l'agriculture vers l'industrie et les services, à une émigration constante qui sert de soupape de sécurité, à un taux d'activité faible chez les femmes et à une modeste hausse des revenus par habitant pendant la plus grande partie de la période. Les données disponibles, fragmentaires, montrent que l'Irlande a un taux de pauvreté et des niveaux d'inégalité élevés par rapport à ses voisins.

La deuxième partie offre un panorama général de la période du Tigre celtique, qui se subdivise en deux tranches: les années 1987 à 2000, celles de sa naissance et de son épanouissement, et 2000 à 2006, ou l'après-Tigre celtique. Pendant la première tranche, le produit intérieur brut/produit national brut (PIB/PNB), la population active et l'emploi connaissent en Irlande une croissance spectaculaire à partir du début des années 1990. Grâce à sa politique industrielle, l'Etat réussit à attirer d'importants investissements étrangers directs (IED) et, par ailleurs, fait preuve d'innovation dans sa politique envers l'industrie nationale et les mécanismes de gouvernance économique et sociale; pourtant l'Etat providence ralentit ses efforts car les dépenses sociales n'augmentent pas au même rythme que le PIB/PNB. Des taux de croissance un peu plus faibles mais encore très vigoureux pendant la deuxième tranche masquent une économie en évolution dont la croissance devient de plus en plus dépendante de la demande intérieure—en particulier du bâtiment et de la consommation—et dans laquelle les secteurs d'exportation marquent un ralentissement. Les services en viennent à occuper une place centrale dans l'activité économique, et l'encadré 2 met en lumière la contribution de Dublin comme centre international de services financiers et son fonctionnement d'économie "d'enclave", sans liens étroits avec le reste de l'économie nationale. Ces années-là ne se signalent par aucune réforme sociale importante, malgré un certain revirement de l'Etat providence, dont l'effort allait en s'affaiblissant. Dans l'ensemble, la période de 1987 à 2006 est marquée par de profonds changements de l'économie et de la société irlandaises, qui sont illustrés à la fin de la deuxième partie. La population, la population active, l'emploi et les niveaux de vie ont tous augmenté de manière spectaculaire. Cependant, la pauvreté relative a progressé et les inégalités se sont creusées et l'une et les autres sont demeurées fortes par rapport à celles des pays de l'Union européenne (UE) et de l'Organisation de coopération et de développement économiques (OCDE).

La deuxième section du document (partie 3) examine plus en détail le régime social actuel de l'Irlande. Elle comprend trois parties. La première examine la nature du régime social et l'évolution qu'il a subie, montrant que le système social irlandais repose pour une large part sur des prestations qui ne sont pas financées par des cotisations et qui, pour la plupart, sont liées à un plafond de ressources. Il s'est développé par ajouts successifs, chaque nouvelle prestation devant répondre à un nouveau besoin. Les taxes sur les biens et les services sont pour l'Etat une source de revenu beaucoup plus importante que pour d'autres Etats de l'UE, et la dépendance du système fiscal par rapport à l'impôt sur les ventes immobilières et les entreprises (droit du timbre) apparaît comme une faiblesse puisqu'il est vulnérable aux ralentissements d'activité dans ces secteurs. Dans l'ensemble, le système fiscal, comme le système social irlandais, est considéré comme très favorable aux intérêts de la classe moyenne. L'encadré 3 met en évidence les inégalités des Irlandais devant la maladie et l'écart qui se creuse dans leur système de santé à deux vitesses. La deuxième sous-section analyse dans quelle mesure le régime social irlandais est parvenu à réduire la pauvreté et les inégalités et prouve, à l'aide de données diverses, qu'il n'a pas réussi à abolir les privilèges, qu'il a, à bien des égards, renforcés, et que sa capacité à faire reculer la pauvreté est bien inférieure à la capacité moyenne des Etats européens. La dernière sous-section traite des conséquences de la mondialisation sur le régime social irlandais et conclut que la construction d'un discours national sur la mondialisation a renforcé certains choix politiques—pour une faible fiscalité et une politique sociale accessoire—et a encouragé une lente marchandisation de l'aide sociale. Cela a eu pour effet de renforcer les monopoles politiques en place et de limiter l'évolution des politiques. Dans l'encadré 4, l'auteur porte un regard critique sur la proposition du Conseil économique et social national (National Economic and Social Council—NESC) de transformer l'Irlande en un "Etat providence développemental", la jugeant ambiguë, peu généreuse et peu crédible, puisqu'elle ne dit rien des modes de financement possibles.

Après avoir posé que la nature des orientations politiques de l'Irlande et la place qu'y occupe l'aide sociale reflètent la nature des institutions politiques du pays et les modes d'interaction des groupes d'intérêt avec elles, l'auteur s'intéresse dans la troisième section du document (partie 4) à la mesure dans laquelle la politique et les institutions peuvent expliquer les orientations politiques étudiées dans les deuxième et troisième partie. Dans la première sous-section, qui porte sur la nature et le fonctionnement du système électoral et des partis, il conclut qu'ils ont donné lieu à une culture du pragmatisme politique à court terme en raison de la nature non idéologique et essentiellement populiste des grands partis, qui ne sont pas assimilables non plus à une classe donnée, et des incidences du système de vote unique transférable lié à la représentation proportionnelle, qui favorise dans la pratique une politique surtout locale animée par des personnalités. L'encadré 5 retrace la croissance de l'agence publique pour l'emploi, An Foras Áiseanna Saothair (FÁS), pour illustrer le fonctionnement de "l'Etat providence anorexique" de l'Irlande. Dans la deuxième sous-section, l'auteur traite de l'influence des groupes d'intérêt et accorde la plus grande attention au fonctionnement du système irlandais de "partenariat social", qu'il étudie sous l'angle à la fois de l'influence exercée par les divers partenaires sociaux et de ses effets sur la réduction de la pauvreté. Il montre que, loin d'être un mécanisme de concertation entre le capital et le travail, le partenariat social a servi à imposer un programme néolibéral et que les organisations qui représentent les plus marginalisés n'y exercent qu'une influence très modeste. Il estime que les objectifs sociaux du partenariat social sont vagues, de l'ordre de l'aspiration, et subordonnés aux objectifs premiers de compétitivité économique que fixe l'Etat. Il conclut cette sous-section en se demandant pourquoi, dans ces conditions, les syndicats et le secteur associatif et bénévole ne sortent pas du partenariat social. Il conclut que, malgré l'influence très limitée des deux groupes sur les résultats et faute d'une stratégie de substitution qui leur permettrait d'obtenir davantage pour leurs mandants, leurs dirigeants jugent qu'il y a plus d'avantages à rester qu'à partir. La troisième sous-section s'intéresse à l'Etat irlandais, en examine la nature et le fonctionnement et la façon dont les politiques s'y élaborent. Elle fait écho à un débat sur le point de savoir si la meilleure définition que l'on puisse donner de l'Etat irlandais est celle d'un Etat développemental d'un genre nouveau, d'un Etat créateur de réseaux ou d'un Etat organisateur de la concurrence.

L'auteur conclut en situant l'Irlande par rapport à deux types de littérature: les variétés du capitalisme et la typologie des Etats providence. Il voit l'Irlande comme une économie de marché libérale bien qu'elle présente certains des mécanismes associés aux économies de marché coordonnées et la juge déroutante à cet égard. Se reportant à la typologie des Etats providence exposée par Esping-Andersen dans son livre, *Les trois mondes de l'Etat-providence: Essai sur le capitalisme moderne*, l'auteur conclut que c'est du modèle libéral que l'Irlande se rapproche le plus.

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Resumen

Este documento se divide en tres partes principales. La primera sección (partes 1 y 2) contiene una presentación general de las principales estrategias de desarrollo del estado irlandés, las políticas sociales vinculadas a dichas estrategias y sus efectos sobre la pobreza. La investigación de los regímenes de políticas se divide en dos períodos: desde la independencia en 1922 hasta

1987, y de 1987 a 2006. El primero de estos períodos se divide a su vez en tres subperíodos: (i) 1922 a 1932, época de conservatismo fiscal y una actividad mínima de previsión social y desarrollo; (ii) 1932 a 1959, período de un desarrollismo económico y social sumamente activo que, no obstante, desembocó en graves problemas fiscales y sociales; (iii) 1959 a 1973, años de liberalización económica y social con una considerable expansión del esfuerzo de previsión social; y (iv) 1973 a 1987, era caracterizada por una profunda recesión y creciente endeudamiento nacional pero, al mismo tiempo, de grandes incrementos en el gasto de previsión social y tímidos avances hacia la reforma de la seguridad social. En el recuadro 1 se explica la activa participación del Estado en la provisión de vivienda, sobre todo a partir de 1932, pero que los recortes presupuestarios de 1987 causaron una marcada caída del gasto en la vivienda pública y una dependencia mucho mayor del mercado para la provisión de viviendas. La tendencia general durante este período de 65 años indica un estancamiento de la fuerza laboral, un cambio de fuente de empleo del sector agrícola hacia los sectores de la industria y los servicios, la siempre presente válvula de escape representada en la emigración, la baja participación de la mujer en el mercado laboral y el modesto aumento del ingreso per cápita durante buena parte del período. Los datos fragmentarios sobre pobreza y desigualdad muestran que Irlanda tenía altas tasas en comparación con los países vecinos.

La parte 2 contiene una reseña del período denominado del 'Tigre Celta', que se divide en dos subperíodos: 1987 a 2000, época de surgimiento y florecimiento, y 2000 a 2006, era de la Irlanda posterior al período del Tigre Celta. Durante el primer subperíodo, se observó un crecimiento espectacular del producto interno bruto (PIB) y el producto nacional bruto (PNB), así como de la fuerza laboral y el empleo desde principios de los años noventa. Se registraron altos niveles de inversión extranjera directa (IED) gracias a la política industrial del Estado, quien también llevó a cabo importantes innovaciones en materia de políticas a favor de la industria indígena y los mecanismos de gobernanza económica y social. Sin embargo, el esfuerzo de previsión social se debilitó dado que el crecimiento del gasto social no logró mantener el ritmo de crecimiento del PIB y el PND. Unas tasas de crecimiento económico ligeramente más bajas pero todavía muy saludables durante el segundo subperíodo ocultaron un cambio que se dio en la economía a medida que el crecimiento pasó a depender cada vez más de la demanda interna (sobre todo en la construcción y el consumo) y se desaceleraron los sectores de exportación. Los servicios pasaron a desempeñar un papel más protagónico en la actividad económica. En el recuadro 2 se examina la contribución del Centro de Servicios Financieros Internacionales de Dublín y su función como una "economía de enclave" de pocos vínculos con el resto de la economía nacional. En este subperíodo se observan pocas reformas sociales de importancia, si bien hubo cierto cambio positivo en los esfuerzos debilitados del Estado en materia de la previsión social. En términos generales, el período de 1987 a 2006 fue un período de inmensos cambios en la economía y la sociedad irlandesas, como se explica en la sección final de la parte 2. La población, la fuerza laboral, el empleo y las condiciones de vida tuvieron grandes aumentos. No obstante, durante ese mismo período, la pobreza y la desigualdad relativas aumentaron y permanecieron altas en comparación con los países de la Unión Europea (UE) y de la Organización de Cooperación y Desarrollo Económicos (OCDE).

La segunda sección del documento (parte 3) examina el actual régimen de previsión de Irlanda con mayor detalle, en tres subsecciones. La primera subsección tiene que ver con la naturaleza del régimen de previsión y su evolución, lo que permite entender la forma en que el sistema de previsión irlandés se fundamenta de manera sustancial en las prestaciones sociales no vinculadas a las contribuciones al seguro social, muchas de las cuales están sujetas a la prueba de verificación de medios económicos. Este régimen se ha desarrollado de una manera gradual y ad hoc, agregando nuevos beneficios a medida que se determinaban las nuevas necesidades. El sistema de tributación depende de los impuestos sobre los bienes y servicios como fuentes de ingresos en mucho mayor medida que en el caso de otros países de la UE, y la dependencia de los impuestos corporativos o los impuestos sobre la venta de propiedades (impuesto sobre actos jurídicos documentados) se considera una fuente vulnerable a los vaivenes de estos sectores. En líneas generales, se considera que los sistemas tributario y de previsión de Irlanda favorecen en gran medida los intereses de la clase media. En el recuadro 3 se señalan las desigualdades que acusa Irlanda en materia de salud y la creciente brecha que separa los dos niveles de su sistema de salud. La segunda subsección analiza la eficacia del régimen de previsión social de Irlanda para reducir la pobreza y la desigualdad y recoge un conjunto de datos que prueban que dicho régimen no pudo superar los privilegios y, en algunas instancias, hasta contribuyó a apuntalarlo, por lo que ha quedado muy a la zaga del promedio de la UE en cuanto a su capacidad para reducir la pobreza. La subsección final examina el efecto de la mundialización sobre el régimen de previsión de Irlanda; en esta parte se concluye que la construcción de un discurso nacional sobre la mundialización ha reforzado las opciones de política sobre una baja tributación y la naturaleza residual de la política de previsión social e incitado su lenta comodificación. Esto ha contribuido a fortalecer los monopolios de política actuales y a limitar el cambio de política. En el recuadro 4 se hace un análisis crítico de la propuesta del Consejo Económico y Social Nacional (NESC) para que Irlanda se convierta en un "estado benefactor desarrollista", proposición considerada ambigua y poco generosa que además no explica cómo podría financiarse, lo que le resta credibilidad.

Con base en el argumento de que la naturaleza de los regímenes de políticas de Irlanda y el lugar que ocupa la previsión social en ellos reflejan la naturaleza de las instituciones políticas del país y las formas en que los distintos grupos de interés interactúan con ellas, la tercera sección del documento (parte 4) se ocupa del papel de la política y sus instituciones y su responsabilidad respecto de los regímenes de políticas analizados en las partes 2 y 3. La primera subsección examina la naturaleza y el funcionamiento de los sistemas electoral y de partidos del país y concluye que estos sistemas han creado una cultura de políticas pragmáticas a corto plazo debido a la naturaleza interclasista, no ideológica y esencialmente populista de los principales partidos y al impacto del sistema de Voto Único Transferible de representación proporcional en el fomento de una práctica localizada y personalizada de la política. En el recuadro 5 se describe el crecimiento de la agencia de capacitación laboral y empleo del Estado, An Foras Áiseanna Saothair (FÁS), para ilustrar el funcionamiento del "estado benefactor anoréxico". La segunda subsección examina la influencia de los grupos de interés, dedicándose en mayor medida a la operación del sistema de "alianza social" de Irlanda, tanto en lo que tiene que ver con la influencia de los diversos actores sociales que la conforman como con su repercusión sobre la reducción de la pobreza. El documento señala que, lejos de ser una forma de mecanismo democrático de concertación social entre el capital y el trabajo, la alianza social se ha utilizado como vehículo para imponer una agenda neoliberal, y que las organizaciones que representan a los más marginados tienen dentro de la misma una influencia mínima. Los objetivos sociales de la alianza social son vagos e inspirativos y subordinados a los objetivos primarios de competitividad económica del estado. La subsección concluye con un análisis de las razones por las cuales los sindicatos y el sector comunitario y de voluntarios siguen formando parte de la alianza social bajo tales circunstancias. La conclusión es que, a pesar de la muy limitada influencia sobre los resultados y ante la falta de una estrategia alternativa que permita obtener más para sus representados, los líderes de ambos grupos piensan que el equilibrio de la ventaja reside en permanecer en la mesa de negociación en lugar de retirarse de ella. En la tercera subsección se aborda el Estado irlandés, con un examen de su naturaleza y funcionamiento y su manera de formular las políticas. En esta sección se comenta además un debate sobre si la mejor manera de caracterizar al estado irlandés es como una nueva forma de estado desarrollista, un estado de desarrollo en red o un estado de competencia.

De acuerdo con las conclusiones del documento, Irlanda puede clasificarse bajo dos tipos corrientes de estudio: variedades de capitalismo y tipologías de estados benefactores. Para el autor, Irlanda es una economía de mercado liberal, si bien guarda en su interior un "rompecabezas", algunos de cuyos mecanismos de coordinación están asociados a las economías de mercado coordinadas. Al referirse a las tipologías de estados benefactores que propusiera Esping-Andersen en su libro *The Three Worlds of Welfare Capitalism*, se concluye que Irlanda es lo más cercano al modelo liberal.

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Introduction

This paper offers an overview of the principal development strategies used by the Irish state, the social policies associated with them and their impact on poverty. While the paper traces the background since independence in 1922, its principal focus is on the period since 1987, since this is the period in which the policies were put in place that are associated with the boom period of the 1990s, widely known as the Celtic Tiger. The paper's subject is the Republic of Ireland (known as the Irish Free State from 1922 to 1937 and as Éire from 1937 to 1949) and, therefore, excludes the northeast part of the island, which remained part of the United Kingdom in 1922. It begins by offering an overview of the policy regimes (developmental strategies and social policies) from 1922 to 2006, divided into two sections, 1922–1987 (part 1) and 1987–2006 (part 2) with several subsections within each. Both sections end with an overview of the principal trends in living standards, sectoral employment and poverty for the related time period. This division is justified by the fact that the first period was marked by periods of relative boom and bust, while the second was marked by an economic takeoff with high economic growth and a substantial increase in living standards. Each period, therefore, raises distinct issues that warrant separate treatment.

Part 3 examines Ireland's present welfare regime in greater detail, covering the nature of the welfare regime and how it has evolved, its effectiveness in reducing poverty and inequality and the impact on globalization. Part 4 turns to the role of politics and institutions in accounting for Ireland's policy regimes. It examines the nature of the political system (the electoral system, the party system and political culture), the interaction of interest groups with this system—in particular the nature and functioning of the innovative concertative mechanisms of social partnership that were first established in 1987 and are widely seen as a major contributor to Ireland's economic boom—and ends with a consideration of the nature of the Irish state. The paper concludes by applying the varieties of capitalism concept to Ireland, asking in particular to what extent Ireland's political economy can be seen as a new model of governance, and ends by discussing how Ireland might be situated in the international literature on welfare regimes.

