

FÁS AND ACTIVE LABOUR
MARKET POLICY, 1985–2004

Studies in Public Policy

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Nigel Boyle

Studies in Public Policy: 17



2005

First published 2005
by The Policy Institute
Trinity College, Dublin 2, Ireland
www.policyinstitute.tcd.ie

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A catalogue record is available for this book from
the British Library

ISBN 1-902585-16-X

Cover design by Ed Miliano, Dublin
Origination by Carole Lynch, Sligo
Printed by ColourBooks Limited, Dublin

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Executive summary

This paper provides an institutional analysis of the politics of policymaking in the area of active labour market policy with regard to

- 1 the capacity of the Irish state to effect change
- 2 the pattern of governance that developed within active labour market policy
- 3 the ideological and political struggles that gave rise to the outcomes noted
- 4 the consequences of these outcomes for Irish social and economic policy more broadly.

Each empirical chapter is organised around two policy ‘episodes’ and these episodes are used to address the core questions. In Chapter 2, the two episodes examined are the initial creation of FÁS in 1987 and the 1988-1992 reorganisation of the body. These shed light on the question of the institutional capacity of the Irish state. In Chapter 3, the Standards-Based Apprenticeship and Community Employment episodes are used to address the issue of the model of ‘governance’ exemplified in Irish active labour market policy. In Chapter 4, the 1994-1995 Taskforce on Long Term Unemployment and the 1997 White Paper *Human Resource Development* initiatives are used to examine the ideological and political struggles associated with active labour market policy, including the nature of Irish social democracy and Irish neo-liberalism. In Chapter 6, the retrenchment of Community Employment and the 2001-2002 reorganisation of FÁS are the episodes used to examine the constraints imposed on current policy by the legacy of past policy.

The four major findings are as follows.

- 1 FÁS contributed substantially to the flexibility of the Irish state.
- 2 FÁS parlayed its access to Irish and European Union (EU) resources into a system of governance that successfully leveraged policy-supportive action from client groups.
- 3 FÁS enjoyed relative immunity from criticism (including research-based criticism).
- 4 FÁS has permanently reshaped the Irish welfare state.

The Irish political-economic model of active labour market policy has combined an ambitious interventionist strategy to mobilise and up-skill labour with fiscal anorexia. FÁS helped to resolve this contradiction by becoming the ‘Swiss army knife’ of the Irish state: a highly flexible, multi-functional instrument used to address a myriad of policy problems from hi-tech skill shortages to functional illiteracy. The paper argues that the fact that FÁS provided some traction on these problems was of more importance than how well it actually addressed them. FÁS’s capacity to deliver policy with low fixed (organisational) costs and at low net cost found favour with the Department of Finance and with Brussels on whom it depended for funding. Well funded, it was able to manipulate both business (in the case of the apprenticeship reform) and community groups (in the case of the Community Employment programme) into bearing heavy administrative and moral burdens whilst retaining effective control over policy. This leveraging model of governance was the key to its success.

FÁS as an institution and its principal programmes (particularly Community Employment) have been heavily criticised by opponents within its parent department (Department of Enterprise, Trade and Employment) and other government departments as well as by employers, the community sector, academic researchers and evaluators. This criticism has had remarkably little impact. FÁS and its programmes have always enjoyed strong support from a core advocacy coalition consisting of the populist wing of Fianna Fáil and the trade union wing of the Labour Party. Furthermore, the clientelistic nature of Irish politics provided a particularly broad and robust political constituency of politicians largely immune to research-based criticism. In fact, elected politicians not only provided legitimacy for FÁS’s policies but also significant policy intelligence to FÁS on the needs of its clients.

The unusual prominence of active labour market policy in the Irish welfare state has created a particular legacy, a legacy that is not dependent on the existence of mass unemployment. Reliance on ‘quick-fix’ solutions generated by FÁS may have inhibited efforts at more fundamental policy reform of education and social policy in other departments (in either a neo-liberal or social democratic direction). No matter how active FÁS has been as an institution with a specific labour market paradigm, it cannot by itself create social inclusion or a knowledge-based society.

Institutional analysis such as that presented in this paper cannot provide specific policy recommendations. However, it does provide lessons relevant to policymakers. First, tools matter and, short of a dramatic re-tooling by the Irish state (either through a radical overhaul of state organisation or a radical shift to a much larger and more expensive public sector), institutions such as FÁS provide an effective, if not optimal, means of addressing policy problems. FÁS is well adapted to the ideological, fiscal, and clientelistic realities of Irish politics. If other mechanisms cannot be found to address policy problems that are more than just labour market problems then perhaps augmenting FÁS's capacity to address such problems, broadening its mission, is warranted.

Acknowledgements

I would like to acknowledge the support I have received from Pitzer College, Claremont, in the form of its generous sabbatical policy, which allowed me to pursue this research. My research in Ireland was greatly assisted by the award of a Visiting Research Fellowship by The Policy Institute, Trinity College Dublin. I am grateful to the Institute's Research Coordinator, Sinead Riordan, and Executive Officer, Sara Dwyer, for all of their assistance. The Institute's Director, Bob Holton, and Chair, Frances Ruane, were also generous with their time and advice. I am particularly grateful to my fellow Visiting Research Fellow Gerry Boucher for his advice and commentary on this project through its development. The manuscript has benefited from comments from three Policy Institute reviewers, and from comments from Sinead Riordan and David Finegold. Remaining errors are my own of course.

Lastly, I would like to acknowledge the extraordinary accessibility, cooperation and good humour of the forty-seven anonymous policy actors whom I interviewed. It was fun.