Part 1: Ireland's Policy Regimes, 1922–1987

Legacies of colonialism

Ireland's development has followed a path very different from that of its nearest neighbours in northern and western Europe. Ireland was a region of the UK economy following the Act of Union between the two kingdoms in 1801. The incipient industrialization that characterized the Irish economy under its colonial Parliament at the end of the eighteenth century was stifled and, especially following the Great Famine (1845–1848), the Irish economy became overwhelmingly dependent on agricultural production and, within that, on pasture. The only exception was the northeast of the island, which became an industrial growth pole within the British economy. Following independence in 1922 when the northeast remained part of the United Kingdom, the newly independent Irish state had an economy similar to that of many developing countries: it was dependent for around 50 per cent of its exports on a single unprocessed commodity (live cattle to the British market), and excluding a small food and drinks industry, the new state was "virtually without industries" (Ó Gráda 1994:313). While poverty was widespread in nineteenth century Ireland, there are no reliable statistics as to its extent. However, social conditions were markedly changed by the steady decline in population following the Great Famine, as a tradition set in of emigration to Great Britain, North America, South Africa and Australia/New Zealand. The population of what later became the Republic of Ireland declined from 6.5 million in 1841 to 2.9 million just after independence in 1926; much of this decline was concentrated in the poor western half of the country. Emigration has been seen as "one of the key driving forces in the Irish economy", allowing rising living standards to go hand in hand with deindustrialization (O'Rourke 1995:420). It is also clear that the land settlement of the late nineteenth and early twentieth centuries further helped reduce poverty throughout rural Ireland. As Ferriter put it, "By the dawn of the twentieth century there was little doubt that the material conditions of life had improved in rural Ireland, with more security of tenure and the threat of endemic starvation no longer an annual fear" (2005:33) (also see box 1).

Fiscal liberalism, 1922–1932

The first 10 years of independence saw the party that had won the civil war of 1922–1923, Cumann na nGaedheal, "become the staid and rather conservative rulers" of the new state, opting for "continuity and caution in economic affairs" (Ó Gráda 1994:385). The party chose a path of low taxation and concentrated on improving agricultural exports to Great Britain, keeping tariffs low for most of the period. This conservativism also reflected the ethos of the new state's civil service, largely made up of staff who had moved over from the former colonial administration. As historian Lee (2008:36) put it:

> The Department of Finance, incarnated in the redoubtable Secretary, J.J. McElligott from 1927 to 1953, did not believe in state-led economic development. From their perspective the role of the state was to keep out of the way of private enterprise, and keep taxation as low as possible and therefore, at least in the short term, social services, as meagre as possible. This was to be a competition-based, market-driven economy.

By 1927, Girvin (1989:57) described the Irish state as being minimalist in terms of development.

As real agricultural prices fell during the 1920s and output was sluggish, poverty and emigration continued, while farmers' living standards dropped by 15 per cent between 1929 and 1933 (Ó Gráda 1994:413). An average of 33,000 people emigrated each year over this 10-year period, almost double the previous decade (Kennedy et al. 1988:38). The one developmental initiative taken was the building of a hydroelectric generating station, which was supplying 87 per cent of the country's needs eight years after it opened in 1929. However, this was a notable exception to the government's fiscal conservativism, which dominated its social policy. Though the new state inherited a relatively developed and generous welfare system from British rule, agricultural workers—who constituted half of the labour force in Ireland—were not covered by it. In 1924, the new Irish state cut back, rather than expanded, the welfare system, abolishing assistance to the unemployed who were uninsured and reducing the old-age pension. As one government minister told the Dáil (Parliament) in 1924: "It is no function of the government to provide work for anyone…people may have to die in this country and die through starvation" (quoted in Ó Gráda 1994:441).

In fact, this government also cut the standard income tax rate from 25 per cent in 1924 to 15 per cent in 1927, reflecting its support base among large farmers and middle-class professionals. Cousins (2005:25) estimated Ireland's share of welfare spending in the mid-1920s as being around 3 per cent of national income, a figure that compares favourably with that of many other European countries at the time.

Developmental nationalism, 1932–1959

The coming to power in 1932 of Fianna Fáil (the "Republican" Party that had been defeated in the civil war) saw a major change in policy on both the economic and social fronts. Representing small farmers and rural labourers as well as the small urban proletariat, Fianna Fáil came to power with a radical policy of using the state to initiate a process of native industrialization behind high tariff barriers. The energetic Seán Lemass built the Department of Industry and Commerce into a counterweight to the conservative Department of Finance and used it to spearhead "a strategy of national industrialisation" (Girvin 1989:97). The department built strong links with Irish industrialists who, though "they did not acquire a veto over policy, they did receive significant rights of access and consultation" (Girvin 1989:98). When the financial institutions still showed their reluctance to lend to industrialists despite the government's decision to guarantee such capital, Lemass received approval to establish a state bank, the Industrial Credit Company, "which played a crucial role in ensuring that a prospective company flotation would be successful" (Girvin 1989:102). An extensive regime of protection of these infant industries was quickly established with the average tariff level rising from 9 per cent in 1931 to 45 per cent in 1936 and with tariffs on some goods ranging between 50 and 75 per cent. Other non-tariff measures included quotas, import licences and regulations, while the Control of Manufactures Acts in 1932 and 1934 sought to ensure that Irish manufacturing stayed in Irish hands. By 1937, Irish tariffs were one and a half times as high as those in the United Kingdom, twice as high as those in Belgium, France, Japan and the United States, but one-third of those in Germany (Kennedy et al. 1988:43). As Girvin (1989:89) put it, "Whereas under Cumann na nGaedheal the state had been passive and minimalist, under Fianna Fáil it became dynamic and interventionist. Fianna Fáil also penetrated the state apparatus and moulded the institutions to reflect its concerns and objectives".

The policy was initially successful, as manufacturing output rose by 7.2 per cent between 1932 and 1936, while the number of Irish-owned industrial concerns quoted on the Dublin stock exchange trebled between 1933 and 1939 and their aggregate capital doubled. Industrial employment rose from 110,600 in 1931 to 166,100 in 1938, and emigration declined to an average of 14,000 per year over the decade from 1930 to 1940, one-third the rate of the previous period (partly due to the impact of the Great Depression on the UK and US economies). Yet, labour productivity increased little and even declined in manufacturing. Overall, gross national product (GNP) at constant prices was about 10 per cent higher in 1938 than in 1931, a smaller increase than in the United Kingdom over the same period (Kennedy et al. 1988:47–48). Since the new industrial production was for the home market, the volume of merchandise exports declined by 29 per cent between 1931 and 1933, and the 1930 volume was not to be reached again until 1960, thus marking this whole period of import substitution industrialization (ISI). Meanwhile, government attempts to shift agriculture from pasture to tillage, partly to favour small landholders and partly to increase output of goods such as sugar beet, wheat and oats for consumption, had limited success. This, coupled with the effects of the Economic War with Great Britain (1932–1938)—when the United Kingdom retaliated against Irish exports in response to the Irish government's withholding of land annuities owed to the British Exchequer (payments that were the result of the state's lending to tenants to buy out landlords in the land reform in the last decades of colonial rule)—hit farming output and exports. Farm output failed to register any real increase during the 1930s (Ó Gráda 1994:413). Despite the increase in industrial employment, unemployment remained high, peaking at 145,000 in 1936, before improving economic conditions in the United Kingdom saw Irish emigration there begin to increase again. By the end of this expansionary period (the eve of the Second World War), Daly summed up the situation that had emerged:

> What emerged in 1938 was the accommodation of two superficially contradictory sets of vested interests: export-oriented Irish farmers, especially cattle farmers, and protected industrialists. The former recovered their traditional access to the British market on the best terms available given Britain's policy of promoting domestic agriculture, while the latter were not forced to cede industrial protectionism (1992:169–170).

Fianna Fáil proved equally energetic with regard to social policy, involving a significant expansion of welfare schemes—introducing unemployment assistance and unifying national health insurance in 1933, introducing a widows' pension scheme in 1936 and children's allowances to encourage larger families in 1944 (Cousins 2005:26). Most noteworthy was the new government's introduction of an ambitious programme to clear Dublin's notorious slums and to build large working class housing schemes. The number of housing units built increased from 2,181 in 1932–1933 to 13,253 by 1934–1935 and saw a steady increase to 17,017 by 1938–1939. A sweeping programme of health reform was also introduced and a Hospitals Commission was established. The hospitals sweepstake—which had been introduced by the Cumann na nGaedheal government—was reformed and the funds were used for an ambitious programme of building hospitals and improving standards of care. National Health Insurance Acts in 1933 and 1941 improved the access of the working class to hospital care, while voluntary hospitals (mostly run by Catholic religious orders) were instructed to remain charitable institutions in order to be eligible for public funds and, therefore, more egalitarian in their intake of patients. Overall, according to Ferriter (2005:400), these reforms left Ireland "with hospital care of a high quality by international standards". Welfare spending rose from about 3 per cent of national income in 1931 to around 5 per cent in 1936, though it fell back throughout the 1940s (Cousins 2005:27).

The policy of ISI was already reaching the natural limits of the small home market by the late 1930s. When Ireland emerged from the enforced isolation dictated by its neutrality during the Second World War (known as "the emergency" in Ireland), a lively debate took place within the leadership of the ruling Fianna Fáil Party: Lemass sought to deepen the industrialization drive through more active state involvement, but was roundly defeated by his more conservative colleagues. Without a strong policy direction, the state faced growing balance–of-payments problems and sluggish industrial productivity in the 1950s, while remaining aloof from the liberal trading order emerging in western Europe. Meanwhile, unemployment increased and emigration returned to levels not seen since the 1850s, with over 50,000 people emigrating per year. The workforce fell from 1,228,000 in 1946 to 1,053,000 in 1961 (CSO 2000:108). This period was one of stagnation in terms of state welfare, though the ousting of Fianna Fáil from power in 1948 for the first time in 16 years by a broad interparty coalition did lead to a number of significant reform proposals. Among these was a White Paper on Social Security from the Minister of Social Welfare, the Labour Party leader William Norton. However, the most memorable reform proposed by this government was the free health scheme for mothers and children, planned by the young Minister for Health, Noel Browne, whose persistence in the teeth of strong opposition from the medical profession and the Catholic bishops led to the fall of the government in 1951. The subsequent publication by Browne of his correspondence relating to this affair has meant that it has taken on almost mythical status in Irish political memory as indicating the hidden influence of the Catholic Church over politicians. When returned to power, Fianna Fáil introduced watered down versions of both social welfare and health reforms. Among the significant institutional developments of this period was the establishment of separate ministries for health and for social welfare in 1947.

Liberalization, industrialization and modernization, 1959–1973

The late 1950s marked a very low point in Irish development. As Kennedy et al. (1988:55) described it, "Ireland's overall growth performance in the 1950s was one of the worst in Europe, emigration reached record levels for this century, and confidence about the viability of the economy reached an all-time low".

The retirement of Eamon de Valera as Taoiseach (Prime Minister) in 1959 and his replacement by Lemass marked a new opening and coincided with the First Programme for Economic Expansion covering the period 1959–1963 and effectively written by the new young secretary of the Department of Finance, T.K. Whitaker. Lemass and Whitaker have come to symbolize the swift liberalization that then set in, based on three elements: (i) the use of grants and tax concessions to encourage export-oriented production; (ii) the attraction of foreign manufacturing firms; and (iii) dismantling protection so as to gain greater access to markets abroad (Kennedy et al. 1988:236). While the initial expectation was that the domestic firms protected by high tariff barriers would begin to win export markets, the policy led to a swift growth in foreign enterprises establishing in Ireland for the export market, reflecting the new buoyancy in the global economy and the increase in foreign direct investment (FDI) associated with it. The government also followed an expansionary fiscal policy both in productive and in social investment. State policy increasingly began to depend on this foreign-owned sector with the Industrial Development Authority (IDA), a key semi-state agency that bears some similarity to the "insulated bureaucracies" of the East Asian developmental states, playing a key role as the "hunter and gatherer" of foreign firms (Ó Riain and O'Connell 2000:315). Another essential part of the strategy was the dismantling of protection. Ireland unilaterally reduced tariffs by 10 per cent on two occasions, in early 1963 and 1964, and negotiated the Anglo-Irish Free Trade Agreement with the United Kingdom in 1965 that took effect in 1966. This opened the way for membership of the European Economic Community (EEC) in 1973 under which Ireland agreed to establish free trade with member countries within a five-year period (Kennedy et al. 1988:67–68).

Three phases of FDI can be identified: an initial phase of mostly British firms that were established in Ireland during the protectionist period to gain access to the Irish market, and a second phase in which firms engaged in the manufacture of mature, standardized and relatively labour-intensive products such as clothing, footwear, textiles, plastics and light engineering were established in Ireland for the purpose of export to European markets. By the late 1960s, a third phase was being initiated characterized by more sophisticated products such as machinery, pharmaceuticals, instruments and electronics. By 1973, overseas firms accounted for almost one-third of all manufacturing employment (68,500 out of 219,000) and, by 1983, there were almost 1,000 foreign firms in Ireland, half of them from the United States, one-eighth from Great Britain and about one-tenth from Germany (Ó Gráda 1997:115). Between 1958 and 1973, manufacturing output grew by 6.7 per cent per annum, while manufacturing employment grew by only 2.4 per cent per annum. Exports as a percentage of gross output grew from 19.4 per cent in 1960 to 41 per cent in 1978 (O'Malley 1989:69, 92). However, as foreign firms expanded, the domestic ones established under ISI stagnated: there was no employment growth in this sector from the mid-1960s to the end of the 1970s. Overall, the decade 1961–1971 saw the agricultural labour force decline from 360,000 to 272,000, while in industry the labour force grew from 252,000 to 320,000 and in services from 405,000 to 457,000. Gross domestic product (GDP) grew during the decade at an annual average rate of 4 per cent, the highest of all the decades from 1926 to 1986 (Kennedy et al. 1988:144).

This period also saw significant expansion of the state's welfare effort through the introduction of insurance and means-tested schemes for groups such as the unemployed, deserted wives and unmarried mothers, and new benefits including invalidity and death benefit. This period saw the foundations being laid by a series of young and energetic education ministers for the expansion of both second- and third-level education that was to play a significant role in Ireland's later economic success. The introduction of free secondary education in 1967 saw a major increase in the numbers of students completing secondary education. The proportion of the 14–19 age group still in education grew from 23 per cent in 1951 to 62 per cent in 1981 with an increase from 118,557 to 239,000 between 1967 and 1974 alone. The curriculum was reformed in light of a major Organisation for Economic Co-operation and Development (OECD) report on Irish education in 1966 entitled *Investment in Education*, which identified major shortcomings in the contribution of education to providing the skills necessary for economic expansion. This period also saw a major expansion of technological and vocational education. An Industrial Training Authority, established in 1967 and the 1970s, saw the foundation of regional technical colleges around the country (later called Institutes of Technology), expanding greatly the curriculum of studies available for students at third level. Overall, the number of students at third level in 1970 was around 25,000 of which 18,600 were at university; by 1998, overall numbers at third level had grown to 112,200 of which 61,300 were at university and 41,900 at various technological colleges. Health care was also expanded during this period through a major reform of structures, eligibility and funding. However, an attempt by the Minister for Health and leader of the Labour Party, Brendan Corish, to introduce free hospital care to the entire population was defeated by hospital consultants who threatened to go on strike over the issue (Ferriter 2005:708). Overall, Ireland's social welfare expenditure increased from 5.5 per cent of GDP in 1960 to 6.8 per cent in 1968 and to 11.4 per cent in 1974, compared to an average increase in the European Union (EU)15[1] from 9.7 per cent to 13.3 per cent during the same period. If spending on education, health and housing is included, overall social expenditure increased from 14.5 per cent of GDP in 1962 to 20.5 per cent a decade later. As Cousins (2005:106) commented: "An expanded social welfare system helped to act as a safety net during this period of major change".

[1] EU12, EU15 and EU25 refer to the number of member states of the European Union at the time being referred to. By 1986, membership stood at 12 states; this was expanded to 15 in 1995 and to 25 in 2004.

The 1960s marked a major change in Ireland's fortunes. Associated with the handing over of power from the generation who had led the struggle for independence to a younger generation of leaders, particularly within Fianna Fáil, it witnessed a new prosperity and confidence after the dark days of the 1950s. The liberalization of Ireland's economy went hand in hand with a liberalization of attitudes and values in Irish society symbolized by the opening of Ireland's national television station RTÉ in 1961. It also marked the emergence of new interest groups with which Fianna Fáil in particular formed a close alliance, both multinational capital and what in Ireland are called "developers", a group of property speculators and builders who have become a powerful and wealthy presence in Irish society.

Debt and recession, 1973–1987

Ireland's response to the economic recession occasioned by the oil price rise of 1973 was somewhat postponed by the expansionist policies followed by governments and financed through high levels of borrowing. For the first time since independence, the convention of balancing current expenditure with current revenue annually was formally abandoned; the current budget deficit as a per cent of GNP rose from 0.4 per cent in 1973 to 6.9 per cent in 1975; and the Exchequer borrowing requirement rose from 8.6 per cent to 16 per cent over the same period. This happened under a Fine Gael (as Cumann na nGaedheal had renamed itself in 1933) and Labour coalition that in 1973 had ended a period of continuous Fianna Fáil rule since 1957. While the coalition government had begun to reduce the borrowing requirement before it was defeated in the 1977 general election, the incoming Fianna Fáil government followed sharply expansionary policies of reducing taxes and increasing social spending in order to reduce unemployment. This was again financed by increased borrowing. The Irish economy, with its public finances already in a vulnerable state, was therefore ill-prepared for the second oil price rise in 1979 and the international recession it occasioned. Electoral volatility in the early 1980s with three general elections over an 18-month period in 1981–1982, each of which changed the parties in government, made a coherent response more difficult. By 1985, the public debt had risen to 35 per cent of total tax revenue so that "a progressively greater part of government borrowing was going to service past debt", as Kennedy et al. (1988:80) put it. This led the government to follow deflationary policies that depressed the economy and delayed recovery throughout the early 1980s. Overall, in the period between 1973 and 1986, the national debt/GNP ratio rose by nearly 90 percentage points, much more than in the whole of the previous history of the state.

The impact of this situation on the real economy was rather complex. First, while manufacturing output declined, the manufacturing growth rate was considerably better than most OECD countries as it continued to benefit from FDI and from access to the European market. As a result, manufacturing exports grew by over 11 per cent annually between 1973 and 1985; but manufacturing imports also rose rapidly, badly hitting domestic industry that dramatically contracted in the early 1980s when domestic demand slumped. While farmers had benefited greatly from price support systems in the early years after joining the EEC, with their real agricultural income being some 40 per cent higher in 1978 than in 1972, the period from 1978 to 1980 saw a severe contraction with income per person dropping by nearly one-third; this was caused by overproduction and by cutbacks in EEC supports. Meanwhile, unemployment rose from 5.5 per cent of the labour force in 1971 to 9.9 per cent in 1981. By April 1987, total employment had fallen by almost 100,000 since 1980, and unemployment had risen to almost 25,000 or one-fifth of the labour force. By the late 1980s, emigration had again become a marked feature of Irish life, rising from 27,000 in 1987 to 46,000 in 1989. The growth of real gross disposable national income, which was nearly 5 per cent annually from 1960–1973, almost halved from 1973–1979 and fell to 0.3 per cent each year between 1979 and 1986.