Nigel Boyle

Introduction

1.1 Introduction

This is a paper about a policy and an institution. It is premised on the idea that one cannot separate analysis of policies from the institutions through which they are developed, modified and delivered. It is the work of a political scientist, not a programme evaluator, an economist, or an historian. The effectiveness of programmes, the aggregate economic impact of labour market policy, and the institutional history of *An Foras Áiseanna Saothair*, better known as FÁS, are all of concern to this paper but its primary purpose is to examine the politics of policymaking: the capacity of the Irish state to effect change; the pattern of governance that developed within active labour market policy; the ideological and political struggles that gave rise to the outcomes noted; and the consequences of these outcomes for Irish social and economic policy more broadly. The research presented in this paper includes analysis of particular programmes such as the Community Employment Scheme and also analysis of the creation (and subsequent reorganisations) of FÁS as an institution. It includes analysis of aborted policy initiatives and institutional reforms that would have taken active labour market policy into radically different directions. It also considers the consequences of policy pursued, the intended and unintended consequences of earlier policy decisions.

Considering the unusual prominence of active labour market policy within the Irish welfare state – general Irish social spending as a percentage of GDP is half the EU average but spending on active labour market programmes is almost double the EU average (Eurostat, 2003; OECD, 2004) – the astonishing transformation of the Irish labour market that has taken place within the last two decades (Walsh, 2004) and the level of international interest in the Irish model,¹ there has been remarkably

¹ With reference to labour market performance across all dimensions (employment/population ratios, activity and long- and short-term unemployment rates across gender, age group, level of educational attainment for the period

little academic analysis of FÁS and its programmes. This paper is intended to remedy this deficit.

The breadth of its responsibilities makes FÁS unusual among European labour market agencies. Although other parts of the Irish state, such as the Department of Education and Enterprise Ireland, have played roles in devising and implementing active labour market policy, FÁS has been the dominant institution in this arena and, consequently, this analysis primarily concentrates on FÁS as an institution. FÁS's contribution to the Irish economic transformation since 1987 has been underestimated. The institution itself was first proposed in a 1985 National Economic and Social Council (NESCC) report and came into existence in 1987, the year now universally regarded as the turning point in modern Irish economic history. It became responsible for a wide array of programmes and huge (by comparison with active labour market policy elsewhere) budgets. Although FÁS's importance in terms of budget and clientele peaked in the mid-late 1990s, it has remained a crucially important institution in the Irish political economy throughout the economic boom. Since 1987, over one million clients have participated in training and/or employment programmes run through FÁS (FÁS Annual Reports, 1988-2003). Although job growth in the information technology, pharmaceuticals and other foreign direct investment dependent sectors has been a crucial part of the Celtic tiger economy, the bulk of the job growth has been in sectors that have drawn heavily on FÁS alumni.² Furthermore, FÁS was able to keep marginalised groups (the long term unemployed, lone parents, older people and people with disabilities) connected to the labour market and employable, helping to drastically reduce the

¹ *contd.* 1998-2003), Ireland outperforms all thirty OECD countries in every category except growth in female participation rates, where the Netherlands performs better. Even here, the Dutch figure reflects that it has double the proportion of part-time female workers that Ireland has (OECD, 2004). The September 2004 Borloo plan, the Chirac government's major social cohesion initiative, mimics much of what FÁS has done in Ireland (*Financial Times*, September 15, 2004).

² The vast majority (70 per cent) of the Irish job growth has been concentrated in five sectors: construction; sales; hospitality; transport and communication; and finance (Central Statistics Office (2002), *Quarterly National Household Survey*, Dublin: CSO). Each sector has recorded growth of more than 30 per cent since 1987 and each, with the exclusion of finance, has drawn heavily on FÁS programming and trainees to achieve this.

polarisation of employment opportunities.³

1.2 Structure of the paper

Chapter 2 sets out the issues to be addressed within the paper and the theoretical framework to be employed in analysing the politics of policymaking as they pertain to active labour market policy and FÁS. Key concepts outlined include: the ‘competition state’, ‘problem-induced policy development’, ‘ideational discourse’ and policy learning, ‘governance’ in social/economic policy, ‘advocacy coalition’ analysis and the ‘legacy’ of the particular trajectory of established policies. The subsequent empirical chapters are set out in what is, at first glance, chronological order. Chapter 3 examines the creation and early organisation of FÁS during the period from 1985 to 1992, including the role of the Fianna Fáil-led governments in power from 1987 to 1992. Chapter 4 focuses on the two ‘signature’ programmatic initiatives pursued through FÁS in the early-mid 1990s: (i) the introduction of the Standards Based Apprenticeship system and (ii) the introduction of the Community Employment Scheme. This chapter is mainly focused on the policies of the 1992-1994 Fianna Fáil-Labour coalition government. Chapter 5 examines two aborted policy initiatives in the mid-late 1990s: (i) the proposals associated with the Taskforce on Long Term Unemployment and (ii) the 1997 White Paper *Human Resource Development* and is focused on the 1994 to 1997 Fine Gael-Labour-Democratic Left ‘Rainbow’ government. Chapter 6 examines the reorganisation of FÁS and the retrenchment of Community Employment that have occurred since 1997, following the end of mass unemployment which coincided with successive Fianna Fáil-Progressive Democrat governments.

Although policy is examined in a chronological fashion, the paper is not written as narrative but as thematic analysis. Policy does not fall into distinct bundles associated with the partisan complexion of governments: continuities across different governments are more striking than discontinuities. More importantly, different eras shed

³ Economic growth has for the most part greatly increased income and wealth inequality in Ireland. However, it has been characterised by reduced inequality in employment opportunities. Recent research using data from the Labour Force Survey and the Quarterly National Household Survey (Walsh, 2003) and the *Living in Ireland Panel Surveys* (Russell et al, 2004) suggest that Ireland has dramatically reduced the number of work poor households (in which no one works), which has also served to substantially reduce the level of consistent poverty in Ireland (Nolan, 2002).

light on each of the different major questions posed. Each empirical chapter is organised around two policy ‘episodes’ and these episodes are used to address the core questions. In Chapter 2, the two episodes examined are the initial creation of FÁS in 1987 and the 1988-1992 reorganisation of the body. These shed light on the question of the institutional capacity of the Irish state. In Chapter 3, the Standards-Based Apprenticeship and Community Employment episodes are used to address the issue of the model of governance exemplified by Irish active labour market policy. In Chapter 4, the Taskforce on Long Term Unemployment and the 1997 White Paper initiatives are used to examine the ideological and political struggles associated with active labour market policy, including the nature of Irish social democracy and Irish neo-liberalism. In Chapter 6, the retrenchment of Community Employment and the reorganisation of FÁS are used to examine the constraints imposed on current policy by the legacy of past policy.

1.3 Research questions and methodology

Accordingly, this paper addresses four core questions:

- 1 How was FÁS organised and with what consequences regarding the **institutional capacity** of the Irish state? What did FÁS’s organisational features enable the Irish state to do that it would not otherwise have been able to? Was capacity to gain traction on policy problems enhanced or inhibited by these features?
- 2 How did FÁS run its programmes: what was the form of **governance** employed by FÁS? How did FÁS implement the policy it was responsible for? What were the particular characteristics of its model of implementation? What were the strengths and weaknesses of this method: was the impact of policy augmented or attenuated?
- 3 Was there an alternative: why have FÁS and its principal programmes proved to be politically and administratively **durable**? Why were critics and opponents of both FÁS as an institution and its major programmes unable to dislodge it? From whence did FÁS derive its legitimacy and immunity to much criticism?

- 4 How much has changed since 1997: what is the consequence, or **legacy**, of FÁS's continued prominence for the Irish welfare state?

What are the cumulative consequences for the Irish social and economic model more broadly of the way in which FÁS has shaped and implemented active labour market policy? Has the future trajectory of Irish social and economic development been set?

The research undertaken for this paper includes analysis of material available in the public realm: the secondary literature; published reports and proposals; newspaper coverage and Oireachtas debates. However, the heart of the research consists of information culled from interviews with relevant actors, including access to unpublished papers and memoranda. In total, 64 interviews with 47 elite-level policy actors (some were interviewed more than once) were conducted. Some interviewees straddle institutional classifications,⁴ but the 47 can be classified as: 5 Government Ministers (current and former), 9 civil servants, 16 FÁS actors (including three Directors General, five Board members and eight other officials), 9 leaders from employer, union or community sector organisations and 8 others such as EU actors, members of think tanks and academics who played a significant role such as participation on a relevant task force or commission. Most of these interviews were conducted during the period from November 2003 to May 2004. Interviewees were informed that they would not be cited by name without permission. Interviews are cited anonymously, through a numbering system. Interviewees were selected not just on the basis of their formal institutional affiliation and role, but also on the basis of where they were perceived to have 'stood' by other policy actors in policy episodes during the 1985-2004 period. Wherever possible, information provided by one source has been crosschecked with other sources. Note is made when sources disagree substantially.

The research presented here is unusual for two reasons. First, unlike most research on active labour market policy in Ireland, it

⁴ For example, FÁS board members include civil servants and representatives from the social partners. Some individuals had different roles at different periods (civil servants or business leaders who became FÁS leaders). The classification presented here refers to an individual's primary institutional affiliation at the time of their greatest prominence: none have been double counted.

has not been commissioned or supported by an interested party.⁵ Second, the analysis is not a conventional evaluation of policy. It is an institutional analysis of the politics of policymaking. As a Policy Institute blue paper, it is intended that the research be of relevance to policymakers as well as scholars. However, the lessons to be derived from such analysis consist not of specific policy recommendations but of a clearer understanding of the factors that drive policy development.

⁵ There has been a large amount of research, particularly on the effectiveness of programmes commissioned by FÁS, government departments, the EU, and union, employer and community sector organisations. Academics should always be shy about labelling their work as disinterested, but this research was carried out simply because the US-based author thought it was an interesting topic for sabbatical research.

Analysing Irish active labour market policy

Do you not think we should try?

Patrick Hillery responding to criticism that training workers for jobs in sectors that do not already exist makes no sense (Dáil Debate 14-22-1966).

2.1 The Irish 'model' and comparative political economy

There is a long history of political economies being deemed positive (miracles) or negative (diseases) models for others. Among small, open, consensual European economies the venerable Swedish model (in its original Rehn-Meidner form and subsequent reincarnations, including the current 'Persson model'⁶) is the best known, although in the 1990s, 'Modell Nederland' (also known as the Polder Model, see Visser & Hemerijck, 1997; Becker, 2001; Wolinetz, 2001 for more) came into vogue. Models generate their own mythologies and entire literatures emerge to debate the relative importance of different factors in generating positive economic and social development. Ireland is the latest such model.

The level of international interest in the Irish model is not surprising given the astonishing economic transformation that has taken place in the last 20 years. In 2004, Ireland had the third highest per capita income in the world, trailing only Norway and Luxemburg⁷ and, in the view of *The Economist*, the highest quality of life in the world.⁸ The extraordinary growth rates of over 10 per cent per annum achieved in the late 1990s may be over, but Ireland has maintained comparatively high growth and crucially, high rates of

⁶ Coined by the Financial Times in 'Can Sweden give Germany fertile ideas to revive its ailing economy', *Financial Times* October 20, 2004.

⁷ Ireland is ranked tenth in the overall Human Development Index. The index, an aggregate of economic performance, life expectancy and health and education standards, is the leading global measure of quality of life in 177 countries (UN, 2004).

⁸ Economist Intelligence Unit (2004), reported in *The Irish Times*, November 20, 2004

employment growth in the slowdown since 2001.⁹ Employment data clearly indicate the extent of the transformation. With minor cyclical variation, the number of people in jobs in Ireland hovered at just over 1 million for the first 70 years of independence: half of all those born in Ireland during 1922-1972 emigrated and the economic performance of independent Ireland was, in the words of the current Taoiseach Bertie Ahern, 'bloody awful'.¹⁰ However, between 1991 and 2001 the number of jobs rose from 1.1 to 1.8 million (CSO, 2002). It is now estimated that the Irish labour market will consist of over 2 million jobs by 2010 (FÁS, 2003). This success, in a country that for 150 years was a model only for chronic underdevelopment punctuated by social/demographic cataclysm, has understandably given rise to equal amounts of adulation and hubris.