This period is characterized not only by a large increase in welfare spending, but also by timid moves toward reform of the system. With a quarter of the working-age population reliant on social welfare payments in the mid-1980s, spending almost doubled during the period following 1972, from 9.3 per cent to 17.2 per cent of GDP. Paradoxically, at a time of economic recession, Ireland's welfare spending increased faster than the EU average over this period, from 86 per cent of the EU15's average in 1974 to 104 per cent by 1987 (Cousins 2005:37). While contribution conditions were tightened on a number of schemes and limited "job search" programmes introduced, Ireland saw nothing like the move toward retrenchment that happened in the United Kingdom at the same time. Instead, under a Labour Party Social Welfare minister in the mid-1980s, a Commission for Social Welfare recommended more adequate payment rates and that a 10 per cent differential be maintained between insurance and assistance payments (Cousins 2005:34–35). However, in practice, as Murphy (2006:51) put it: "The 1980s fiscal and unemployment crisis caused a structural shift from insurance payments as an increased number of claimants became dependent on means-tested Unemployment Assistance".

Cutbacks in health expenditure over this period and changes in the employment of consultants in 1981 were to have longer-term impacts on Ireland's health services. Over the course of the 1980s, there was a reduction of 16 per cent in the proportion of GNP devoted to the health services, as Ferriter (2005:710) put it: "In the late 1980s, cuts in community care services affected public-health nursing, social work and child psychiatry, and there were hospital and ward closures, while the home and child care crisis deepened".

The Fianna Fáil government of 1981 awarded consultants a contract of employment that gave them public service pensionable employment with salaries that were high by European standards and the right to unlimited private practice, including in public hospitals. Describing this "two-tier system of care supported by the state", Wren (2003:17) wrote that "never having attempted to offer equitable access to health care, Ireland has been moving inexorably to an American-style system, where money decides access, [and] where some doctors earn very large incomes indeed from private practice".

While this was not created during the 1980s, it was greatly reinforced over this period.

Trends in employment, living standards, poverty and income distribution, 1922–1987

What distinguishes the Irish development experience from the global norm over the first 65 years of the state's existence is the fact that, despite changes in sectoral employment, the labour force was the same size in 1986 as it had been in 1926, but around 150,000 fewer people were at work in 1926 than 60 years earlier. This is shown in table 1, which also illustrates the shift in the composition of employment out of agriculture and into industry and services, as would be expected. The share of the labour force in agriculture decreased fourfold, while that in industry more than doubled by the early 1980s, before declining over that decade, and the labour force in services increased by almost half. This shows Ireland to be a newly industrializing country over this period. Unemployment fluctuated between 7 per cent and 3.5 per cent over most of the period, before rising to 10 per cent in the early 1980s and a high of over 17 per cent in the mid-1980s.

Box 1: Housing as an anti-poverty strategy

Though often neglected in analyses of anti-poverty measures, systems of housing provision can have a major impact on lifting groups out of poverty. Examining the changing nature of housing provision can also identify the emergence of poverty risks for particular groups. In Ireland, the extensive state-led land reform from the 1890s to the 1920s (part of an attempt by the colonial state to stem the movement for national independence) transferred ownership of some 85 per cent of the country's agricultural land from around 19,000 landlords to around 400,000 smallholder tenants, including the housing stock on it. Subsequently, local authorities developed social housing programmes for rural labourers so that "by the First World War, this programme had endowed the rural working class with high-quality, low-cost social housing and also created a social housing sector that was precociously large for its time" (Fahey et al. 2004:20). The reforming Fianna Fáil government that took power in 1932 extended this social sector to urban areas with an extensive programme of local authority house building: between 1932 and 1942, public authorities built 49,000 units, which represented 60 per cent of total housing output, and until the mid-1950s, public provision of housing always exceeded 50 per cent of total housing built. In 1936, a generously subsidized tenant purchase scheme was introduced for rural social housing, with the result that by 1964 ownership of 80 per cent of the housing built under rural social housing programmes had been transferred to tenants. In 1966, this model was adapted for local authority housing in urban areas with houses and apartments being sold at prices extremely favourable to tenants. As a result, by the early 1990s, of the 330,000 dwellings built by local authorities over the previous century, some 220,000 had been sold to tenants, representing a quarter of the homes in private ownership in Ireland at that time (Fahey et al. 2004:21). Thus, the state had played the key role in the provision of quality housing to the urban and rural working class. Furthermore, from the 1920s, state grants for private house building were introduced, and the United Nations estimated in the 1950s that 75 per cent of capital for housing construction originated from the state. Local authorities even provided mortgages for house purchase at rates that were more flexible and accommodating than commercial providers. Through these means, the state laid the foundations for a strong tradition of owner occupation.

From the 1950s, a steady move began toward private provision, albeit assisted by both state subsidies and general tax reliefs. In the 1970s, virtually all tax on owner-occupied housing was abolished, further boosting owner occupation. During the period from 1961 to 2002, this grew from 59.8 per cent of housing tenure to 77.4 per cent, one of the highest rates in western Europe. Meanwhile, the public provision of housing has steadily declined, from 18.4 per cent to 6.9 per cent of all housing stock in 2002, reflecting a steady decline in the number of housing units being built by local authorities. The budgetary cutbacks in 1987 resulted in a steep decline in new public housing, and Drudy (2006:263) estimated that the net gain in public authority housing since 1994 has been an average of 2,403 units per year. These fiscal cutbacks also weakened state supports in a number of important ways—its role as a mortgage lender all but disappeared, while grants and tax breaks became less extensive. In these ways, as Drudy (2006:248) concluded, "non-market provision has been 'residualised' over many years".

Greater reliance on the market has come at a time of a huge boom in house prices amid the economic growth of the Celtic Tiger. The ratio of average new house prices to average industrial earnings grew from 4.2:1 in 1992 (a slight decline over the previous decade) to 9.2:1 in 2005 for the country as a whole and 11.7:1 in Dublin. This is making it more and more difficult for people with average earnings to enter the housing market, so the private rental sector has increased from 8 per cent of housing tenure in 1991 to 11.1 per cent in 2002. Fahey et al. (2004:35) found a marked increase in the risk this group faces of falling into poverty, as their average spending on rent increased by 2.8 times between 1987 and 1999/2000. Meanwhile, the total number of households in housing need increased from 28,624 in 1993 to 43,700 in 2005, though Drudy (2006:262–263) argued that this is an underestimate and may be as high as 101,200 households; furthermore, homelessness doubled between 1993 and 2005. Another result of the greater reliance on the market for housing provision is that many younger people are forced to buy far from where they work, thereby incurring long commuting times. Concern has been expressed about the impact on the quality of life of these people and their families as well as on that of the communities and housing estates to which they move. Finally, while many people are taking out expensive mortgages to access housing, recent increases in European interest rates are adding to their burden of repayment.

Table 1: Employment and unemployment in Ireland, 1926–1986 *(thousands)*

Year	Agriculture	Industry	Services	Total at work	Unemployed	Labour force
1926	653	162	406	1,221	79	1,300
1936	614	206	415	1,235	96	1,331
1946	568	225	432	1,225	64	1,289
1951	496	282	438	1,216	45	1,261
1961[a]	360	252	405	1,017	59	1,076
	(380)	(259)	(414)	(1,053)	(56)	(1,109)
1971	272	320	457	1,049	61	1,110
1981	196	363	587	1,146	126	1,272
1986	168	301	606	1,075	227	1,302

[a] A change in the sources used before and after 1961 means that the figures from 1926 to 1951 are not strictly comparable with those from 1961 onwards. The figures in parenthesis show the size of the discrepancy and are comparable with earlier years. **Source:** Kennedy et al. 1988:143.

What helps account for the declining labour force and relatively low unemployment is the escape valve of emigration. The extent of this is shown in table 2, which demonstrates that emigration follows a pattern of decline in periods of economic growth and increase in periods of economic decline. The net immigration of the 1970s, largely caused by the return of previous emigrants, also indicates that a lag can occur before the pattern re-establishes itself.

Table 2: Net emigration, 1926–1986

Years	Net emigration	Net emigration per annum
1926–1936	166,751	16,675
1936–1946	187,111	18,711
1946–1951	119,568	23,914
1951–1956	196,763	39,353
1956–1961	212,003	42,401
1961–1966	80,605	16,121
1966–1971	53,906	10,781
1971–1979	–108,934	–13,617
1979–1981	5,045	2,523
1981–1986	75,300	15,060

Source: Breen et al. 1990:147.

Until the 1970s, only a small number of women participated in the labour force: the overall female participation rate was 5 per cent in 1961 and had only risen to 8 per cent a decade later. As Breen et al. (1990:117) put it: "The evidence suggests that up to the mid-1970s the main priority of the majority of married women was their child care and housekeeping duties". They quoted a national survey in the early 1970s, which found that only 15 per cent of married women were in any form of paid employment and a further 25 per cent wished to return to paid work at a future date. However, a similar survey a decade later showed only a little over one-third of women interested in returning to paid employment (Breen et al. 1990:117). In the 1970s, the female participation rate began to increase rapidly, from one in 13 in 1971 to one in six by 1981 and one in five by 1984. The increase among younger married women was particularly marked: between 1971 and 1984 the percentage of 20–24 year old married women in the paid labour force increased from 15 to 41 and of 25–34 year olds from nine to 27 (Breen et al. 1990:117).

Turning to living standards during this period, table 3 shows the annual growth rates in GNP[2] and in per capita GNP during the period 1926–1985. This shows a very modest rise in per capita income, except in the 1960–1973 period when the rise was more substantial. This needs to be read in conjunction with table 2 because, in the absence of emigration, the per capita growth rates would have been substantially lower over much of this period.

Table 3: Ireland's annual GNP and per capita GNP growth rates, 1926–1985

Year	GNP growth[a]	GNP growth per capita[a]
1926–1938	1.3	1.4
1938–1950	1.1	1.0
1950–1960	1.7	2.2
1960–1973	4.4	3.8
1973–1985	1.7	0.5
1926–1985	2.1	1.8

[a] At constant prices. **Source:** Kennedy et al. 1988:118–119.

To assess this growth, Ireland can be placed in a comparative perspective. How did it fare compared to other comparable countries? To help answer this question, Kennedy et al. (1988) compared Ireland's GNP and per capita GNP to that of 23 European countries for two dates, 1913 and 1985. They found that, at the earlier date, Ireland was slightly above the average, ranking in tenth place on the table, but that by the later date it had slipped to seventeenth place, being overtaken by then Czechoslovakia, Finland, Hungary, Italy, Norway and Spain. The authors concluded that its growth in living standards "translates into a very mediocre record compared with the generality of European countries' and that, remarkably, the growth rates of per capita GNP in Ireland in the 70 years since the First World War was much the same as in the preceding 70 years" (Kennedy et al. 1988:122–123).

Around the same time, Lee (1989:521) arrived at an even more damning conclusion: "It is difficult to avoid the conclusion that Irish economic performance has been the least impressive in western Europe, perhaps in all Europe, in the twentieth century. It must count as one of the more striking records in modern European economic history".

There are few estimates available for poverty or income distribution for most of the period under review. The 1970s saw the "rediscovery of poverty" in Ireland (Callan and Nolan 1994:22) when a paper to a conference of the Catholic bishops' Council for Social Welfare estimated that "at least 24 per cent of the population have a personal income below the poverty line", based on social security or income maintenance rates of payment (Ó Cinnéide 1972:397, emphasis in original). This marks the beginning of the period for which regular survey data became available from the Central Statistics Office (CSO) and the Economic and Social Research Institute (ESRI) that allow poverty to be measured with some consistency. Table 4 contains the authoritative measures of poverty used in academic and policy discussions in Ireland and shows that the percentage of households in poverty remained relatively stable, while the percentage of persons in poverty showed a significant increase, reflecting the increase in unemployment over this period.

[2] GNP tends to be favoured over GDP in the Irish case, due to the effects of profit repatriation by multinational companies on the wealth generated in the Irish economy. As O'Sullivan (2006:76) pointed out, Irish GNP has steadily declined in relation to GDP over recent decades, being about 20 per cent less than GDP by the early 2000s: "There is no other developed country where there is such a disparity between GDP and GNP".

Table 4: Poverty trends in Ireland, 1973–1987

Poverty line (per cent)	1973	1980	1987
Households below 50 per cent of mean income	18.2	17.2	18.9
Persons below 50 per cent of mean income	17.8	19.22	22.9

Source: Callan and Nolan 1994:35.

These figures show Ireland to have one of the highest rates of poverty in the then 12-member European Community (EC), with only Greece and Portugal showing higher rates. While these data showed that women had, in 1987, a slightly lower poverty rate than men had, they also showed that a higher percentage of households headed by women were in poverty than those headed by a man and a woman in both 1973 (14.5 in the case of the latter but 30.4 in the case of women-headed households) and in 1980 (15.6 for the former and 22.4 for women-headed households), but that this had reversed by 1987 when 19.4 per cent of households headed by a man and a woman were in poverty compared to 10.6 per cent of those headed by women. The authors attributed this to improvements in the relative income positions of old-age pensioners and widows, but it must also be partly due to the contribution of increased unemployment to the rate of poverty among households headed by a man and a woman (see Callan and Nolan 1994:184). These figures also allow a breakdown of poverty figures according to labour force status as shown in table 5.

Table 5: Households in poverty *(50 per cent of average income)* **by labour force status, 1973–1987** *(per cent)*

Labour force status	1973	1980	1987
Employee	9.0	10.3	9.2
Farmer	26.0	25.9	23.9
Other self-employed	3.6	3.5	5.1
Unemployed	9.6	14.7	34.3
Ill	5.7	7.3	3.5
Retired	17.0	18.9	9.3
Home duties	24.6	17.4	7.6
Other	4.5	2.0	7.1
Total	100.0	100.0	100.0

Source: Callan and Nolan 1994:70.

This shows a big increase in the contribution of unemployment to poverty over this period, while the retired and those working in the home constituted a declining percentage of the poor.

Finally, there are more estimates for income distribution for the period under review than there are for poverty. For example, a White Paper on National Income and Expenditure 1938–1944 gives the first detailed estimates for income distribution in Ireland, providing data for personal income from 1938 to 1943, broken down by amounts of income. This shows that the top 3.8 per cent of income earners took 23.1 per cent of the national income in 1938, whereas the top 4.6 per cent took 25.5 per cent in 1943. At the other end, 28.2 per cent of the earners took 13.8 per cent of income in 1938, while 26.9 per cent of earners took 12.5 per cent of income in 1943 (Ó Gráda 1997:89). Based on a Household Budget Inquiry conducted by the CSO in 1965–1966, Geary (1977:173) estimated the distribution of gross weekly income among urban households, showing that the top 8 per cent accounted for almost 23 per cent of income, while the bottom 60 per cent accounted for only 34 per cent. In the same year, Nolan (1977–1978:118–119) identified a pattern of declining income inequality in gross income between 1965/1966 and 1974, but an increase from then until 1976. Rottman et al. (1982:179) found that, between 1973 and 1978, large proprietors and higher professionals registered declining real household direct incomes, whereas small proprietors, service workers, intermediate non-manual workers and semi-skilled manual workers registered significant grains in direct income. The seven yearly Household Budget Surveys carried out by the CSO from 1973 allow a more systematic comparison of income distribution. This is given in table 6 for both direct household income (largely what is gained from the market) and disposable income (after transfers including welfare benefits and taxation). This allows the effects of such transfers to be identified.

Table 6: Ireland's income distribution, 1973–1987

Decile	1973 Direct income	1973 Disposable income	1980 Direct income	1980 Disposable income	1987 Direct income	1987 Disposable income
Bottom	1.2	1.7	0.5	1.7	3.8	2.2
Second		3.3		3.5	1.0	3.7
Third	3.8	5.0	2.8	5.1	1.3	5.0
Fourth	6.1	6.5	5.7	6.6	3.2	6.3
Fifth	7.6	7.8	7.7	7.9	6.0	7.6
Sixth	9.3	9.2	9.5	9.3	8.7	9.2
Seventh	11.3	10.9	11.5	11.0	11.5	11.0
Eighth	13.8	13.0	14.3	13.0	15.0	13.4
Ninth	17.7	16.2	18.3	16.2	20.0	16.6
Top	29.2	26.4	29.7	25.7	32.4	25.0

Source: Collins and Kavanagh 2006:155–156.

This shows that market income has become more inequitable over the 14-year period with the bottom six deciles declining in share of income, while the top four deciles see their incomes increase with the greatest increase in the top deciles. However, state transfers result in a modest modification of this inequality, though this redistributive effect weakens over the period. Comparing Ireland's income distribution with western European and North American countries over this period, Rottman et al. (1982) found Ireland to be toward the middle of a range of countries in the 1970s, whereas Atkinson et al. (1995), comparing Ireland's distribution in the late 1980s, found it among the countries with the highest levels of income inequality.

Part 2: The Celtic Tiger: Developmental Transformation and Poverty, 1987–2006

Creation and flowering of the Celtic Tiger, 1987–2000

Recovery was not spectacular at first as economic growth only averaged 3.6 per cent of GNP between 1987 and 1993, and by 1993, 294,000 people were still unemployed. However, after 1993, both growth and employment showed considerable growth, as shown in table 7. The table shows that the boom (characterized by annual rates of GDP growth of over 7 per cent) lasted from 1994 to 2000, before growth began to decline modestly; however, growth in employment continued and unemployment remained at historically low levels (though, as shown below, this masks a significant change in the sectors in which this growth took place).

Table 7: Irish economic and employment growth, 1993–2006

Year	GDP[a]	GNP[a]	Labour force *(thousands)*	Employment rate among 15–64 year olds *(per cent)*	Unemployment rate *(per cent)*
1993	5.8	6.3	1,386	51.7	15.6
1994	9.5	8.0	1,423	53.0	14.3
1995	7.7	7.2	1,452	54.4	12.3
1996	10.7	9.0	1,498	55.4	11.7
1997	8.9	8.1	1,560	57.5	9.9
1998	8.5	7.7	1,645	60.6	7.5
1999	10.7	8.5	1,713	63.3	5.6
2000	9.2	9.5	1,767	65.2	4.3
2001	6.2	3.9	1,810	65.8	3.8
2002	6.1	2.7	1,845	65.6	4.3
2003	4.4	5.1	1,882	65.1	4.6
2004	4.3	3.9	1,920	65.5	4.4
2005	5.5	5.4	2,015	67.1	4.2
2006	5.7	6.5	2,108	68.1	4.3

[a] At constant prices. **Source:** CSO 2006a.