The architecture of the economic/social model that has achieved this transformation is subject to heated debate. It is a debate that has occurred (a) at the rhetorical level within Irish politics as 'Berlin versus Boston', (b) within the academic community in the now voluminous literature on the Irish Celtic Tiger, and (c) among the fraternity of European policy experts and government advisors within deliberations about the Lisbon Agenda.

2.1.1 *Berlin versus Boston*

Tánaiste Mary Harney's statement in 2000 that 'Geographically we are closer to Berlin than Boston. Spiritually we are probably a lot closer to Boston than Berlin'¹¹ has become centrally important to debates within Ireland over the political-economic direction of the country. Among other things, it throws into relief the different

⁹ GDP growth was at 10 per cent per annum during 1996-2000 – the 2003 trough was 3.7 per cent while the forecast for 2004 is now 4.7 per cent. The labour market grew 1.9 per cent in 2003 and is projected to grow by 2.1 per cent in 2004 (Department of Finance, 2004).

¹⁰ 'The economic history of the state from 1922 to the late 1980s was bloody awful. The thirties was the depression, the forties the Emergency, the fifties was mass emigration, thanks to Sean Lemass there was improvement in the 1960s but then there was the oil crisis in the 1970s and massive public debt and unemployment in the 1980s. Bloody awful is the only way to describe it.' Taoiseach Bertie Ahern, speaking to the Trinity College Dublin Historical Society, January 27 2004.

¹¹ This statement was made at the IEA/PEPSA conference, 'The Irish Presidency of the EU' at Dublin Castle, December 5, 2003.

rhetoric employed by elements of the current government. One wing employs a strongly neo-liberal 'Bostonian' line, the other the 'Berliner' rhetoric of the European social model. The rhetorical cleavage within the current government was especially marked at both the start of the Irish Presidency of the EU in December/January 2003-2004¹² and in the aftermath of the June 2004 local and European elections.¹³



Copyright: Martin Turner, *The Irish Times*, December 5, 2003, 'Boston Tea Party'

The extent to which these ideological predilections influence policy is something this paper will go some way towards determining, but one cannot dismiss the 'Boston versus Berlin' discourse as mere rhetoric. As a comparative analysis, it clearly illustrates the fact that

¹² Remarks by Taoiseach Ahern outlining the goals of the Irish Presidency were steeped in the language of pragmatism and social partnership ('EU structural funding has been the key to our development over the last 20 years, Europe has been the model for our development: equality of opportunity, gender equality, human rights, fiscal reform and other positive changes have been achieved in Ireland because of the EU' – speaking to TCD Historical Society, January 27 2004) whereas Tánaiste Harney's remarks were strikingly at odds with the Commission's thinking (represented by Prodi's policy advisor Andre Sapir) and an unabashed call for imitation of the US model.

¹³ Taoiseach Ahern and ministers such as Dermot Ahern and Frank Fahey persistently berate 'right wing economists' whilst former Finance Minister (1997 – 2004) McCreevy and Justice Minister McDowell robustly advocate a form of neo-liberal economics (see McDowell address to the Annual Dinner of IBEC June 22, 2004 and McCreevy's comments in *The Irish Times*, September 13, 2004).

the Irish macro-economy is effectively a region of the EU, whilst in terms of the traded sector that has resulted from foreign direct investment, the Irish micro-economy is now heavily Americanised.¹⁴ The problem with much of the 'Boston versus Berlin' debate is that it implies that the Irish political economy has to be classified as one or the other. The Celtic Tiger literature has also wrestled with the issue. For some, the case for Ireland being neo-liberal, with minor embellishment and detail, is overwhelming (see Taylor, 2002). According to the annual A.T. Kearney/Foreign Policy Globalization Index, Ireland is the most globalised country in the world.¹⁵ Ireland also has a low tax regime: 25 per cent of GNP compared to 40.5 per cent for the EU-15 (CORI, 2004).¹⁶ Irish rates of poverty, social exclusion and inequality are high.¹⁷ Ireland has the highest level of relative income poverty in Europe with 21 per cent of the population living on less than 60 per cent of median income in 2001 (Nolan et al, 2004). On the other hand, Ireland has departed markedly from the British neo-liberal pattern and has developed a comprehensive system of social partnership that appears to suggest more that Ireland is conforming to the pattern of the small, open, consensual northern European economies (Hardiman, 2002).¹⁸

¹⁴ This debate also points to the omission of 'Birmingham' as noted by Frances Ruane (see *The Irish Times*, December 2, 2003), Ireland is no longer a politically independent region of the British economy.

¹⁵ The Index ranked Ireland as the most globalised economy in its survey of sixty-two countries for 2001, 2002 and 2003 (Foreign Policy Magazine, 2003). This ranking was heavily reliant on Ireland's scores on the economic indices used.

¹⁶ OECD taxation figures for 2003 show Irish taxation as 28 per cent of GDP compared to the EU-15 (prior to accession of the 10 accession states to the EU in May 2004) average of 40.5 per cent. European Commission figures from 2000 show that National Social Protection expenditures (i.e. passive spending on healthcare, housing and benefits for the disabled, elderly, families and children) as 14.1 per cent of GDP for Ireland compared to 27.3 per cent for the EU 15.

¹⁷ Ireland is ranked thirteenth out of 18 OECD countries on exclusion, twelfth out of 18 on poverty as measured by the UNDP Human Poverty Index and seventeenth out of 18 on income inequality (UNDP, 2004; Table 5; 198). 15.3 per cent of Irish people live in poverty: only the US, with a score of 15.8 per cent, had a worse record among the Western countries surveyed. However, the Irish Government's National Anti-Poverty Strategy uses a different method to estimate poverty and claims that only about five per cent of the population live in 'consistent poverty' (*Irish Times*, July 16, 2004).