Much attention has been paid to the actions of the incoming Fianna Fáil administration in March 1987 in cutting state expenditure severely in order to bring the state's finances under control (see Mac Sharry and White 2000). This resulted in what has been described as "expansionary fiscal contraction" as cutbacks led not to recession, but to a return to modest growth—though subsequent analysis has tended to cast doubt on this (see Boylan 2002:20–21). However, the large economic literature that seeks to explain Ireland's exceptional performance during this period (exceptional both in relation to previous Irish performance and in relation to experience among most industrialized countries over this period) identifies a range of other factors as laying the foundations for the boom, among them industrial, educational and infrastructural policies. Undoubtedly, as Fitz Gerald (2000:38) wrote: "The pro-active industrial strategy pursued by Irish policy makers was central to the long-term development of a strong industrial base". The IDA became very successful at identifying emerging sectors in the global economy and in attracting many of the major companies in those sectors to Ireland. While this strategy had initially begun in the 1960s by attracting clothing and textile firms such as Wrangler, Bluebell, Farah Jeans and Burlington Industries, in the 1970s an electronics sector was established by attracting firms such as General Electric, Ecco and Core Memories. Already by 1971, the computer manufacturer Digital had been attracted to set up a plant in Galway, and this marked the beginning of a strategy to develop a cluster of computer manufacturers in Ireland. In 1980, Apple was invited to establish its European manufacturing base in Cork and, in 1989, Intel was successfully lobbied to establish a major centre in Kildare, just outside Dublin. Bradley (2002:41) identified the IDA's success as stemming from its ability to target firms "at a relatively early stage in their (technological) life-cycle, immediately after the new product development stage" in the sectors of computers, related software, pharmaceuticals and chemicals. He gave the example of the IDA first lobbying computer manufacturers and their subsequent targeting of the makers of individual computer components such as keyboards, hard disks, cables, mice, printers and software. Another key element of the IDA's armoury in attracting firms has been Ireland's low-tax regime on company profits (a 10 per cent tax rate on manufacturing profits guaranteed for 20 years was introduced in the early 1970s, and in 2003 this became a blanket 12.5 per cent tax on all trading companies). Policy makers and senior company managers have again and again promoted this as the single most important reason for Ireland's success in winning high levels of FDI.

The remarkable success of this strategy, boosted by the expansion of the EU economy throughout the 1990s and by the advantages offered by Ireland as a relatively low-cost manufacturing platform with access to the EU market, is illustrated by the growth in inward FDI flows from 2.2 per cent of Ireland's GDP in 1990 to 49.2 per cent in 2000 (World Bank 2002:table 6.1). Bradley summarized the IDA's success in the 1990s thus:

> The high point of the IDA strategy came during the late 1990s, when Ireland became the front-runner for most of the sophisticated foreign investment in electronics, computers and software. A virtuous circle had been created, with electronic components and computer equipment at its core, a spillover into PC-related software development and customisation, and a further spillover into telecommunications-based marketing, customer and technical support services both for existing producers located in Ireland, as well as for the creation of a sophisticated international financial services sector (2002:52).

In many ways, Ireland was very lucky. Not only did it get its national finances in order just in time to benefit from the US boom and from the completion of the Single Market in the then EC, but it also benefited from the new funding lines established by the EC in the late 1980s to improve the infrastructure and standard of living in its poor countries and regions, the structural and cohesion funds (Delors I 1989–1993 and Delors II 1994–1999). Ireland was successful in winning high levels of these funds on a per capita basis, and they were spent in four main areas: (i) upgrading infrastructure (roads, ports and communications); (ii) improving human resources (education and training; see box 5 on An Foras Áiseanna Saothair/FÁS and active labour market programmes); (iii) aids to the private sector (grants and subsidies to aid new industries); and (iv) income support (mostly to farmers and rural dwellers). O'Donnell (2000:185) estimated that Ireland's net receipts from the EU averaged over 5 per cent of GNP throughout the 1990s with a peak of 7.6 per cent in 1991.

This period also witnessed significant policy innovation by the Irish state. A central policy shift in industrial policy followed the Telesis Report of 1982 that was very critical of the state's exclusive dependence on foreign multinationals and urged greater support for indigenous industry. As Ó Riain (2004:181) put it, it "did cause a stir within the policy community" and "the general tenor of policy did shift through the 1980s to consider some of the recommendations of the Telesis Report", including a reorganization of the IDA into two divisions in 1988, one for foreign-owned industry and one for Irish-owned. This new set of industrial development agencies focused on indigenous industries and, crucially, on business and technological upgrading through networking in a proactive way, local business entrepreneurs with university research centres and state officials. Ó Riain has charted the upgrading of investment, research and development, skills and productivity that took place in key sectors of the Irish economy in the 1980s and 1990s through this innovative alliance of state officials, business entrepreneurs and university research institutes. Many of these entrepreneurs were young people who had gained experience working in multinational enterprises either in Ireland or abroad. Most noteworthy was the emergence of an Irish software industry that Ó Riain (2004:56) called "the leading edge of indigenous industrial upgrading in the Celtic Tiger". However, despite the turnaround in the fortunes of indigenous industry, a marked dualism between foreign and indigenous firms continued to mark Ireland's industrial structure, even at the height of the Celtic Tiger boom. Gallagher et al. (2002:64) concluded about this period that "(f)oreign-owned industry treats Ireland as an export platform, generating 74 per cent of total Irish exports in 1998. On the other hand, while 85 per cent of local plants are Irish owned and 53 per cent of manufacturing employment is generated in these plants, they produce just 28 per cent of gross output".

The other major policy initiative of this period, widely credited with playing an essential role in Ireland's success, is social partnership. While concertative arrangements at national level between employers and trade unions facilitated by the state had resulted in negotiated national pay agreements in the 1960s and 1970s, this national approach was abandoned in 1980 amid the crisis of the national finances. However, the advisory body, the National Economic and Social

Council (NESC)—made up of representatives of the state, employers' bodies, farmers' organizations and trade unions—continued to elaborate an economic and social analysis agreed among the social partners. In addition, its 1986 report entitled *A Strategy for Development* became the basis for the incoming government in 1987 to bring the social partners together to negotiate a three-year Programme for National Recovery. This agreement between the social partners, not only on national pay awards, but also on key elements of economic and social policy, has become institutionalized as a feature of Ireland's governance structures; to date, seven such agreements have succeeded one another, with the one signed in 2006 covering a 10-year period and entitled *Towards 2016* (see below for further discussion). Furthermore, the partnership principle has been extended to regional and local levels in such bodies as city and county development boards and the local area-based partnership bodies with a brief for economic and social development in deprived areas. In 1996, national social partnership bodies were expanded to include community and voluntary sector organizations as full members; these represent private, charitable and voluntary bodies working with people in poverty, people with disabilities, women and other vulnerable and marginal groups. Social partnership, seen by some as a form of "negotiated economic and social governance" (O'Donnell 2008:75) is more widely seen to have played a decisive role in ensuring wage moderation at a time of high economic growth, thus safeguarding Ireland's competitiveness internationally. This was achieved through trading moderate national wage increases for reductions in income taxes. In general terms, the partnership approach to governance is seen to have maintained industrial and social cohesion at a time of major social change.

This period also saw a new activism in social policy with the establishment of new agencies and programmes. Notable among these were the National Anti-Poverty Strategy (NAPS), one of the final acts of the social welfare minister and leader of the small Democratic Left Party, Proinsias de Rossa (1994–1997), and the Equality Authority. NAPS (1997:9) charted the rise in poverty since 1973, analysed its causes and set time-bound targets for poverty reduction to: "aim at considerably reducing the numbers of those who are 'consistently poor' from 9–15 per cent to less than 5–10 per cent" between 1997 and 2007. As shown in table 11, these were more than met, though much debate has taken place about the adequacy of this poverty measure, particularly in the context of a booming economy. In 2002, NAPS was revised and integrated with the EU National Action Plan on Social Inclusion. However, as Cousins (2007:295–296) pointed out in reference to these strategies and plans, "the evidence points to the fact that general statements, objectives and even specific targets on poverty have not been translated into actual policy measures let alone poverty outcomes" with the result that "even where targets have been met, there is little indication that policies adopted as part of the NAPS process—as opposed to broader economic and political developments—were a major contributor". The Equality Authority, established by the state in 1999, has as its brief to reduce discrimination under nine named headings, including gender, sexual orientation, political and religious beliefs and membership of the Travelling community. This is accomplished largely through public education and by taking employers or service providers to court when it believes it has strong evidence of discrimination.

While the structure of the social welfare system saw relatively few changes over this period, the growth in employment meant that the numbers insured under the social insurance scheme increased from 1.3 million in 1987 to 2.4 million in 2000, with the number of workers fully covered increasing from 1.1 to 1.7 million (O'Donoghue 2003:60). As a result, the Social Insurance Fund became self-financing for the first time since it was established. In the 1990s, social expenditure per capita grew substantially faster than consumer prices and, apart from Portugal, faster than in any other country in the EU15. However, despite these real increases, welfare spending as a percentage of GDP/GNP began to fall significantly over this period from 11.7 per cent of GNP in 1991 to 7.8 per cent by 2000. As average spending on social protection as a percentage of GDP remained steady throughout the EU in the 1990s, the Irish ratio began to fall, so that its social spending by 2000 was by far the lowest in the EU15 when measured as a percentage of GDP. Statistical Office of the European Commission (Eurostat) estimates show that, in 2002, Ireland's overall spending on social protection, at 19.3 per cent of its GNP (or

15.9 per cent of its GDP), was well below the EU average of 27.4 per cent and the lowest of the EU15. Indeed, it was lower than the Czech Republic, Hungary, Poland and Slovenia and on a par with Slovakia. Health and education spending, as a percentage of GNP, were almost exactly the EU GDP average.

Post–Celtic Tiger Ireland, 2001–2006

Though overall growth rates indicate that Ireland weathered well the bursting of the dot.com bubble and the impact of the events of 11 September 2001, these events did lead to a significant change in the productive base of the Irish economy, which tends to be masked by the macroeconomic data. As FitzGerald (2007) wrote: "Since 2002 our economic growth has not had a healthy basis". This is due to the fact that growth has come to depend more and more on domestic demand rather than being export driven as it was in the previous period. Export growth declined from an annual average of 17.6 per cent between 1995 and 2000 to an average of 4.9 per cent annually between 2001 and 2006. Furthermore, the value of merchandise exports in 2006 was less than it was in 2002, and from a position of balance in 2003, the payments deficit reached 3.3 per cent of GDP in 2006 and is forecast to continue rising. Meanwhile, from 1998 to 2004, when merchandise exports grew by 16.5 per cent, service exports trebled in size so that the share of total exports accounted for by services doubled from 17 to 34 per cent over this period, mostly software, financial and other business services. As Tansey (2007) put it, "the Celtic Tiger economy met its end in 2001". This period also saw industrial employment begin to decline and a major increase in the construction sector, which became the main engine of jobs growth, as is shown in table 8. According to the OECD, most of the employment decline in manufacturing is in high-tech industries, but the weakness has been widespread across the sector (OECD 2006a:20). Between 2002 and 2006, the numbers employed in construction increased by so much that by the end of this period they constituted 13.2 per cent of all those at work.

Table 8: Sectoral changes in employment, 2002–2006 *(thousands)*

Sector	2002	2006	Per cent change
Agriculture	124	117	–5.6
Production industries	309	291	–5.8
Construction	187	269	+43.9
Services	1,156	1,362	+17.8
Total at work	1,777	2,039	+14.7

Source: CSO 2007a.

Over this period, services have come to replace manufacturing as the principal export sector of the Irish economy. Ireland has come to face more intense competition for FDI and, according to Forfás, the National Policy and Advisory Board for Enterprise, Trade, Science, Technology and Innovation, inward FDI flows in 2004 were €9.1 billion,[3] the lowest since 1999 and a decline of over a half from 2003 and of two-thirds from 2002. Most of this went into companies associated with the International Financial Services Centre (IFSC, see box 2), while only €1.5 billion went to non-IFSC companies, a fall from €15.7 billion in 2003 (Forfás 2006:33). Exports from the IFSC "have been one of the main drivers of Irish services export growth" in recent years, and companies based in the IFSC account for the majority of Irish insurance and financial services exports and a considerable proportion of business service exports, including accounting and legal services. Insurance and financial exports grew by 310 per cent and 159 per cent, respectively, between 1999 and 2004 (Forfás 2006:26).

[3] $1 = € .95 in 2000, € .88 in 2001, € 1.13 in 2003, € 1.25 in 2004 and €1.30 in 2005 approximately.

Box 2: Dublin's International Financial Services Centre (IFSC): "Almost like a separate country"

As manufacturing declines as a sector of the Irish economy, and internationally traded services constitute a fast-growing share of Ireland's exports in the post-2002 period, the fate of the country's growth model depends more and more on the service sector. The IFSC constitutes a central hub for such exports, attracting €5.8 billion in FDI in 2001, almost one-third of Ireland's total inward FDI for that year, growing to €7.7 billion by 2004, which was some 85 per cent of all FDI for that year. The IFSC was established in 1987 in a move by Irish state authorities to avail of opportunities for job growth opened up by changes in the international financial services industry, and was sited in a large derelict area in the Dublin docklands. It was, therefore, designed to achieve two major objectives of public policy at the time—job creation and urban renewal. From the beginning, a regulatory framework was put in place to avoid it becoming a tax haven and to ensure that companies had more than a phantom or "brass plate" presence. The 10 per cent corporation tax regime was also extended to the firms setting up there, though regulatory reforms in 1999 brought IFSC companies within the same 12.5 per cent corporation tax rate as all industries operating in Ireland. It also eliminated many of the employment commitments and location requirements originally imposed on IFSC companies. By 2004, there were 443 international financial services firms operating in Dublin, along with 700 other IFSC-licensed firms acting through third-party intermediaries; over 80 per cent of these were non-Irish firms. In 2005, total employment was estimated at 10,000, or about 20 per cent of all those employed in the financial services industry in Ireland.

Yet, while in White's (2005:401, 391) words, "the IFSC achieved [its] development objectives without having to provide investors with costly incentives and capital grants", it still represents "an enclave economy" or as Murray-Brown wrote, it is "almost like a separate country" (quoted in White, 2005:391). There are four grounds for concern. First, while it attracts high levels of FDI, "these direct investments are matched roughly by outward flows of portfolio investments and therefore have a limited impact on the productive potential of the [Irish] economy" (White 2005:392). Second, as Breathnach (2007:152) put it, "the main areas of activity engaged in by these firms tend to be in routine sectors such as fund administration, asset financing and corporate treasury management, although there is also considerable active involvement in insurance and banking. However, the original aim of establishing an active trading floor in financial instruments has not been realised".

Back-office activities in four niche areas are responsible for most of the employment—fund administration, corporate treasury, corporate banking and insurance. This has implications for the nature of employment at the IFSC. White (2005:395–396) found a "high rate of turnover among ISFC staff" due to the "unchallenging and routine nature of this work, along with limited opportunities for advancement", which has created an "unstable labour pool with a great deal of churning at the lower levels", making it difficult for firms to develop the capacity to enhance the value of the labour pool over time.

The third cause for concern relates to the classic problem of enclaves—low levels of linkages with the domestic economy. While IFSC firms use a lot of services provided by others, these linkages are most frequently with firms outside Ireland than within it. As White (2005:397) put it, "locally based linkages remain sparse and limited to several key ancillary services like law and accounting" and even, within these, links are with a very small number of Irish firms. The final concern relates to the competitive pressures that the IFSC is likely to face. Since the reorganization of the financial services industry is a cost-driven process, White argued that Eastern European countries are already posing a challenge to Ireland's cost competitiveness in this industry, particularly countries such as Estonia and Hungary that have created similarly low-tax regimes. "Eliminating Ireland's low-tax regime would seriously undermine its attractiveness as a financial centre", White (2005:402) concluded. This underlines the continuing vulnerability of Ireland's model of development.

The emergence of the Irish software industry in the 1990s was seen as "perhaps the most spectacular success story of the recent Irish development experience" (Breathnach 2007:151). It is unique in that a substantial indigenous sector was developed, partly on outsourcing from foreign firms, though it then became strongly export-oriented in its own right "with Irish firms becoming world leaders in niche sectors such as credit card security and educational software" (Breathnach 2007:151). During this period, Ireland became one of the world's foremost exporters of software products. Employment in the software sector grew from 8,000 in 1991 to 31,500 in 2001, but fell back to 24,000 in 2004. By that date, Enterprise Ireland estimated that there were some 900 companies in the industry, 130 of them foreign, and generating over €16 billion worth of products and services. However, of this, less than €1 billion was accounted for by Irish firms, indicating again the foreign dominance of the one sector that had seemed to show the successful growth of indigenous firms (Gallen 2005). While the IDA is looking increasingly to the services sector as the main source of further export-based growth, Breathnach (2007:156) stated: "A key question in terms of Ireland's long-term development prospects centres around the extent to which services activities will themselves act as drivers of overall economic growth rather than constituting a spin-off from growth generated elsewhere".

The Irish economy over this period, therefore, is characterized by growth that is "rapid but lopsided" as the OECD (2006b:101) described it. While growth is robust, it is largely driven by internal demand—construction activity contributed as much as 1.7 percentage points to overall output growth in 2005. However, the greater reliance on construction and services has led to a drop in productivity. Sexton (2007) found that while total labour productivity rose by 30 per cent between 1995 and 2005 (an annual average 2.6 per cent increase), growth began to slow noticeably after 2002 and remained virtually unchanged between 2004 and 2005. He linked the decline in productivity to the shift from high-tech manufacturing to services and construction as the economy's main growth sectors. Overall, productivity declined in construction over the decade he examined, while he found a rather erratic trend in the financial and business services sector of an initial rise, then a decline and finally a rise in the early 2000s. While his main hope for a resumption of productivity growth lies with the financial and business services sector, he is not hopeful of any significant resumption of this in the short term. Finally, Sexton (2007:46) found that "the disappearance of productivity growth at a time of continued high employment expansion suggests that the latter primarily involves low skill employees", not a solid basis for future growth.

In social policy, the early 2000s have not seen any significant reforms. Rather, the principal change has been a certain reversal of the state's weakening welfare effort at the height of the boom. Thus, overall social expenditure grew from €6.8 billion in 2000 to €12.1 billion in 2005. This represented 7.5 per cent of GNP in 2000, its lowest point after a continuous fall from 11.1 per cent of GNP in 1995; in the early 2000s, spending rose to 9 per cent of GNP in 2004, before slightly falling back to 8.8 per cent of GNP in 2005. The value of individual benefits also rose relative to the median income, again reversing declines over the previous period (see table 18). More attention over this period was focused on the health service, and particularly on the crisis in many accident and emergency units of major Irish hospitals, which were found unable to cope with the demands being placed on them. Non-capital spending on health increased from €5.4 billion in 2000 to €10.5 billion in 2005, an increase from 6 per cent to 7 per cent of GNP. However, the poor quality of the health services remained a major topic of public debate and dominated the 2007 general election campaign. As Layte et al. (2007:122) concluded:

> Activity in the acute hospital sector has risen substantially but that system is clearly under severe strain, while primary care services have not been expanded as rapidly as intended. ... Equity of access remains a key concern, both in terms of the affordability of GP [general practitioner] services and the two-tier access to hospitals associated with the unique Irish mix of public and private health care.

Trends in employment, living standards, poverty and income distribution, 1987–2006

The period since 1987 has clearly seen immense changes in the Irish economy and Irish society. The basic changes, summarized in table 9, show the increase in GNP, employment and population, the decline in unemployment and the reversal of emigration.

Table 9: Key changes in economy and society, 1987–2005

Key change	1987	1994	1997	2001	2003	2005	Per cent change
GNP	100	135	182	258	286	316	+216
Population (thousands)	3,547	3,586	3,664	3,847	3,979	4,131	+16
Employment	1,111	1,221	1,380	1,722	1,794	1,929	+74
Unemployment (thousands)	226	211	159	65	82	86	–62
Migration (thousands)	–23	–5	19	33	30	53	

Source: Walsh 2007:25.

The impact of this economic growth on the labour market was perhaps its greatest contribution to welfare. While the labour force as a whole grew from 1.36 million in 1992 to 2.1 million in 2006, the decline in unemployment—long a deeply institutionalized social problem in Irish society—marked a decisive break with the past. Annual data are shown in table 7.

More detailed data allow us to examine where most of the employment growth took place. While the overall sectoral changes are shown in table 8 for the 2002–2006 period, table 10 gives more detailed data on sectoral changes for 1998, 2001 and 2006 and are broken down by 11 key employment sectors:

Table 10: Irish sectoral employment trends, 1998–2006 *(thousands)*

Sector	1998	2001	2006	Per cent change
Agriculture, forestry and fishing	136.0	122.5	114.5	–15.8
Production industries	302.4	318.1	288.5	–4.6
Construction	126.1	180.0	262.7	+108.3
Wholesale and retail trade	211.1	247.8	284.4	+34.7
Hotels and restaurants	97.8	103.8	116.3	+18.9
Transport, storage and communication	87.0	111.1	120.7	+38.7
Financial and other business services	171.1	217.1	267.3	+56.2
Public administration and defence	70.9	81.3	105.1	+48.2
Education	93.3	103.8	135.6	+45.3
Health	113.9	144.0	201.2	+76.6
Other	84.5	92.4	120.6	+42.7

Sources: CSO Quarterly National Household Survey, various years.

The principal trends can be highlighted. The long-term decline in the agricultural sector has continued over these years. Manufacturing employment, which had been growing over the decades since the 1930s, reached its peak in 2001 and began to decline since. The largest increase in employment took place in the construction sector, which more than doubled its employment over these years and in 2006 employed about one-eighth of the national labour force. The other major increase took place in the financial sector, reflecting, in part, the growth of the IFSC in Dublin. Since most of those employed in the education and health sectors are public employees, the growth in these sectors, coupled with that in public administration and defence, shows the significant contribution that the public sector continues to make to employment growth. On growth in the services sectors, Breathnach (2007:148, 150) commented that "about two-thirds of the growth in services occurred in sectors (public administration, education and health, financial and business services) in which education and remuneration tend to be high, as against one-third for those sectors (wholesaling and retailing, transport and communications, and recreation) where the opposite tends to apply". O'Connell and Russell (2007:47) also noted this trend and commented that it "is consistent with a polarisation process".

Overall, average income rose by 125 per cent in real terms between 1987 and 2005. Walsh (2007:25–26) broke this increase into three phases: 1987–1994 during which average income grew by 34 per cent; 1994–2001 during which it grew by 57 per cent; and 2001–2005 when income grew by 7 per cent. In terms of per capita GDP, Ireland moved over the course of the 1990s from a position of around 60 per cent of the EU average (which it had held since joining the EEC in 1973) to over 138.9 per cent in 2005, making it the second richest country in the EU after Luxembourg. However, accepting that GDP significantly inflates real income accruing to Irish residents, gross national income (GNI) is considered a more accurate reflection of relative living standards.[4] This lowers Ireland's place, giving it a per capita level 118.6 per cent of that of the EU25 in 2005, or fifth place after Luxembourg, the Netherlands, Austria and Denmark.

Alongside these overall changes in employment and living standards was a significant increase in the participation of women in the formal labour force. As recently as 1993, there were 435,000 women in the labour force, but this had increased to 787,000 in 2004 with the female employment rate increasing from 38.5 per cent to 56.5 per cent over this period and the female share of total employment increasing from 36.4 per cent to 42.1 per cent. By then, Ireland had surpassed the EU average of 56.3 per cent. Women accounted for two-thirds of the employment growth in services and now make up over one-half of all service workers. However, 32 per cent of women work part-time compared to around 6 per cent of men, and women account for over three-quarters of all part-time workers but constitute less than 35 per cent of full-time workers (O'Connell and Russell 2007). While the gap between female and male hourly pay declined from 20 to 15 per cent between 1987 and 2000, recent evidence has seen female pay stabilize at around 85 per cent of male rates, a gap that is regarded as being relatively wide compared to that in other European countries. McGinnity et al. (2007:202–208) also reported a substantial difference in the time spent on caring and domestic work with women spending significantly more time on these activities than men, a difference that is higher than in many European countries.

The evolution of poverty and inequality over the course of the boom has elicited widespread public concern in Ireland. Until recently, data on poverty in Ireland were gathered under two headings—consistent poverty and relative poverty. The former is a combination of relative income lines together with deprivation measured according to a list of indicators such as having a meal with meat, chicken or fish every second day, having new rather than second-hand clothes, having a warm waterproof overcoat and two pairs of strong shoes. Absence of these for households falling below the different relative income poverty lines indicates deprivation (for a fuller explanation, see Whelan et al. 2003:34–35). This was adopted as the key indicators for NAPS, thus giving the indicator major political importance. Trends in this indicator over the course of the boom are given in table 11, showing a fairly steady fall in poverty, though not among the very poorest.

Table 11: Evolution of households in "consistent" poverty, 1994–2001

(per cent in poverty)

Poverty line	1994	1997	2000	2001
40 per cent of average income	2.4	3.1	2.7	2.5
50 per cent of average income	9.0	6.7	4.5	4.1
60 per cent of average income	15.1	9.7	5.8	5.2

Source: Whelan et al. 2003:38.

However, trends in relative poverty, measured as the percentage of households falling below certain percentages of mean income poverty lines, give a somewhat more complex picture of what was happening to poverty. This is given in table 12, which shows a steady rise in poverty except at the 60 per cent line where poverty has remained quite stable.

[4] Whereas GNP deducts factor income flowing out of the country and adds such income received from abroad, GNI in addition adds subsidies received from abroad and deducts taxes paid abroad. Since EU subsidies have been a significant source of income in Ireland, GNI is regarded as the more comprehensive measure of income available to Irish residents, particularly since the late 1980s. For example, over the decade 1996–2005, Ireland's GNI declined from 90 per cent of its GDP to 85 per cent.

Table 12: Evolution of relative household poverty, 1994–2001 *(per cent in poverty)*

Poverty line	1994	1997	2000	2001
40 per cent of average income	4.9	6.3	10.6	9.8
50 per cent of average income	18.6	22.4	23.7	23.8
60 per cent of average income	34.2	34.3	32.0	32.2

Source: Whelan et al. 2003:11.

Since the initiation of the EU Survey on Income and Living Conditions (EU–SILC) in 2003, data on poverty in Ireland are grouped into somewhat different categories, making them consistent with data across the EU. However, this means that it is more difficult to assess longer-term trends in Ireland. Since 2003, the EU's "at-risk-of-poverty" rate has been more centrally adopted in measuring poverty in Ireland. This is the share of persons with equivalized income below a given percentage of the national median income (note that median income is used in this measure, whereas mean income had been used previously in Ireland). The percentage of income used is 60 per cent. Trends in the Gini coefficient and in income distribution (the ratio of the income of those in the top income quintile to those in the bottom quintile) are also now regularly measured. Trends in these measures over the more recent period are given in table 13.

Table 13: Trends in poverty and inequality, 2000–2005

Trend	2000	2001	2003	2004	2005
Relative at-risk-of-poverty gap	19.3	20.7	21.5	19.8	20.8
Gini coefficient	30.2	30.3	31.1	31.8	32.4
Income distribution (S80/S20)	4.7	4.8	5.0	5.0	4.9

Source: CSO 2006b.

These data provide a broader distributional picture of what has been happening to poverty in Ireland and, by and large, show a steady if somewhat uneven increase over the more recent period. Before turning to examine Ireland's changing income distribution in more detail and to place it in an international context, it is important to look at the impact of poverty on different groups. Table 14 shows the levels of poverty experienced by different groups since 1994 and how these have changed.

Table 14: Households in poverty *(60 per cent of median income)* **by labour force status, 1994–2005**

Labour force status	1994	1998	2001	2005
Employee	3.2	2.6	8.1	7.0
Farmer	18.6	23.9	23.0	n.a.
Other self-employed	16.0	16.4	14.3	n.a.
Unemployed	51.4	58.8	44.7	40.6
Ill/disabled	29.5	54.5	66.5	40.6
Retired	8.2	18.4	36.9	20.5
Home duties	20.9	46.8	46.9	27.6

n.a. = Not available. **Sources:** Murphy 2006:97; EU–SILC 2006.

These data illustrate the emergence of a category of employees whose income is not sufficient to lift them out of poverty, a category that has almost quadrupled over the course of the boom. Farmers continue to experience significant levels of poverty and so do the other self-employed. All of these categories, therefore, illustrate the fact that some categories of households have not been able to avail of the opportunities offered by the booming market to lift themselves out of poverty. The other categories on this list depend by and large on state transfers to lift them out of poverty, and here the growth in the percentages of households headed by retired, ill or disabled people, and those on home duties who fell into poverty over the course of the boom relates directly to the inadequacy of state transfers to prevent this. The significant improvement in the situation of these groups over recent years reflects the increases in welfare payments since 2002, though their levels of poverty still remain substantially above what they were before the boom. It is also important to note that, as Collins and Kavanagh (2006:140) put it, "consistently, the results of income surveys indicate that among all adults, women in Ireland experience a greater risk of poverty than men". However, the data for 2005 show an improvement in this situation, with the percentage of women in poverty declining from 20.8 per cent to 18.5 per cent, while the rate among men rose from 18 per cent to 18.4 per cent (CSO 2006b:8).

Table 13 provides some data on income distribution at the end of the boom, but for trends over the course of the boom we need to look further. First of all, it is interesting to note that the evidence on the distribution of earnings (market income) over the period 1994–2000 shows a modest decline in earnings dispersion over this period as the ratio of the earnings of the top and bottom deciles both moved closer to the median. As a result, the ratio of the earnings of the top decile to those of the bottom decile fell from 4.70 in 1994 to 3.65 in 2000 (O'Connell and Russell 2007:53). The picture of overall income distribution is complicated by the fact that different sources offer different pictures of what has been happening. The Household Budget Surveys of the CSO show a marked increase at the top of the distribution and a marked decline at the bottom (see Collins and Kavanagh 2006:154–157), whereas EU data show inequality to have fallen sharply in Ireland (see Nolan and Maitre 2007:29–33). In seeking to account for these differences, Nolan and Maitre found fault with both data sets, the former as it used the household rather than the person as the unit of analysis and the latter because it was a longitudinal survey and some of the households inevitably drop out over time, thus affecting the results. Controlling for these factors, they concluded that the evidence shows modest declines in the share of the bottom decile, modest increases among deciles in the middle of the distribution and declines in the top three deciles. However, in examining trends in the share of the top income earners over the period 1989–2000 through using tax returns, they found a substantial increase in the share of the top decile, from 33 per cent to 38 per cent. The top 1 per cent saw its share rise sharply in the second half of the decade with all of the growth in the share of the top decile being concentrated among this 1 per cent. Nolan and Maitre (2007:33–34) concluded: "It means that by the end of the 1990s, the share of the top 1 per cent was more than twice the level prevailing through the 1970s and 1980s. As it happens, most of this growth in turn was concentrated in the top 0.5 per cent".[5]

Comparing Ireland's income distribution after the Celtic Tiger boom with EU and OECD countries shows that, even if the impact of the boom on distribution is somewhat disputed, it remains something of an outlier for its level of economic development. Comparing it to 30 countries using data from around 2000, Smeeding and Nolan (2004:9) wrote that "Ireland is indeed an outlier among rich nations. Only the United States, Russia, and Mexico have higher levels of inequality. … Among the richest OECD nations Ireland has the second highest level of inequality".

They found that low-income Irish people in the bottom decile in 2000 had an income that was only 41 per cent of median income, making them among the least well off of the whole sample, whereas a high-income compatriot in the top decile had an income that is 189 per cent of the median, a little below the average. Ireland's Gini coefficient was the fifth highest in the EU25 in 2003–2004.

A final indicator of Ireland's comparable distributional position in Europe and how it has changed over the course of the boom is given by data on functional distribution rather than

[5] The authors added that some of this may be due to a greater willingness by very high earners to declare their income than previously was the case, due to more efficient administration by the tax authorities and their high-profile investigations into tax evasion.

personal distribution. Table 15 compares Ireland's adjusted wage share of the total economy as a percentage of GDP at total factor cost with that of the EU12 from 1960 to 2006.[6] This shows that in Ireland the wage share was higher than that for the EU12 until the 1990s, but that it has fallen badly behind over the course of the boom.

Table 15: Wage share of total economy, Ireland and EU12, 1960–2006 *(per cent of GDP)*

Period	Ireland	EU12
1960–1970	78.0	70.0
1971–1980	76.0	72.5
1981–1990	71.3	69.6
1991–2000	62.6	66.8
2001–2006	55.1	64.4

Source: Economic and Financial Affairs 2007.

The economic boom of the 1990s has, therefore, greatly increased living standards in Ireland, transformed the occupational structure and drawn far more women into the labour force. In doing this, it has increased overall living standards throughout the economy as is indicated by the decline in consistent poverty. However, even in this regard, there is evidence of a deeply entrenched core of extreme poverty that the boom has bypassed. Turning to relative poverty, then, the evidence is clear that the economic boom has increased poverty according to this measure. Measures of income distribution paint a somewhat more complex picture, but the weight of evidence points to a deepening polarization, with evidence indicating that the top 1 per cent or even 0.5 per cent of the distribution has benefited greatly. The swift decline in the wage share of national income would also confirm that an ever larger share is going to profits. While the inadequate levels of state welfare benefits are one part of the reason for increasing poverty, these have to be placed in their structural context, namely, the nature of the taxation and welfare systems. This is the subject of the next section.

Part 3: Welfare Regime and Poverty

This correlation of economic success with poor distributional outcomes in the Irish case raises a major puzzle. Why has Ireland's welfare effort not kept pace with its growing wealth? Answering this question will first require identifying the essential features of Ireland's welfare regime, its effectiveness in reducing poverty and how it has changed as Ireland adjusted to the pressures of globalization, which is dealt with in this section. The following section examines the politics and institutions that help explain the particular nature of the welfare regime, what has shaped it and why it endures. To do this, it interrogates aspects of the Irish political and party system, its relationship to civil society actors and interest groups and the way in which these various actors have been institutionalized in social partnership, and the nature of the Irish state. This will help to identify some political and social particularities of the Irish case that are quite distinctive and not easily read by outside observers.

Nature of Ireland's welfare regime

In discussing Ireland's welfare regime, this section focuses on the tax and benefit systems since these are the principal ways in which state actions affect distributional outcomes, both in terms of levels of poverty and of income inequality. Furthermore, in Ireland, expenditure on services is among the lowest in the EU15 so that income transfers constitute a greater part of the Irish state's welfare effort (Timonen 2003:19). Overall, means testing forms an important part of the

[6] The use of GDP rather than GNP here may be a factor in Ireland's worsening position, including as it does substantial profits repatriated by foreign multinationals operating in Ireland and the practice of transfer pricing.

Irish welfare state: throughout the 1990s the percentage of social benefits that were means tested and paid out of general taxation fluctuated between 31 and 35 per cent, whereas the EU average was around 10 per cent. Social insurance has expanded substantially with coverage increasing from around 60 per cent of the workforce in 1955, to nearly 85 per cent in 1985, and it has continued to increase since then. However, in 1998, only 75 per cent of those covered were insured for all benefits while, generally, these consist of a flat rate benefit unrelated to previous earnings. The Irish welfare system, therefore, relies substantially on non-contributory benefits, many of them means tested. Covering various contingencies, some not covered by social insurance (such as lone parenthood and low income if working), the benefit system can be classified into four types of cash payments: (i) out-of-work payments; (ii) work benefits; (iii) universal child benefits; and (iv) housing benefits with additional in-kind benefits such as butter vouchers, fuel allowances and free transport (O'Donoghue 2003:42–48). In 1999, 25.2 per cent of social spending in Ireland was on old age and survivors, 45.3 per cent on sickness, health care and disability, 13 per cent on families, 11.1 per cent on the unemployed and 5.4 per cent on housing and social exclusion (Timonen 2003:33).

Unlike the British system where there were periods of fundamental reshaping of the system (the Beveridge and Fowler reforms), the Irish welfare system has developed in an incremental and ad hoc nature, with new benefits being added as new needs became apparent. As O'Donoghue (2003:54) described the Irish welfare system as a whole:

> The process of temporary responses to particular problems in the system has resulted in one of the most complicated benefit systems in Europe. This level of complexity, besides the in-built poverty traps, causes itself negative behavioural disincentives. At one extreme the complex benefits system reduces the likelihood that families will claim the benefits they are entitled to. At the other extreme, families will spend so much time claiming the benefits they are entitled to that they may not have time to look for work. It is therefore time to carry out extensive coordinated reform of the entire system.

Furthermore, Murphy (2006:53) argued that there exists a "path dependency of highly targeted ungenerous and inadequate payments" that "may be an important...factor in explaining recent Irish reform", since payments were already so low and targeted that there was no room or reason to reduce them even further, as happened in other liberal welfare states when welfare was reformed into workfare. Recognizing that the political, economic and social factors that shaped this system are very under-researched, McCashin (2004:50) argued that

> the Irish experience surely testifies to the fact that class interests can be mobilised and expressed through…cross-class parties such as Fianna Fáil. A consistent thread in the development of social security in Ireland has been the capacity and willingness of Fianna Fáil, in contexts of electoral competition and constrained resources, to attempt to respond to popular demands for reform and improvement.

In the context of a fast changing social structure since the 1960s with the growth of an urban working class and trade union membership, McCashin (2004:50–52) added that Fianna Fáil was attempting to secure its electoral support through the rapid growth of social welfare. However, over the Celtic Tiger period, it appears that concerns about international competitiveness have taken priority, even for Fianna Fáil political leaders.