¹⁸ For Hardiman, the departure of the Irish case from the British 'disorganised' model is particularly important. Social partnership has moved Irish industrial relations sharply in the direction of the coordinated market economies. For further discussion of these and other issues see Iversen, Pontusson and Soskice (2000).

2.1.2 *Celtic Tiger paradox*

The early Celtic Tiger literature tended toward the inventory approach, listing all the variables that seemed to be implicated (for an example of this approach see MacSharry and White, 2000).¹⁹ However, the literature has increasingly focused on the juxtaposition of contradictory, paradoxical or hybrid features. The impetus for this author's interest in Irish active labour market policy was triggered by the seemingly paradoxical architecture of the Irish welfare state. Ireland currently displays an anorexic level of spending on social policy when compared to other European countries. Eurostat figures (2004) show that Ireland spends half the EU average on national social protection expenditures (that is, 'passive' spending on healthcare, housing and benefits for the disabled, elderly, families and children). As a percentage of gross domestic product (GDP): Ireland spent 14.1 per cent as against a EU average of 27.3 per cent – the next lowest spender was Spain at 20.1 per cent. Within the OECD, only Pacific Rim countries such as New Zealand and South Korea spend as little as Ireland does on national social protection expenditures. On the other hand, spending on active labour market measures in Ireland has been unusually high, around 2 per cent of GDP in the 1990s and, although the percentage has fallen as GDP has soared, Ireland has consistently spent double the OECD average, putting it firmly in the Scandinavian category along with those other honorary Scandinavians, the Dutch.²⁰

Other paradoxes concern the education system. Although accorded a leading role in the creation of the economic boom,²¹ the

¹⁹ The inventory usually includes: fiscal conservatism after 1987; European monetary policy; social partnership; the developmental state (the IDA and tax incentives for foreign direct investment); education (and demography); the low income tax regime; EU structural funds; globalisation, et cetera.

²⁰ In 2001, Ireland spent 11.4 per cent of its GDP on active labour market measures and ranked 6th of 30 OECD countries for spending in this area. Ireland is one of only two OECD countries (the other is Sweden) that spend more on active than passive labour market measures. Ireland topped the league at the end of the 1980s and spending on active measures peaked at over 2 per cent of GDP in 1994 and 1995 (Janoski, 1994). By 1997, spending stood at 1.66 per cent (OECD, 1998). Only Sweden, Holland and Denmark outspent Ireland on active labour market measures in the 1985-1999 period (OECD, 2001).

²¹ Garret Fitzgerald is one of the strongest advocates for this and stresses the importance of maintaining a high quality teaching profession. His analysis of census data argues that the explosive growth in highly skilled occupations was due to the younger cohorts emerging 'from our very flexible education and training systems' (*The Irish Times*, October 25, 2003; Fitzgerald, 2002).

Irish education system is marked by a lower-than-average level of spending with a quite regressive pattern of substantially below-average spending at the primary level (and particularly in special-needs primary education) and above-average spending on tertiary education (OECD, 2000b). OECD research (2000a, 2000b) on adult literacy identified a none-too-surprising pattern of reasonably good performance in the upper quintiles of the population but very poor performance at the bottom end and in aggregate terms, the Irish population has a low level of educational attainment and low levels of literacy – 22.3 per cent of Irish people are described as functionally illiterate. These paradoxes regarding social and educational spending and outcomes are remarkable given how little policy has changed in those fields since the 1980s. With regard to social welfare, neither the neo-liberal route of a punitive workfare system and an intensification of residualism, nor a social democratic route of greater universalism and the growth of public social services have emerged as acceptable policy routes in Ireland. With regard to education, neither the neo-liberal or Blairite²² route of the introduction of market-mimicking models nor the social democratic route of greater egalitarianism and reform of pedagogy (especially the exam-based system) has seriously been on the agenda²³.

More recently, the Celtic Tiger literature has moved from identifying paradoxes towards identifying how the different components of Irish the political economy fit together. O'Donnell's (2003) work on the evolution of social partnership into a system of 'competitive corporatism' and O'Riain's (2003) examination of the role of the 'flexible developmental state' are two such examples. The work of Boucher and Collins (2003) and Boyle (2003a) provide alternative efforts at understanding how the (black) European and (golden) neo-liberal stripes of the Celtic Tiger don't just coexist but actually form a mutually sustaining package.²⁴

²² Since 1994, Tony Blair's New Labour ideology has triangulated between Thatcherite neo-liberalism and traditional egalitarian social democracy (Boyle, 2003b). In the area of education policy, this has signified reforms that mimic markets.

²³ The introduction of continuous assessment of students at secondary level came onto the policy agenda during 2004.

²⁴ The colour coding is derived from the neo-liberal 'Golden Straitjacket' identified by Friedman (2000) and the black of European Christian Democracy (clerical by origin) – the ideological underpinning concepts of social partnership and subsidiarity. Ireland has the rhetoric and institutions, and some of the policies, of small open social democracies, but there is a fiscal tourniquet that precludes the outstanding feature of social democracies – namely, a large public sector that is directly involved in the provision of services.