In terms of expenditure, around 60 per cent of the Irish state's social expenditure is funded out of general taxation, while around 40 per cent is through social insurance. Employers pay around 25 per cent of social insurance contributions, whereas employees pay around 15 per cent. Overall, employer and employee contributions in Ireland in 1997 amounted to just 13.7 per cent of total taxation, compared to an EU15 average of 26.7 per cent; by 2003, this had remained static in Ireland at 13.9 per cent but the EU15 figure had declined to 24 per cent. Timonen (2003:46) concluded: "In short, contributions play a considerably smaller part in financing the welfare state in Ireland than they do in other European countries". Turning now to the tax system, out of which most of Ireland's social spending is funded, in general, we see a growth in Ireland's total taxes from about 15 per cent of GNP in the mid-1950s to 39 per cent in 1987, before falling back throughout the 1990s to 35.5 per cent in 2003. However, as table 16 shows, from having a tax take that was exactly the EU average in 1987, by 2003 Ireland was significantly below the EU15 average (Ireland's figures for GDP and GNP are given as the latter is more comparable).

Table 16: Total tax as a percentage of GDP/GNP, 1987–2003

Source	1987	1991	1995
Ireland GDP	36.0	34.1	32.8
EU15	39.6	39.4	40.1
Ireland GNP	39.6	38.8	37.0
Source	1987	1991	1995
Ireland GDP	36.0	34.1	32.8

Source: O'Toole and Cahill 2006:208.

Analysing the sources of this taxation revenue, O'Donoghue (2003:38) commented in relation to changes since the 1950s: "During this period, Ireland moved from a system typical of developing countries, where indirect taxes are more important than direct income-related taxes and contributions, to a European style system where the direct taxes are more important". Yet, Ireland's taxation system continues to have certain distinctive features when compared to the EU15. These are shown in table 17.

Table 17: Composition of tax revenue *(per cent derived from different sources),*
Ireland and EU15, 1997 and 2004

Source	Ireland 1997	EU15 1997	Ireland 2003	EU15 2003
Taxes on personal income	30.7	26.4	26.5	25.0
Corporation tax	8.5	6.9	12.9	8.1
Taxes on goods and services	40.7	31.0	38.4	30.4
Taxes on property	4.5	4.2	6.5	5.2

Source: O'Toole and Cahill 2006:206.

This shows that Ireland relies significantly more than do other EU countries on taxes on goods and services as a source of revenue, which is widely regarded as a regressive tax. The trade-off associated with the boom years of the mid-1990s when government-negotiated moderate wage increases for reductions in personal income taxes is reflected in the data in this table. Finally, the comparatively larger tax take from corporation tax and property taxes is a function of the booming economy. Though the corporation tax rate is comparatively low at 12.5 per cent, the tax base is wide and corporations declare large profits in Ireland (some of which, it is suspected, are due to transfer pricing). For example, Allen (2007:83) argued that the doubling of profits from US corporations declared in Ireland from $13.4 billion in 1999 to $26.8 billion in 2002 derives not from a surge in profitable investment but from the 1997 double taxation agreement between both countries that widened opportunities for corporations to avoid being taxed in the United States. While there are no taxes on owner-occupied private dwellings, tax is paid on their sale or purchase and the growth in tax revenue from this source over the boom reflects the large increase in property prices that took place. However, as O'Toole and Cahill (2006:207) commented on these data, reliance on corporation tax and property tax (stamp duty) "leaves the Irish economy particularly vulnerable to an economic shock" as flows of FDI and property prices begin to fall.

Other aspects of the Irish tax system are questionable from the point of view of equity as they benefit the better off. These relate to tax exemptions and incentives. Among these are benefits for health expenses and for private pensions, which are of far greater value to higher rate taxpayers. For example, Hughes (2005:143) estimated that two-thirds of tax relief for private pensions in 2000 went to highest paid employees in the top quintile, while only 1 per cent went to lowest paid employees in the bottom quintile, and O'Shea and Kennelly (2002:64) reported that tax relief on approved pension schemes is equivalent to approximately one-fifth of total social expenditure on pensions. Investors in property get tax relief on mortgage payments and also on rent paid by private tenants. Finally, illustrating the extent of tax breaks available to the wealthy in Ireland, attention has been drawn to the fact that, of the top 400 income earners in Ireland, 73 paid less than 15 per cent of their income in tax in 1999–2000, a figure that dropped to 58 a year later. However, in 2001, 41 people earning over €500,000 and 242 earning over €100,000 per year paid no income tax. This was done legally by availing of various tax breaks. As Timonen (2003:49) summed up the cumulative impact of these characteristics: "The tax system in Ireland is favourable to households that live in owner-occupied accommodation and take private insurances against social risks such as illness and old age".

The nature of the welfare system that has grown up in this situation is heavily weighted in favour of the interests of the middle classes though, paradoxically, middle-class interest groups have rarely emerged to promote those interests (see box 3 on the health system). In a classic description of Ireland's welfare state, O'Connell and Rottman (1992:206) wrote:

> Inequalities were neither eliminated nor even greatly abated. While all citizens may have come to have virtually equal entitlements to a comprehensive range of social rights, services and benefits, the interaction of those rights with market-generated inequalities generally results in the reproduction of inequality. What has evolved is a pay-related welfare state in which minimal levels of universal entitlement to income and services are supplemented by market-based resources. Thus, we argue that the expansion of the welfare state, and of social citizenship, was accomplished in such a manner as to leave privilege essentially undisturbed.

As if to underline how little has changed over the course of the boom years, Cousins more recently wrote that

> the interests of the more politically dominant classes such as business, the upper-middle class and (at least until recently) farmers have been mediated by the state to develop a two-tier welfare state which provides a basic level of support to all and focuses particular benefits toward the middle classes through the tax system (2005:115).

Effectiveness in reducing poverty and inequality

How effective then is this two-tier welfare state in reducing poverty? The principal focus in answering this question has been on the adequacy of welfare payments for those in poverty. For example, O'Donoghue (2003:49 and table 4) traced Irish replacement rates from 1955 to 2002, in other words, the ratio of the value of welfare payments to average earnings, finding that for single people it was "quite low by European standards", fluctuating between 25 and 30 per cent for most of this period; for a married couple with two children, the rate moved from 57.3 per cent in 1987 to 53.4 per cent in 2002. Over a shorter time period, Walsh (2007) traced minimum welfare rates and the level of the state pension as a percentage of 60 per cent of median income from 1994 to 2005, as shown in table 18. He correlated the rise in relative poverty as shown in table 12, particularly the dramatic rise in poverty among the elderly shown in table 14, with the relative decline in these welfare payments.

Box 3: Health care in Ireland: From universal disadvantage to widening inequality

In 2004, Burke et al. (2004:22) published the most comprehensive survey of inequalities in health status in Ireland and concluded that: "Differences in death rates (mortality) between lower and higher socio-economic groups in Ireland are striking. Between 1989 and 1998 the death rates of all causes of death in the lowest occupational class were more than three times those of the highest occupational class".

In the case of chronic lung disease, the death rate of the lowest occupational class was seven times that of the highest, while in the case of homicide/assault, mental and behavioural disorders and alcohol abuse, the death rates were between 15 and 16 times higher. A 1994 report showed that the percentage of people reporting chronic physical illness increased steadily across occupational groups with 10 per cent for the higher professional class and 25 per cent of the unskilled manual class. In 1999, the perinatal mortality rate was three times higher for children of unskilled manual workers than for those of higher professional parents (based on the father's occupation). A report by the Money Advice and Budgeting Services and the Women's Health Council found that almost 70 per cent of women surveyed identified a link between debt and their health problems, while 27 per cent said debt affected the health of their family. Some 12 per cent of the women surveyed did not have a medical card or a general practitioner visit card despite being on low income, while 15 per cent of women with a disability felt ill health had contributed to their debt (Carroll 2007). Using international comparisons, Kelleher (2007:206) found that "Ireland straddles the gap between the newer accession states in the expanded EU-25 and the older EU countries" with life expectancy lower and expectancy from the age of 65 also lower than average; she added that the health gain in this age group has been negligible in recent years. Compared to its neighbours, Ireland has high mortality from cardiovascular diseases, particularly for coronary heart disease, while the rates of some of the common cancers, particularly colon and bowel in both sexes and breast cancer in women, are also high.

These inequalities mirror the two-tier system that has long been a feature of Irish health care. In 1911, an attempt to introduce a comprehensive social insurance system was vigorously opposed by the emerging middle classes. The system that evolved was one of dispensaries providing care on a ticketed basis by general medical practitioners, thus introducing a two-tier primary care model that in 1970 became the general medical services eligibility scheme, which is still the main means-tested source of public hospital and health services eligibility in 2008. "Rather than introducing a comprehensive system of care, the notion of means testing and the partial subsidy of health insurance for the more affluent taxpayer became the norm" (Kelleher 2007:205). The Mother and Child controversy of 1951 "set a principle of non-state interference in family healthcare which remains at the heart of public policy debate today" (Kelleher 2007:205). Describing this "long-standing two-tier healthcare system", Kelleher (2007:202) concluded that "most people in Ireland today are not entitled to comprehensive healthcare, and the one-half of the population that holds private insurance currently receives hospital care predominantly in the public setting".

One high-profile issue that illustrates the inequity in the Irish health-care system is outpatient waiting, namely the length of time that public patients (patients without the ability to pay through, most commonly, health insurance) wait to be seen by a specialist, many of them with serious complaints. Figures published in late 2007 showed patients having to wait between two and four years in many leading hospitals (Donnellan 2007). The Department of Health was reported to have expressed concern at the possibility of widespread litigation as a result of these delays following a High Court decision granting damages to a family for delays in accessing therapy for their autistic child (O'Brien and Wall 2007). A government-commissioned report found that hundreds of children who are victims of domestic violence are unable to access any service that could provide help and support for them since child-centred services for child victims of domestic violence are minimal and difficult to access (O'Brien 2007).

So, Kelleher (2007:223) concluded, as Ireland became richer during the Celtic Tiger boom, "we have replaced a traditional pattern of fairly universal disadvantage with a widening health inequality".

Table 18: Welfare rates 1994–2005 *(as per cent of 60 per cent of median income)*

Rate	1994	1997	2001	2003	2005
Minimum welfare rate	70	62	56	68	77
State pension	72	64	63	78	86

Source: Walsh 2007:31.

Turning to the distributive impact of budgetary policy, Walsh (2007) identified four different periods, roughly corresponding to the periods in office of governments since 1987. The first period, when Fianna Fáil was in office—with the Progressive Democrats (PDs) after 1990—saw an average gain in budgetary policies of 2.6 per cent, and most of the gain went to the bottom and the top quintiles. The second, when Labour dominated politics (in coalition with Fianna Fáil until 1994 and with Fine Gael and Democratic Left from 1994–1997), saw an average gain of 1.5 per cent with the third and fourth quintiles gaining most and the poorest actually losing out.

In the third and fourth periods, Fianna Fáil was back in office with the PDs, both being returned in the 2002 election. The first of these periods saw an average gain of 12.1 per cent, due largely to tax cutting, from which the middle quintiles did best though all quintiles gained, while the second saw not only an average gain of 3.5 per cent with continued tax reductions, but also increases in welfare; the poorest quintiles gained most during this period. The data are given in table 19.

Table 19: Distributive impact of budgetary policy, 1987–2007
(per cent gain in disposable income by quintile)

Quintile	1987–1992	1993–1997	1998–2002	2003–2007
Bottom	8.1	-0.7	8.7	18.1
Second	-2.5	0.1	12.3	8.5
Third	-1.7	2.4	13.0	3.3
Fourth	1.6	2.6	14.1	2.0
Top	4.7	1.2	11.9	1.0
Average gain	2.6	1.5	12.1	3.5

Source: Walsh 2007:50.

However, while examination of the 10 budgets from 1998 to 2007 shows that the combined distributive impact benefited the lowest quintile, which received an increase of 28 per cent—almost double the average increase of 16 per cent—when the shareout of total budgetary resources is taken into account, the top quintile gains the greatest as it receives almost one-third of the total. Walsh (2007:53) commented: "Using the EU measure of income inequality (S80/S20), the richest 20 per cent get almost three times the amount received by the poorest 20 per cent. This regressive outcome is still superior to the distribution of total income, where the top quintile has almost five times the income of the poorest quintile".

To conclude, therefore, little has changed in Ireland's two-tier welfare system: while a basic level of support is given to all, the system fails to overturn privilege and in many ways acts to reinforce it.

A final way of examining the effectiveness of Ireland's welfare state in reducing poverty is to place it in a comparative context. Table 20 shows the extent to which pensions and social transfers reduced the risk of poverty in Ireland and in the EU in 2000 and in 2005. This shows that Ireland lags well behind the EU average in its ability to reduce poverty. Indeed, in 2000, only Cyprus and Malta did worse than Ireland, whereas in 2005, only Cyprus, Greece and Spain did (though the initial poverty rate for Cyprus was well below the Irish rate).

Table 20: Effect of state transfers on reducing the risk of poverty, Ireland and EU, 2000 and 2005

Effect	Ireland 2000	EU15 2000	Ireland 2005	EU25 2005
Initial risk of poverty rate	37	40	40	43
After pensions	31	23	32	26
After pensions and social transfers	20	15	20	16
Risk reduction	17	25	20	27

Sources: CSO 2003:table 5.6; CSO 2007b:table 4.5.

Data given by Smeeding and Nolan (2004) tell a similar story based on the Luxembourg Income Study. They compared market income (pre-tax and transfer) poverty with disposable income poverty, namely the poverty rate after taxes and transfers are factored into income. Seven western European countries plus Canada and the United States are compared at dates from

1997 to 2000 (the Irish data are for 2000, the height of the boom). This finds that market income poverty in Ireland at 24.9 per cent is below the average of 26 per cent (reflecting a tight labour market), whereas post-transfer poverty is second highest in Ireland at 16.6 per cent, well below the average of 10.5 per cent and only just behind the United States at 17 per cent. Smeeding and Nolan (2004:16–17) commented: "Detailed analysis shows that higher levels of government spending (as in Scandinavia and Northern Europe) and more careful targeting of government transfers on the poor (as in Canada, Sweden and Finland) produce lower poverty rates".

These data would indicate that the recent improvement in welfare rates in Ireland are insufficient to improve the state's ability to reduce the country's risk of poverty, though Walsh (2007:56) believed that the intensification of the poverty impact of fiscal policies "may take some time to work its way into EU comparisons". Significantly, in a study of what it would take to emulate in Ireland the success of the Danish and Dutch welfare systems in reducing poverty, Callan et al. (2004) found that the differences in poverty outcomes between Ireland and those two continental countries could not be explained by differences in age profile, pattern of labour force participation and household composition, but rather by levels of welfare effort. They estimated that the standard and top rates of Irish income tax would have to be raised by 11 percentage points (to 35 per cent and 57 per cent, respectively, based on the then Irish rates) for Ireland to afford Danish and Dutch levels.

Globalization and Ireland's welfare regime

Ireland makes a very interesting case for testing hypotheses about the impact of globalization. As a highly open economy extremely dependent on FDI, Ireland's economic success has come to be seen as something of a model for other latecomers to development in this era of globalization (for example, see Paus 2005). The fact that it emerged as the most globalized country in the world on the *Foreign Policy* globalization index three years in a row (sixth place in 2001, first place in 2002, 2003 and 2004, second place in 2005 and fourth place in 2006)[7] enhanced its status in this regard. Yet, some critical theorists of globalization claim that the power of big corporations in this situation is placing pressure on state policies. Bisley (2007:59) summarized the claims being made thus:

> There is perceived to be a single model of acceptable economic policy which sets very narrow parameters within which states may operate. Its core is a deregulated, open economy in which tight fiscal policy is the order of the day, social welfare spending is kept to a minimum, the taxation regime is firm-friendly, non-progressive and structured around indirect mechanisms, such as consumption taxes, the labour market must be flexible and monetary policy is run by an independent central bank fixed on a low-inflation target.

Yet, Bisley then went on to survey the literature, which finds little evidence to support such claims, particularly in regard to a convergence to low tax and welfare rates (for example, see Garrett 2000). Since Ireland depends on foreign-owned firms for about 50 per cent of its manufacturing employment, compared to an EU average closer to 20 per cent, one might expect to find evidence of such trends in Ireland more so than in other industrialized states with stronger national economies.

The evidence already given in this section on levels of taxation, the structure of taxation and welfare rates and in previous sections on overall welfare spending provides evidence that confirms some of the central claims made in the critical literature. Furthermore, government expenditure has been declining over the course of the boom as a percentage of both GDP and GNI. In 1996, it constituted 33.6 per cent of GDP and 37 per cent of GNI, but by 2005 this had dropped to 28.5 per cent of GDP and 33.4 per cent of GNI (CSO 2007b:21). Tight fiscal policy is illustrated by Ireland's significant public balance in the late 1990s. Between 2000 and 2002, it declined from a surplus of 4.6 per cent of GDP to a small deficit of 0.4 per cent, before returning

[7] A.T. Kearney/Foreign Policy 2006, 2005, 2004, 2003, 2002, 2001.

surpluses of 0.3 per cent in 2003, 1.5 per cent in 2004 and 1.1 per cent in 2005 (CSO 2007b:20). However, it has been argued that Ireland's relatively low tax burden and social spending is due to a number of particular features such as the country's low debt service costs, its small elderly population compared to its neighbours (the legacy of emigration in the past), which means it does not have the same demands on pension spending, and its low unemployment rate (as well as to some technical issues relating to measurement and the balance between public and private spending). Both O'Toole and Cahill (2006:209) and Cousins (2005:161–164) discussed these aspects and neither was convinced that Ireland's ranking in terms of tax levels or welfare spending should be revised in light of these issues (though Cousins was somewhat inconclusive). The weight of evidence does, therefore, point to the fact that Ireland conforms with the central critical claims made about the effects of globalization.[8]

A final point that is worthy of consideration relates to what is often referred to as the residual nature of the state's welfare policy. For example, in describing the nature of policy toward the elderly, Edmondson (2002:102) stated that "provision is in effect arranged on the principle that the state should intervene in case of disaster, but otherwise leave older people to fend for themselves". This is consistent with Boyle's (2005) conclusion about Ireland's "anorexic welfare state" (see box 5). While this form of residualism has long been a feature of the Irish welfare state and cannot be attributed to globalization, Murphy (2006:251) found that "the national discourse about globalisation was socially constructed so that policy choices like low taxation were understood as economic inevitabilities and alternative policy choices were unavailable to Irish policy makers. Incompatible policy alternatives including national targets to reduce income inequality were rejected".

Within this context, Murphy (2006:106) found that a recommodification of Irish social welfare provision is taking place but "in a slow and incremental way" due to the non-ideological and consensus-oriented world of Irish politics, reinforced by social partnership. She concluded that Irish policy making has evolved into elitist technocratic institutions and that this "reinforces existing policy monopolies, promotes the status quo and limits both policy change and effectiveness" (Murphy 2006:266). This draws attention to the importance of the political and institutional setting in order to understand the nature and evolution of the Irish welfare state. This is discussed in the next section.

Part 4: Politics and Institutions Underpinning Ireland's Political Economy of Growth and Distribution

The nature of Ireland's policy regimes and the place of welfare within them reflect the nature of the country's political institutions and culture and the ways interest groups interact with them. These in turn have shaped the nature of the Irish state.

[8] No attempt is made here to establish that globalization is the cause of Ireland's relatively low tax and welfare levels. All that can be established is a correlation between the globalized nature of Ireland's economy and these features of its society. It is also interesting to note that Smith (2005:175) found that key Irish policy makers "frequently appeal to globalisation as an external economic imperative within the domestic context".

Box 4: Proposing a developmental welfare state

In 2005, NESC issued a major report on Ireland's welfare state, proposing that the country's economic success requires that it "revisit the basic architecture and core objectives of Ireland's social policies and welfare state, and in several key respects to reform them" (NESC 2005:2).

Describing Ireland's welfare state as "a hybrid system" (p. 34), the report acknowledges the many social deficits and inequalities that characterize Irish society and tentatively states that "it can be argued that several forms of social spending require higher priority if Ireland is to advance its economy and society in the directions it wishes to" (p. 136). To achieve greater synergies between economic and social policy, it proposes a developmental welfare state based on a core structure of three elements—core services, income supports and what it calls "activist measures" (p. 156). The state would have the responsibility to provide a set of core services such as childcare, education, health, eldercare, housing, transport, employment services and training available to all members of society and at high standards in ways that are equitable but tailored to people's circumstances. Income supports such as child-income support, working-age income "*for* participation" (p. 156, italics in original) and minimum pension guarantees should be "adequate not just to cover basic subsistence needs but also to buttress satisfactory social participation" (p. 157). The third element would involve innovative responses by a range of bodies—it mentions the community and voluntary, public or private sector—to unmet social needs "the implications of which for mainstream service provision are not yet apparent" (p. 157). NESC is concerned that adequate support be provided over the lifecycle with particular emphasis on childhood and the elderly and with supports for the working-age population tailored to help bring them back to the labour force. It ends by saying that "a successful economy requires a successful society, in a double sense"—it is both a moral and a functional requirement. NESC offers the conceptualization of the developmental welfare state as the necessary framework "for providing greater impetus, strategic direction and effectiveness in developing the social policies that will reflect and build a successful society in Ireland" (p. 228).

The NESC proposal is an ambitious one, but it is not without its problems. The first and most serious problem is that it fails entirely to address the issue of funding. As inadequate funding has been a feature of Ireland's welfare state, a feature that worsened during the economic boom of the 1990s, any expansion and development of the welfare state will require a significant commitment on the part of the state to increase welfare funding. This report fails both to address how much extra funding might be needed and also where it might come from. Second, as Murphy and Millar (2007:79) pointed out, the report "is strategically but constructively ambivalent…it leaves open the way for a positive social democratic interpretation or a more negative neo-liberal variation of welfare reform". They illustrated this point by examining the report's recommendation for a more conditional participation income for people of working age, noting the ambiguity of NESC's term for describing this: "sensitive activation". The crucial issue as to whether such income is punitive, thus forcing people back into the labour force, or supportive and, therefore, easing their way back, relates to the generosity of replacement ratios. Noting that the Dutch and Danish ratios of up to 89 to 96 per cent of previous earnings are very generous compared to the Irish rate of 24 per cent, the authors feared that the single "participation income" that the report recommends should replace the several contingency-based, social assistance payments that currently exist "would not offer a decent level of social protection and would lock Ireland into a more liberal-type model" (Murphy and Millar 2007:89). Finally, it is disappointing to note that the report "has not inspired lively debate or reshaped the momentum around welfare reform" (Murphy and Millar 2007:78) and reference to it was noticeably absent in the intense debates about social provision that marked the 2007 general election campaign.

Political system

The Irish political and party system is quite distinctive in European terms. Its origins lie in the emergence of a single Irish nationalist party within the British political system in the nineteenth century and, more particularly, in the Sinn Féin Party that succeeded it, following the 1916 Rising and which provided political leadership during the War of Independence (1919–1921). This was a cross-class party drawing support from across the class spectrum since it embodied popular demands for political autonomy for Ireland. Sinn Féin split immediately following independence and more moderate nationalist leaders (Michael Collins being the most internationally famous of them, though he was assassinated in August 1922) formed the Cumann na nGaedheal Party in 1923 that ran the state until 1932. Fianna Fáil, a more radical party in nationalist terms (standing for complete independence, the "Republic"; therefore, the members were known as republicans) was formed out of the group defeated in the civil war, but the party went on to dominate political life in the Irish state after first gaining power in 1932.[9] Cumann na nGaedheal renamed itself Fine Gael in 1933 and has formed the principal opposition party since then. The Labour Party, even though it is Ireland's oldest party, being formed in 1912 during a time of extensive labour militancy, was sidelined during the struggle

[9] Fianna Fáil has governed in 1932–1947, 1951–1954, 1957–1973, 1977–1981, a brief six-month government from late 1981 to early 1982, 1987–1994 and 1994 to date. It governed on its own until 1989, when it entered a coalition for the first time with the PD party until 1992. From 1992–1994, it was in coalition with the Labour Party. Since returning to office in 1997, it was in coalition with the PDs from 1997–2007 and, following the 2007 general election, when the Green Party joined this coalition.

for independence when nationalist issues took precedence over class issues and has consistently gained around 10 per cent of the popular vote. Smaller parties have come and gone in the Irish political system. The PD party—formed in 1985 out of a split from Fianna Fáil on the basis of honesty and probity in public life and liberal values (both economic and social)—has remained a very small party (gaining around 5 per cent of the national vote). However, it exercised an influence way beyond its electoral support due to the key ideological role it played in coalition with Fianna Fáil, until the severe setback it received in 2007 when it lost six of its eight seats in the general election, including the party leader's. Fianna Fáil has, therefore, dominated Ireland's party system, and it has only been possible to dislodge it from power by a coalition of Fine Gael and Labour (with some smaller parties added in on some occasions).

While the dominance of Fianna Fáil appears similar to the dominance of the Social Democrats in some European party systems, particularly the Nordic ones, it differs greatly in ideological terms. For example, even though clear class bases can be identified for Irish political parties, political culture and discourse have been largely non-ideological, appealing to national interests over class ones. At times, Fianna Fáil has portrayed itself as the party of the rural and urban working class and, therefore, Ireland's natural Labour Party, but this is always subservient to its vision of itself as a national movement. Fine Gael has been more clearly a middle-class party representing large farmers and the urban bourgeoisie and professionals, but again has tended to present itself as a national party. In this political culture and with many workers voting for Fianna Fáil, Labour has tended to emphasize how it is different from Fianna Fáil rather than present a strong, class-based alternative. As Mair (1992:409) summed up:

> In sum, Irish party politics grew out of a culture which had emphasised solidarity, cohesion, and homogeneity. This culture was then consciously sustained by Fianna Fáil, which saw itself as a party that represented the interests of the Irish people as a whole, and that decried any attempt to turn sections of this people against others. And, finally, Labour in its own modest and cautious way, acquiesced in this same vision of politics, rarely mobilising, and never sustaining an effective alternative politics. In such a context, no major voice sought to persuade a class alignment.

Mair (1992:406) found "many echoes" of Fianna Fáil's focus on national unity "in some of the more extreme populist rhetoric employed in the developing economies of Latin America". But Fianna Fáil's success does more than echo the rhetoric of Latin American populist parties. For, like them, its success lies in having espoused a project of national development through state-led industrialization and through the extension of welfare measures, as rightly emphasized by Dunphy (1995) in his ground-breaking study of the party. However, through doing this it reinforced a strong dependence of wide sectors of Irish civil society on the party (industrialists, property developers, agrobusiness interests as well as small farmers, rural labourers and public sector workers). In this way, Fianna Fáil rule corresponds well to Castañeda's (1994:46) definition of populism: "a compromise between limited political will to impose reform from above, and limited capacity to fight for reform from below". Fianna Fáil's populist success forced opposition parties to try to emulate them but with little long-term success.

A final dimension of Irish politics that has reinforced these tendencies is the electoral system. Though Ireland is not unusual in having proportional representation, its system of the Single Transferable Vote is only found elsewhere in Malta and Tasmania. This gives voters the possibility of transferring their single vote in order of preference to as many candidates as they wish in multiseat constituencies. Thus, if their first preference candidate is not elected or does not require their vote because that person has already passed the quota to be elected, the vote is not wasted and is passed on until it elects someone (see Sinnott 1999 for an analysis of the system). The consequence of this system is to pit party candidates against one another for votes in their local area, thereby minimizing an emphasis on what they have in common with other candidates from their own party (namely party policies) and instead emphasizing their effectiveness in representing constituents' interests. Once elected, such a view of their role tends to dominate and less emphasis may be given to their role as legislators so that, as Collins and

O'Shea (2003:105) put it, "in Ireland personalism is at the heart of politics". A report by an all-party parliamentary committee described its consequences as follows for individual teachtaí Dála (TDs/members of Parliament usually described as deputies in Ireland): "excessive constituency workloads; an absence of encouragement to parties to nominate socially representative slates; internecine local rivalries, leading to a high turnover of deputies and the discouragement of some high quality candidates" (quoted in Collins and O'Shea 2003:104).

From this political system, therefore, has emerged a policy system "dominated by the culture of short-term pragmatic politics" (Murphy 2006:152; see box 4 illustrating how such politics function). Because politicians have little interest in long-term policy planning, policy tends to be developed "in an ad hoc and fragmented fashion" (Murphy 2006:125), at least in the area of social policy. It has spawned a "consensus-driven, blame-avoidance, no-losers political culture" which, in Murphy's (2006:242) view, appears to be the principal reason for the slow pace and muted type of change in Irish social security policy. This political system and culture has also moulded the Irish state in particular ways, which are analysed below. First, however, it is important to examine in some detail the influence that interest groups exercise over this system.

Interest groups

The role of interest groups in Irish politics has, until recently, received little attention. While, as noted earlier in this paper, conservative groups such as the Catholic Church's hierarchy and the medical profession can be identified as having played at times a decisive role in blocking or diluting legislative proposals they did not like, the role of such interest groups is perceived to be more negative than positive most of the time—blocking change they do not like, but rarely advocating policies or making proposals. The trade union movement, while extensive, was very fragmented and its congress lacked authority within the movement. Similarly with the employers' bodies: until the early 1980s they were relatively weak and poorly representative. Mirroring the pervasive presence of the state in mediating social outcomes for various groups—for middle classes through state subsidies and tax breaks, and for the urban and rural working class and the marginalized through state welfare benefits—interest groups have tended to lobby the state for solutions to their problems rather than to pressure the state through independent organization and mobilization.

Box 5: Politics and institutions in Ireland's "anorexic welfare state"

One of the paradoxes of Ireland's welfare state under the Celtic Tiger to which analysts have drawn attention is that a declining welfare effort (when its social protection spending as a percentage of GDP is compared to other EU countries) goes hand in hand with the fact that, throughout the 1990s, Ireland was spending around 2 per cent of its GDP on active labour market measures. This was double the OECD average, putting it firmly in the league of the high-spending Nordic countries and the Netherlands (Boyle 2005:11). To find an answer to this paradox, Boyle studied the state's labour market agency, FÁS, which is unusual among such European agencies for the breadth of its responsibilities and which "has remained a crucially important institution in the Irish political economy throughout the economic boom" with over one million people participating in its training and/or employment programmes since 1987 (Boyle 2005:2). What interested Boyle were the politics and institutional forms of FÁS itself and of its interaction with the rest of the Irish state, so that his study provides a rare glimpse into the political and institutional reasons for the Irish state's responses to social needs over the course of the Celtic Tiger boom and beyond.

FÁS was established in 1987 by the then Minister for Labour, Bertie Ahern (who was Taoiseach from 1997 onwards), out of an amalgamation of three smaller agencies whose staff brought with them an activist "hands-on" approach to their work, and which reflected the ethos of the more developmentalist wing of Fianna Fáil and the social democratic orientation of the Labour Party. The fact that Ruairí Quinn (afterwards leader of the Labour Party from 1997 to 2002) had preceded Ahern as Labour Minister and that both were later ministers for finance (Ahern from 1992 to 1994 and Quinn from 1994 to 1997) gave the new agency strong political support among senior figures in the two key parties that shaped Irish politics from 1987 to 1997. From the beginning, relations with the Department of Labour, the government ministry responsible for overseeing the agency, were tense as FÁS officials saw themselves as having more capacity. Boyle found that the agency established a sphere of autonomy and policy making over and against the department, but maintained strong support from the ministers who led the department over this period, since they were more sympathetic to its activities. This relative independence became particularly important as significant EU funding became available from 1989 onwards (the Delors funding programmes), and FÁS proved adept at both establishing its own channels of communication with Brussels and at convincing the Department of Finance that it could be relied upon to spend effectively a major increase in its resources. As a result, one-third of the IR£3.1 billion of funds that Ireland received from Delors I and a quarter of Delors II funds were spent through FÁS.

FÁS, therefore, quickly established itself as an effective and influential agency of the Irish state. The main appeal that FÁS offered (particularly to the mandarins of the Department of Finance), according to Boyle (2005:56), was that it "could deliver a national system cheaply". In the eyes of civil servants and politicians, it enhanced Ireland's prestige in the eyes of EU bureaucrats by being able to spend innovatively the new resources lavished on it through apprenticeship programmes and a Community Employment Scheme for the long-term unemployed, creating a 40,000-place scheme in less than one year. As Boyle (2005:71) summed up its appeal: "The Irish state quickly learned that it could address myriad problems cheaply and effectively by using FÁS. Other government departments and agencies became increasingly by-passed and FÁS became an all-purpose solution to various problems—the 'Swiss army knife' of the Irish state".

(However, "the Swiss army-knife performs myriad functions, none of them well", wrote Boyle [2005:113]). Yet, what is most revealing, is that it achieved this position not through any ideological programme (social democracy versus neoliberalism) but, rather, through accommodating itself to the inherent clientelism of Irish politics. Thus, the support for its programme manifested at local level in towns, cities and rural areas around Ireland was immediately picked up on the antennae of Irish members of Parliament (TDs) who provided a strong backing for the agency within Parliament and political parties when it was being criticized, as was often the case in academic and consultancy reports. For Irish politicians, the criticisms mattered not a bit when their supporters voiced active support. Thus, Boyle (2005:114) was astute in attributing its success "to the continued vitality of a pragmatic-populist streak in Irish politics". The validity of this insight was shown when a decisive shift occurred in Irish politics at the 1997 general election with the small PD party (strongly neoliberal and pro-market in outlook) entering into coalition with Fianna Fáil, and the PD leader, Mary Harney, becoming Minister for Enterprise, Trade and Employment and thus responsible for FÁS. Yet, despite surrounding herself with officials with her own outlook and appointing them to senior positions in FÁS, the entrenched position of the agency within the Irish state and political system proved too strong for her to weaken it or move it in a more neoliberal direction as she at first intended. According to Boyle (2005:110–111), this showed the ability of the agency to proactively restructure itself according to its own needs and also to the fact that "FÁS is too useful to the Irish state as a source of relatively cheap and relatively effective solutions to problems, including the management of the social problems of the Tiger economy and the political consequence of high relative inequality".

Yet, for all its apparent success, this pragmatic, low-cost approach to social provision has its limits, which Boyle (2005:115–116) very accurately identified:

> The 'Swiss army knife' is both a symptom of policy failure in other areas and a cause of those failures not having been confronted. The challenge for the Irish state now is to go beyond just-in-time, quick fixes to tackle the more intractable problems of developing a knowledge-based economy and countering social exclusion. FÁS has a good grasp of the exogenous forces affecting the labour market but not of the endogenously-driven spillovers: FÁS can create CE (community employment) placements for functional illiterates, it cannot prevent the Irish education system from generating them; FÁS can reduce the number of work poor households, it cannot address growing income and wealth inequalities that derive from the functioning of the tax system and chronic weaknesses in the social welfare system; FÁS can provide highly qualified craft workers for the construction industry, it cannot provide them with access to affordable housing or a rational mass transit system.

Certain interest groups have in the past been perceived as having privileged access to and influence over government decision making affecting their interests. For example, the Irish Farmers Association was traditionally seen as being a very effective lobby group with close links to senior figures in both of the main parties, while in the early 1980s the Pro-Life movement was seen to use its influence at the highest levels of the two main parties to win their support for a constitutional amendment outlawing abortion. The advent of social partnership in 1987 has institutionalized involvement in government policy making for the principal farmers and employers' organizations, for the Irish Congress of Trade Unions, grouping over 60 unions with some 97 per cent of union membership in the country (Murphy 1999:278) and, since 1996, for some of the most high-profile community and voluntary organizations working with women, the poor and people with disabilities. While interest groups remain active outside this process on single-issue campaigns, the neocorporatist arrangements of social partnership have come to be the principal forums for the interaction of government and key representative interest groups. In essence, this seemed to move Irish policy making in a more social democratic direction, with the state mediating a trade-off between the interests of capital and labour and with a coordination of economic and social policy. Analysing what he calls this "new and developing form of governance in Ireland", Taylor (2005:4) found that "almost perversely, these institutionalised forms of intermediation appear to have become a vehicle for imposing a neo-liberal political agenda" (Taylor 2005:14). Examining the contents of the tri-annual agreements signed between the social partners,[10] Taylor (2005:41–42) identified in the transition from the Programme for Economic and Social Progress (1990–1993) to the Programme for Competitiveness and Work (1994–1996) "a subtle, but nonetheless crucial, shift toward a more conservative economic outlook, one that effectively abandoned any serious pretension to the social democratic ethos that may have permeated elements of earlier agreements". This is consistent with the conclusion of Roche and Cradden (2003:87) that "social partnership in Ireland since 1987 can best be understood in terms of the theory of competitive corporatism".

Focusing on outcomes may miss the quality that has helped social partnership to endure for two decades according to Hardiman (2006:346–347), who saw it essentially as a form of "flexible network governance…in which issues can be moved on or off the agenda, moved up or down in priority, moved into the legislative agenda, or identified as a concern within a longer-term framework of policy development".

It, thus, constitutes "an important network of policy formation and influence" (Hardiman 2006:349). However, she also recognized its limitations. Among these is the fact that "any prospect of a real trade-off between disposable income and improvement in social services is, for the most part, marginal to the negotiations" (Hardiman 2006:359). In explaining this, she quoted "a prominent individual in the trade union movement" as explaining: "It is easier to construct a grand coalition around the single issue of higher pay levels, or more disposable income through tax cuts, than around less tangible and more uncertain future benefits" (Hardiman 2006:360). Another reality she emphasized is that ultimately the initiative rests with government and that social partnership agreements never limit the government's budgetary freedom. Finally, Hardiman (1998:141) argued that "the input of organisations representing the most disadvantaged is likely to be treated as a 'residual category', confined to securing whatever is left over after the established interests have had their say". When, in April 2002, the Community Platform, representing 26 organizations working with the poor, the marginalized and women, left social partnership negotiations protesting at government actions that they saw had "rolled back the equality and rights agenda", they did not succeed in changing the agreement being negotiated and those that remained outside partnership have been shunned by government and have had their funding cut (Hardiman 2006:362).