2.1.3 *Lisbon and the Irish model*

The Spring 2004 Irish Presidency of the EU provided another platform for advocates of an 'Irish model' of social and economic policy to recommend that other EU countries, particularly the accession countries, pursue similar competitiveness policies within the context of the Lisbon Agenda.²⁵ This Agenda consists of both a programme for competitiveness 'to make the EU the most competitive and dynamic knowledge-based economy in the world' by 2010 but also a new 'gouvernement économique' – a governance paradigm centred on the soft law 'open method of coordination' (OMC). The programmatic dimension consisted of four pillars: innovation, liberalisation, enterprise, employment and social inclusion.²⁶ However, the August 2003 Sapir Report (commissioned by the President of the European Commission) and the November 2004 Kok report (Kok, 2004) indicated that both the programme and the new governance model was stalled. The Irish Presidency prioritised the revival of this agenda, the Taoiseach Bertie Ahern commented, 'I've spent more time on it over the last 15 months than on enlargement and the constitutional issue put together'.²⁷ The work-programme of the Irish Presidency (Government of Ireland 2004) on the Lisbon Strategy contained a restatement of the strategy as a specific chapter within the programme. Two research groups undertaking ongoing 'balance sheet' analyses of the programmatic and governance agendas have conferred Ireland with 'hero' status. The Centre for European Reform has published four widely reported 'Lisbon Scorecards' on the programmatic pillars. The March 2004 Scorecard gave a downbeat assessment about EU-wide progress but accorded Ireland overall 'hero' status (along with Sweden) for its progress.²⁸ The Govcor group has been monitoring

²⁵ John Murray Brown, *Financial Times* January 9, 2004, 'Ireland's experience makes it a role model for new Europe.'

²⁶ Sustainable development was added as a fifth pillar by the 2001 Swedish Presidency.

²⁷ March 8, 2004 at Institute for European Affairs conference. In December 2003, he commented, 'Under the Irish presidency employment is the top priority. The Irish presidency will coincide with enlargement but our main task is to move the Lisbon Agenda 2000. This agenda is driven by necessity. Europe is falling behind the US. But the Lisbon Agenda can help us close this gap.' Speaking to TCD Historical Society, January 27 2004)

²⁸ The accolade seems somewhat arbitrary given that Ireland scores poorly on the sustainability criteria and modernising social protection. The principal author, Murray, cites Irish success in the 'business start-up' and 'bringing people into the workforce' categories as justifying the hero status (personal communication, 2004).

'EU governance by self-coordination'.²⁹ Four rounds of interim reports (with a final report due for publication in 2005) have focused on how EU states have implemented employment policy. The interim reports on Ireland (Lynch, 2002, 2004) have stressed the consistency of the open method of coordination (and the European employment strategy) with Irish governance practices as evidenced by a 'functional fusion' that, in the area of national adaptation to employment policy coordination, means Ireland is a 'strong' performer. Moss and O'Donnell (2003) have gone as far as suggesting that since 1987, Ireland has been operating a precocious version of the open method of coordination.

The 'Boston versus Berlin', Celtic Tiger and Lisbon debates impute certain characteristics to an Irish model. However, focusing on particular policies or particular outcomes begs the question: how does this model actually function and change? The empirical analysis presented in this paper seeks to address this question and to develop a new understanding of the Irish model. Before commencing this analysis, an outline of the major concepts to be employed and the approach to be adopted is necessary.

2.2 Conceptual and analytic framework

Comparative political economy literature offers important insights for the study of the Irish case at two levels of analysis. At the macro-level, the issues of (a) the role state capacity plays in a globalised international economy and (b) the role ideas/ideology play in determining the developmental trajectory of a political economy are addressed. This provides much of the conceptual terminology that will be employed in this paper, the key terms of which are: policy legacies, competition state, governance and ideational discourse. At the sub-system level of analysis (that is, the policy network for active labour market policy) the comparative literature provides specific approaches to analysing the politics of policymaking primarily the 'problem-induced policy development approach' developed by European social scientists working on the welfare state and the 'advocacy coalition framework' developed by US

²⁹ Govector is a multi-national research project funded by the EU and launched in September 2001. Its work initially focused on the coordination of employment policy and the stability and growth pact set out in the Amsterdam Treaty and is now focused on the open method of coordination set out by the Lisbon European Council summit, at <http://www.govecor.org/>

political scientists working on public policy, particularly environmental policy

2.2.1 State capacity, ideas and trajectories of development

Much of the literature on neo-liberalism and/or globalisation has suggested an inexorable international policy convergence. For some, the international integration of markets and capital mobility has dramatically eroded national autonomy: the end of the nation-state is at hand as international markets become the effective economic policy maker, with governments reduced to a vestigial, dignified role (see Ohmae, 1993; Andrews and Willett, 1997; Kurzer, 1993). Policy options are narrowed to a single, neo-liberal path, resituating the state 'into a subordinate relationship with global economic forces' (Falk, 1996). Other political-economists have maintained that globalisation, far from mandating one-size-fits-all neo-liberalism, leaves the social democratic alternative as viable as ever (Garrett, 1998). Comparative political economists have demonstrated that there are distinctive types of viable advanced capitalist economies (see Pierson, 1994 and 2001; King, 1995; Esping-Andersen, 1990, 1999; Hall & Soskice, 2002).³⁰

In the field of macro-level, comparative political economy of contemporary capitalism, Esping-Anderson's (1990, 2001) work on welfare capitalism is seminal. Esping-Anderson ceased looking at the welfare state as a dependent variable (that is, something caused by other – mostly economic – factors) and started looking at it as an independent variable, a causal factor in shaping the way in which economic development occurs. In short, he argued that one could not look at either economic development or social policy in isolation from one another. Second, he established that there are three quite distinct configurations in contemporary welfare capitalism: (i) the social democratic type found in many small European countries; (ii) the neo-liberal type predominant in the Anglo sphere; and (iii) the catholic/corporatist type found in much of continental Europe. Whilst actual countries are likely to be hybrids of these types (for example, the Irish model is generally seen as having elements of all three types – see Adshead and Millar, 2003), the configurations themselves result in distinctive trajectories regarding social and

³⁰ There has been particular interest in the question of whether the Anglo-American, residual or liberal world of welfare capitalism enjoys a comparative institutional advantage over other 'worlds'.

economic development. The New Political Institutional literature has done much to point to the important causal role of institutional configurations (Hall, 1986; Hall and Soskice, 2002), including their role in efforts to retrench welfare states (Pierson, 2001). This literature suggests that past policy is the most important factor in determining the course of present policy and that therefore. Thus a focus on 'policy legacy' is required.

More recently there has been interest in the impact of globalisation on the different types of welfare capitalism. One particularly interesting line has been Cerny's (2000) competition state theory – this looks at the way globalisation demands not less state intervention but higher levels of state activism, but for the purpose of promoting competitiveness rather than social cohesion. Social policy is subordinated to the needs of the economy, promoting flexibility, and an activist (or activating) social policy rather than passive social transfers. The welfare state is seen to metamorphose into the competition state, recalibrated to address international competitiveness rather than domestic *égalité*. What matters here is that this literature increasingly emphasises not social programmes nor even social policies, but rather governance issues: policymaking (rather than policy) and the way in which public agencies manage a diverse pattern of programmes in collaboration with an array of public, private and non-profit organisations at national and local levels. The term governance therefore, refers to the coordination, differentiation and integration of service delivery to tailored policies and the 'recalibration' of welfare states.³¹

At the same time as globalisation gives rise to an intensification of certain sorts of intervention, it also increases the level of uncertainty about the course of action that needs to be followed. Competitiveness in an uncertain international environment requires states and other policy actors to engage in more puzzling and less powering; that is, mobilising ideas in what can be termed ideational discourse (Hall, 1986: 18; Denzau and North, 1994). Contemporary Ireland is an exemplar of the competition state, where social policy is subordinated to the needs of the economy.³² 'Puzzling' and

³¹ The definition used in this paper follows that by Hemerijck. The European Commission defines it as 'the rules, processes and behaviour that affect the way in which powers are exercised particularly, as regards openness, participation, accountability, effectiveness and coherence' (European Commission, 2001).

³² Social ends are not banished, but they are pursued only insofar as they are consonant with international economic competitiveness.

ideational discourse are important responses to policy problems, although it needs to be noted that the process of puzzling is not a benignly technocratic process. Ideational discourse also involves strategic manipulation that is, the heresthetics (Riker, 1986) of policy change – the manipulation of the framing of issues by political/policy leaders in order to deconstruct alternative coalitions and construct a winning coalition.

2.2.2 Analytic framework at the sub-system level

The particular approach followed in this paper draws on the advocacy coalition framework developed by Sabatier and collaborators (Sabatier 1993; Sabatier and Jenkins-Smith, 1988, 1999) and also, the problem-induced policy development approach developed by Hemerijck and collaborators (Hemerijck and Visser, 1997; Hemerijck and Schludi, 2001). Hemerijck looks at the reconfiguration/recalibration of policy profiles, viewing this as a 'system-wide search for a new, economically viable, politically feasible, and socially acceptable profile of social and economic regulation' (2001:127). There is a sequential logic of [effective] policy adjustment, understood as a dynamic political process of problem-induced policy learning. Thus, policy is seen as reactive not routine: problem/failure induces episodic search. Policy actors are viewed as satisficers not optimisers. Learning (mobilising institutionally nested ideas) is important, as is the role of boundary-spanning institutions which structure the policy discourse by shaping the perceptions of actors with regard to what is desirable and feasible. Three other features of Hemerijck's analysis are important. First, power (the mobilisation of legitimate authority) is accorded equal status with the mobilisation of ideas. Second, the sources of policy problems in any one policy network include not just exogenous shocks in the form of wider economic and demographic changes, but also endogenous spill-over: that is, problems generated by dysfunctional policy in a neighbouring policy area (such as education or social welfare). Third, in terms of the political management of policy problems, the extent to which policymaking institutions are tightly coupled, loosely coupled or decoupled is significant. How closely linked or coordinated are different policy domains? Is there a central regulative intelligence or does policy take place in separate fiefdoms (Hallerberg, 2004)? It is more likely that autonomous policy innovation can occur with alacrity within

less tightly coupled institutions. However, the disadvantage of having less coupled institutions is that there will be little coordination across policy areas, making it less likely that changes will become entrenched and durable.

The advocacy coalition framework views policy sub-systems as central in bringing about policy change and is particularly useful for analysis at the sub-system level. A policy sub-system encompasses a large and diverse set of actors that attempt to translate their beliefs about a particular political issue or set of issues into governmental policies and programmes.³³ According to Sabatier, most sub-systems contain only a few politically significant advocacy groupings, usually ranging from two to four coalitions. The advocacy coalition framework sees the policy process and policy change as involving competing coalitions of policy actors within sub-systems mediated by policy brokers. Within these sub-systems, actors' preferences and stances are not dictated by organisational affiliation: any one organisation may well be split between rival coalitions. Coalitions form around different policy core ideas and paradigms. Conflicts over policy change generate 'paradigm politics'. A notable aspect of the advocacy coalition framework is that it was developed, and has been most heavily used, to analyse environmental policy in the US and internationally. A feature of such policy is the role of expertise, particularly scientific discourse in shaping policy. Such issues are not confined to natural science and this paper will address the role of research-based policymaking and expertise in the area of active labour market policy.

2.2.3 *Key concepts*

The following are the key concepts that will be used in this paper to explore the politics of policymaking in Irish active labour market policy during the period from 1985 to 2004.

- 1 **Policy legacy:** the intended and unintended consequences of past policy for subsequent policy development.

³³ The advocacy coalition framework is defined by Sabatier and Pelkey as follows: 'Advocacy coalitions are composed of elite actors from a variety of institutions – interest groups, agency officials, legislators, executive overseers, intellectuals – who share a general set of normative and causal beliefs concerning the policy area' (1987: 237).

- 2 **Competition state:** higher levels of state activism to promote competitiveness rather than social cohesion.
- 3 **Governance:** the coordination, differentiation and integration of service delivery, the tailoring of policies and the 'recalibration' of welfare states.
- 4 **Ideational discourse:** the mobilisation of ideas and the manipulation of the framing of issues in order to influence the outcome of policy conflict.
- 5 **Problem-induced policy development:** a system-wide search for a new, economically viable, politically feasible and socially acceptable profile of regulation.
- 6 **Advocacy coalition framework:** the policy process and policy change involve competing coalitions of policy actors within sub-systems mediated by policy brokers. Coalitions form around different policy paradigms.