[10] The centrepiece of national social partnership was the negotiation between the social partners of tri-annual agreements on wage increases and on the main elements of economic and social policy. These agreements were: 1987–1990 Programme for National Recovery; 1990–1993 Programme for Economic and Social Progress; 1994–1996 Programme for Competitiveness and Work; 1997–2000 Partnership 2000; 2000–2002 Programme for Prosperity and Fairness; 2003–2005 Sustaining Progress; 2006–2016 Towards 2016.

Connolly's (2007) study of the role of social partnership in reducing poverty highlighted another limitation related to the dominant policy paradigm out of which it operates. Examining how the four policy areas of social welfare, housing, health and education as means for reducing poverty have fared in the process, she found that "actual policy initiatives have been limited" and that less emphasis has been paid to those aspects of welfare designed to lift people out of poverty (Connolly 2007:16–17). Finding that social objectives remain vague and aspirational, Connolly (2007:32) wrote:

> By 2003 it seemed clear that although social partnership contained strongly institutionalised ideas about both the form anti-poverty policy should take and its relationship to the state's other policy priorities, it was not a place where such policy was formulated and discussed. The over-arching policy ideas that informed social partnership also appeared to some to constitute a straightjacket on policy reform with any increased social welfare effort effectively defined as anti-competitive in this paradigm.

Connolly (2007:38) concluded that "incremental change will not significantly alter the place of anti-poverty policy within Irish public policy and it will require a reworking of the fundamental ideas that underpin this institutionally embedded policy regime to produce an effective response to poverty and inequality in Irish society".

So, if social partnership is so ineffective in addressing the principal distributional deficits of Irish society, why do the unions and the community and voluntary sector stay in? The answer has to be sought in the complexity of social partnership arrangements, since they exist not just at the national level of elite negotiations, but also at an array of regional and local levels where the state and social partners combine to address local issues of development and exclusion, and at the workplace level where the state has sought to develop more collaborative relationships between employers and employees. In assessing this complex panorama, both push and pull factors have to be taken into account. If social partnership gives trade unions and community groups a seat at the table of decision making and implementation, it is clear from the state's disciplinary treatment of both trade unions and community groups who left these forums in protest that their leadership would see that the balance of advantage now lies with staying in. Furthermore, the experience of unions in neighbouring Great Britain, which continue to be kept at arms length from government even under New Labour, makes Irish union leaders appreciate more the easy and regular access they have to ministers and civil servants at the highest levels. While the outcomes in terms of welfare efforts and poverty reduction have been very disappointing, evidence does point to the fact that participation has brought real benefits. For example, in surveying union members about social partnership, Doherty (2007) found strong support that it has been beneficial in terms of pay and the wider economic climate. Similarly, in his analysis of the role of the Irish National Organisation for the Unemployed (INOU) in social partnership, Larragy (2006:393) concluded that the organization joined "because that was 'where the action was' at the time, and because other methods yielded little success". The INOU leaders together with those of other community and voluntary groups in partnership "take credit for moderating the policies adopted by Irish governments in the 1990s on unemployment and for defending the position of unemployed people on social welfare", thereby avoiding a more thorough neoliberalization of welfare (Larragy 2006:393, 395). Examining a rural development project in the west of Ireland led by Connemara West, which they described as "one of Ireland's best known rural community groups", Varley and Curtin (2006:430, 438) also concluded that it became "the means of establishing a new pattern of state-financed local social care activity that still continues".

However, Varley and Curtin (2006) also acknowledged that these outcomes have been achieved at the cost of becoming more dependent on the state. Doherty (2007) found that both union officials at the shopfloor level and members had become extremely concerned about the circumscribing of union power that had resulted from immersion in the partnership process. Indeed, some unions have recently withdrawn from social partnership and are negotiating their own pay deals with employers. Among them are Mandate, representing low-paid workers, which has always been critical of how little their members received from national wage agreements offering percentage increases, and the Irish Bank Officials Association, keen to win for its members some share of the huge profits made by Irish banks during the boom period. While social partnership agreements effectively prohibit strikes, the large increase in disputes going to arbitration in recent years is seen by close observers as shoring up trouble for the union leadership, especially if economic growth declines in a serious way. Yet, after 20 years of social partnership, many shopfloor leaders have had no experience of local negotiations with employers, thereby narrowing unions' options.

Larragy (2006:395) found that the degree of influence of the community and voluntary sector within partnership "has lessened in recent years and it may not easily regain the degree of influence that it had while unemployment and fiscal crises were major issues" so that it "has had to adjust to a less prominent role". For Varley and Curtin (2006:438–439), the success of Connemara West "depended very heavily on sympathetic state allies" and, though in existence for more than 16 years, "it continues to function on a provisional basis" with no guaranteed long-term funding that "leaves it continuingly vulnerable to collapse". Ó Riain (2006:316) summarized this evidence generously by stating: "Partnership may co-opt but it may also facilitate mobilisation, multiply channels of policy formation and even produce new forms of opposition". Meade (2005:350), however, is much more critical, arguing that, with its involvement in social partnership, the community and voluntary sector "has become pre-occupied with the business of the state. This business is conducted in forums that have been manufactured by the state in order to generate outcomes that, despite the best intentions of the community and voluntary sector, are predictably consistent with the state's economic agenda".

Groups have to abide by agreements and outcomes with "no direct right to either influence or disavow them", they rely on "qualified financial support" and, as a result, "projects are in a continuous cycle of fund chasing and can only tentatively plan activities" (Meade 2005:357, 359, 361). She concluded that its "function is primarily a defensive one", its primary success being that "it shields the poor, not by improving their social and economic circumstances, but by protecting them against further immiseration" (Meade 2005:364). Meade further reported "a palpable sense of frustration among members of the sector who have come to doubt the effectiveness of their own participation in the process and yet who are at a loss to identify alternative approaches to political mobilization" (2005:364).

Meanwhile, even as the trade unions and the Community and Voluntary sector struggle in the ambiguous embrace of the state, elite business interests continue to have significant influence outside social partnership. Studying the privatization of a number of Irish state companies in the 1990s, Chari and McMahon (2003:38) found "a disproportionate influence by capital actors during the privatisation negotiation process in Ireland", while other social actors, especially the trade unions, were largely excluded. Since these negotiations took place outside the social partnership institutions, "capital and state actors, who were bound by their symbiotic goals, [were able] to negotiate rationally with relatively little influence or interference by labour" (Chari and McMahon 2003:46). More widely, Allen (2007) documented what he sees as the growing power of corporate interests over the Irish state through consultancy, lobbying, serving on state boards and former senior state officials moving to the corporate sector. He described examples that, to him, "reveal an extraordinary level of corporate influence" and saw a "growing fusion between the economic and political elites" as the Irish state embraces a corporate ethos (Allen 2007:71–74).

The Irish state

The Irish state, to date, has received little attention from social scientists whose focus has been on the nature and operation of the political system (see Adshead et al. 2008). However, the localist and non-ideological nature of Irish politics has resulted in a state that has relied heavily on the role of professional civil servants in administration and in policy development. Research among former ministers and civil servants has found that ministers did not play a "direct role in the internal management of their departments" (quoted in Connolly and O'Halpin 1999:263) and instead leave this to civil servants. Retired senior civil servants stressed the incremental nature of policy change, and Connolly and O'Halpin (1999:263) commented that it is here that civil servants probably exert their greatest influence "not only through their preparation of information and the evaluation of policy alternatives, but also through their ongoing contact with a wide range of interest groups". In examining social policy, Murphy (2006:127) saw "a lack of policy capacity and a weak tradition of policy making" to be a defining feature of the Irish civil service. Despite the homogeneity of the civil service when viewed from the outside, she found "great cultural and ideological differences and a clear hierarchy between key government Departments" in the area of social policy (Murphy 2006:127). While the Department of Social and Family Affairs (DSFA) had a central role, Murphy (2006) found that the Department of Enterprise, Trade and Employment (DETE) and the Department of Finance (DOF) were institutionally stronger and the Department of the Taoiseach (DOT) played a coordinative role. Overall, Murphy (2006:136) found "weak policy capacity in an increasingly complex and fragmented community: a weak but emerging DSFA struggles in an institutional battle with a stronger DETE. DOT supports the DSFA but is itself often vetoed by an expenditure resistant DOF".

How, then, does social policy get formulated within this system? Murphy's detailed examination in her Ph.D. thesis throws new light on this previously hidden aspect of the state's operations. She identified an inner policy network that she calls the "iron triangle" made up of ministers, their key political and personal advisers and key civil servants. This group relies on a small group of academics and experts. As one policy maker told Murphy, "you are really only talking about a handful of people" (quoted in Murphy 2006:144). She identified the government-funded ESRI as being seen to have a policy monopoly. Outside this small group, influence is slight. Murphy concluded that while the wider social policy community is strong, including many activist and support groups, it has little influence and can be described as having "voice without influence". She identified only four organizations with any degree of influence—the ESRI, the INOU and two Catholic Church organizations: the Vincent de Paul Society and the Conference of Religious of Ireland (Murphy 2006:146). In trying to trace the international sources of policy ideas on senior politicians, Murphy (2006:156) identified the influence of international social democracy on the Labour Party, US influences on Fine Gael, while Fianna Fáil ministers rely much more on what they pick up from their local constituency work. Examining this source of policy ideas on senior civil servants, she found it to come "from informal reading of UK and US academic journals and UK quality newspapers" and less from interaction with EU peers (Murphy 2006:179). However, she concluded that "international policy ideas are carefully filtered and selectively amplified to suit the agenda of the domestic actor" (Murphy 2006:182), which in the case of Ireland is dominated by an emphasis on market liberalization and international competitiveness.

A final dimension of the Irish state relevant to this discussion is its growing fragmentation. As it takes on ever more complex responsibilities, the state has adopted the practice of establishing new agencies to deal with them. Among those relevant to the topic of this paper are the Combat Poverty Agency and the Equality Authority as well as FÁS, which is discussed in more detail in box 5. A recent analysis identified something in excess of 450 public bodies at the end of 2005, up to half of which had been created in the last decade (Clancy and Murphy 2006). Furthermore, the Irish state remains highly centralized, with a weak form of local government that has very limited tax-raising powers and "a drastically reduced set of functions in comparison to their European counterparts" (Ó Broin and Waters 2007:55). Over recent years, state responses to a myriad of demands (some social demands, others coming from the need for accountability for EU funding) have resulted in a complex tangle of agencies with overlapping responsibilities at local level. Ó Broin and Waters (2007:21) counted 22 distinct types of agencies with 491 actual bodies scattered at local level throughout the state, some of them national agencies with local responsibilities, while some 94 per cent of local expenditure decisions continue to be made at national level. This has resulted in an ever more fragmented system of local planning and provision of services.

Only very recently has any attempt been made to characterize the nature of the Irish state. This has drawn on two international literatures on the political economy of the state—the developmental state literature that grew out of analyses of the success of the East Asian tiger economies (see Amsden 2002) and a more recent political economy literature on the competition state that has emerged from the impact of economic liberalization and globalization (see Cerny et al. 2005). In applying the concept of "embedded autonomy" taken from Evans (1995) to the Irish state, Ó Riain (2000, 2004) characterized the Irish state as a "flexible developmental state" in contrast to the bureaucratic developmental states of East Asia, arguing that this constitutes a new model of state-led development that is more responsive to the demands and pressures of globalization. His later work slightly amended the concept to that of a developmental network state as "network centrality is critical to this new state—isolation from the local or the global renders it ineffective" (Ó Riain 2004:4). Acknowledging the pressures and opportunities of globalization, Ó Riain (2004:5) argued that his concept helps to take account of "the multiple embeddedness of state agencies in professional-led networks of innovation and in international capital, as well as by the state's networked organizational structure". However, he acknowledged that "these multiple state-society alliances lead to uneven internationalization of society and growing inequality, generating political tensions with which the fragmented state structure cannot deal effectively" (Ó Riain 2004:5). The concept of the developmental state was adopted by NESC and used as the basis for proposing a developmental welfare state for Ireland (see box 4).

In critiquing the adequacy of the concept of the developmental state for the Irish case, Kirby (2002, 2005) argued that the concept of the competition state describes more accurately the nature and operation of the Irish state in the era of the Celtic Tiger, since it prioritizes goals of economic competitiveness over those of social cohesion and welfare. Dukelow (2004:27) also adopted the concept of the competition state for the Irish case since "the state has taken a selective interventionist role in the manner of a competition state to re-orient social security policy to enhance economic competitiveness by tackling unemployment, yet leaving levels of income inequality and poverty remain relatively high".

Boyle (2005:16) baldly stated: "Contemporary Ireland is an exemplar of the competition state, where social policy is subordinated to the needs of the economy". Kirby and Murphy (2007) concluded that the concept of the competition state can better account for the greater state activism and the extension of state activity over the recent period, even as the state hands over more power to private market actors. They drew attention to the fragmentation of state actions as different agencies are charged with implementing different aspects of public policy with little coordination between them and analysed the extent to which the Irish social welfare regime has moved in the direction of a competition state model, what they call commodification "Irish-style".

Conclusion: Varieties of Capitalism and Welfare State Typologies

This paper outlines the principal policy regimes through which the Irish state has sought to achieve socioeconomic development, the social policies associated with each and the outcomes in terms of living standards, employment, poverty and income distribution. What is noteworthy about the Irish case is that, after attempts to develop an indigenous economy, both by way of primary commodity exports and then by an inward-looking ISI, Ireland opted for a policy regime based on winning high levels of FDI that has continued down to the present day, despite attempts to develop a more dynamic Irish-owned industrial base. In spite of being a poor country relative to its western European neighbours, Ireland's social spending and policies were relatively generous in earlier periods and, at times, the state mounted an extensive welfare effort, not least in housing, health care and education. The first 65 years of independence were characterized by periods of economic boom, followed by severe recessions and economic performance was, overall, relatively poor. Its miracle period is dated to the fiscal retrenchment of 1987, which prepared Ireland to benefit from the US economic boom of the 1990s through offering itself as a relatively low-cost platform for US FDI seeking to establish within the then EC. In social policies, this period was marked by a social activism coupled with a declining welfare effort that was directly associated with a significant increase in relative poverty (as shown in tables 4 and 12). Ireland has weathered the end of the US boom relatively well with growth rates and income standards continuing to grow, though this has masked significant changes in the sources of economic growth that raise troubling questions about its future sustainability. During this period, social spending has begun to increase modestly in ways that are expected to show a positive impact on relative poverty levels but, if anything, policy on poverty and inequality has become more residual and limited by a strong commitment across political parties to maintaining low taxes and a liberal regime of regulation.

Situating Ireland in the varieties of capitalism literature, it emerges clearly as a liberal market economy (LME), which has achieved high levels of economic and employment growth since 1987, but at the cost of growing relative poverty and high levels of income inequality, and with a liberal regime in the sphere of labour relations (Hall and Soskice 2001:17–23). However, what creates a certain puzzle about the Irish case is that, at least since the late 1980s, it has developed some of the coordinative mechanisms, such as corporativist arrangements between the state and social partners, that are more associated with the coordinated market economies (CMEs). This has led some analysts to speak of Ireland as "a new and developing form of governance" (Taylor 2005:4) or, as seems to be the case among policy makers internationally, a new model of successful development for the era of globalization. This paper, however, shows that Ireland's extensive social partnership arrangements function rather to impose the disciplines of a competitive market economy on society and to draw in the trade unions and the Community and Voluntary sector to make their activities compatible with a strongly market-oriented approach to policy and to make them more dependent on the state. However, what marks Ireland out as distinctive in the context of the varieties of capitalism literature is its very heavy dependence on foreign companies that have provided its growth dynamic over the course of the Celtic Tiger period and that still dominate the cutting-edge export sectors of the economy. In this regard, therefore, the comparative institutional advantage built by the Irish state is based on a strong orientation toward attracting FDI, and it is this that conditions the strategic interactions between the state and firms, the state and domestic actors, and the state and the EU. For example, the Irish state has trenchantly opposed any attempt to coordinate taxation systems within the EU, fearing it will result in common tax regimes for corporations and, therefore, undercut the comparative advantage Ireland has built up through its low corporation-tax regime. Ireland's high level of dependence on US firms, therefore, severely limits the room to manoeuvre of the Irish political economy even if the Irish state were interested in adopting the more coordinative or collaborative approach that characterizes the CMEs. This is because the leading firms operating in Ireland depend much more on sources of capital in the US and on innovative capacity developed there, and the collaborative relations they maintain with Irish firms tend to be of the outsourcing variety rather than the dense collaborative networks that characterize the CMEs. Finally, Ireland has shown little awareness of the economic benefits to be achieved from generous investment in social benefits such as replacement rates for the unemployed or pensions for the retired, that characterize the CMEs. Therefore, far from constituting a new political economy model, Ireland emerges as a particular type of LME highly dependent on foreign firms.

Hall and Soskice (2001:50–51) noted a correspondence between types of political economies and types of welfare states, stating that "virtually all liberal market economies are accompanied by liberal welfare states, whose emphasis on means-testing and low levels of benefits reinforce the fluid labour markets that firms use to manage their relations with labour".

In the Irish case, much discussion has taken place about where Ireland stands in the typology developed by Esping-Andersen (1990). While Esping-Andersen placed Ireland as part of the Anglo-Saxon "new nations", together with Australia, Canada, New Zealand, the United Kingdom and the United States, Cousins (2005:10) pointed out that subsequent references to Ireland in later chapters of the book place it in different clusters. He commented: "The Irish welfare state is obviously a very moveable feast but not one which Esping-Andersen attempted to digest". Cousins (2005) found Esping-Andersen's typology problematic for a case such as Ireland as it pays no attention to postcolonial peripheral countries that have been highly dependent in the global political economy. His discussion places Ireland not only in a group of Atlantic countries as it bears similarities to the British welfare state, but also to southern European countries such as Italy, Spain and Portugal, sharing with the latter Catholicism and relatively late development (Cousins 2005:136–158). O'Shea and Kennelly (2002:57–63) similarly found problems with Esping-Andersen's typology and suggested that a classification developed by Alber, based on two crucial sets of relationships in social care provision, one between church and state and the other between centre and periphery, is potentially a much more interesting framework for peripheral, postcolonial countries such as Ireland. Despite these valid criticisms of Esping-Andersen's typology, however, there is a widespread recognition in the Irish literature that Ireland is closest to the liberal model. For example, Murphy and Millar (2007) took issue with the NESC document on the developmental welfare state since it argues that Ireland is a hybrid welfare state. They saw this as "confusing and unhelpful" since it "obscures the reality of a failed welfare state, hides the role tax and social welfare policy plays in growing inequality and treats high levels of relative income poverty as less problematic than they really are" (Murphy and Millar 2007:83). Whatever the difficulties about classifying the Irish welfare state, these are certainly the characteristics that distinguish it.

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