2.3 Applying the analytic framework to the Irish active labour market policy sub-system

At the macro level, the state's capacity to pursue a national economic competitiveness agenda matters as much in the globalised Irish economy of 2004 as it did in the 1960s. However, this capacity must be viewed not just in connection with the direct provision of services, but with the wider coordination and integration of policy through non-state actors and a wider definition of institutional capacity that is captured by the term governance. For example, the way in which policy influences company human resource practices or the activities of community organisations is as important as direct public provision of placements or services. Ideas/ideology matter for two reasons. In terms of the policy discourse, are ideas such as workfare (coercing the unemployed into jobs/placements) or democratising educational access (promoting the participation of working class children in tertiary education) central or marginal to the political agenda? In Ireland, social partnership has played an interesting role in shaping the parameters of policy discourse: what ideas are considered within the policy 'pale' and what ideas are politically incorrect? Second, ideological preferences, once institutionalised, give rise to a particular developmental trajectory, a policy legacy effect that constrains future policy development. The similarities and differences between Ireland and the classic small social democracies of northern Europe are especially important

here. Is Ireland on a social democratic track, a neo-liberal track or a novel track of its own?

At the sub-system level, policy actors confront problems, some exogenous, others generated by policy failure in other domains, which give rise to a search for solutions. The configuration of policymaking institutions (tightly or loosely coupled) affects both the extent to which endogenously caused problems arise and the ability of policymakers to both innovate policy solutions and consolidate innovation. Policymaking institutions in Ireland tend to be loosely coupled: there is often considerable capacity for autonomous intervention, but little capacity for joined-up government and the coordination of policy across sub-systems.³⁴ In terms of the politics of policy change, differing ideas about policy solutions, stemming from different policy paradigms, give rise to conflict between rival policy coalitions. These conflicts occur in episodes and can relate to both policy institutions (for example, fights over which agency should have responsibility for a policy) and programmatic policy (for example, the design and size of a programme).

³⁴ With the partial exception of the centralised financial authority exercised by the Department of Finance (see Chapter 3 for further details). It is also the case that the small size of the public service facilitates a certain degree of informal coordination.

Institutional capacity and the octopus: creation and refoundation of FÁS, 1985-1992

*In an initiative that was one part well-meaning, three parts cynical,
Charlie Haughey's government introduced the FÁS training programme,
FÁS alumnus, Roy Keane (2002:13).*

3.1 The Irish state, institutional capacity and active labour market policy

The capacity of the Irish state to devise and implement active labour market policy must be viewed within the context of (a) the wider functioning of the Irish state, (b) the nature of Irish electoral politics and (c) the Irish economic development model.

3.1.1 Functioning of the Irish state

The Irish state is highly centralised. There are two main reasons for this. The first relates to the existence of a fairly extreme version of the Westminster/Whitehall model, whereby a government with a secure parliamentary majority is relatively unconstrained in the exercise of power and enjoys the support of an elite, centralised, permanent civil service.³⁵ Second, although individual departments of state are often powerful fiefdoms, the Department of Finance ('Finance') maintains control over any activity that involves public expenditure, a power exercised in the annual estimates campaigns preceding each year's budget.³⁶ The rigidities imposed by this sort of state structure have been partly countered the development of semi-autonomous state agencies and semi-state companies.

³⁵ This is accentuated by the fact that Ireland is a small country, particularly important regarding the weakness of local authorities.

³⁶ The classification of Irish state institutions by political scientists is interesting. Regarding budgetary matters Ireland is viewed as conforming to the 'fiefdom' model until 1987 but thereafter conforming to a mixed pattern of delegation (dominance by Finance) and commitment (policy set out at the outset of a new government) (Hallerberg, 2004).

Although these entities are freer of Departmental domination, Finance still plays an important controlling role.

3.1.2 Irish electoral politics

This centralised state with a powerful Department of Finance exists in a political system characterised by an intensely responsive, localistic, clientelistic pattern of democratic politics. Although there is undoubtedly a political-culture element to this feature of Irish politics, it is greatly accentuated by the Single Transferable Vote electoral system. Multi-seat electoral constituencies make all elected politicians vulnerable to losing their seats if they are not perceived to be attentive to constituents needs. Within larger parties, this vulnerability is often greatest to rivals within the party rather than opponents in other political parties. Constituency service is therefore the overwhelming priority of all elected politicians (including Government Ministers): it is vital that one is seen to be interceding to help constituents and doing everything possible to 'deliver' benefits to one's constituency. Although the centralisation of the state and the clientelism of party politics might be seen as antithetical they are, in reality, related. Centralisation and bureaucratisation are often promoted by the sense that anything else would become hopelessly corrupted by clientelism.³⁷

3.1.3 Irish economic development model

The economic development model pursued by the Irish state from the 1950s onwards reflected the fact that Ireland was long perceived as a laggard in economic affairs and development. Two features follow from this. First, Ireland had to learn from others. There was a great sensitivity to reports and recommendations from international sources, particularly the OECD and more recently, the EU. Second, the state was accorded a very prominent active role in promoting economic development. As a consequence, the international intellectual genealogy of active labour market policy

³⁷ For example, critics argue that the bureaucratic nature of the Irish social welfare system and the extreme reliance of the education system on examinations that are arguably socially inequitable and pedagogically indefensible reflect the fear that without such mechanisms, favouritism and patronage would prevail. The author is indebted to Luke Gibbons and Kevin Whelan for these observations.

has had a powerful influence on Irish developments (Corcoran, 1991; Wickham, 1981). Four such sources are particularly worth mentioning.

- (i) The 1950s Swedish Rehn-Meidner model for an open, full employment economy was influential in promoting active manpower policies internationally. This model was viewed as desirable as it both curbed wage inflation and countered structural unemployment by retraining workers from declining sectors for jobs in emerging sectors.
- (ii) In the 1960s, the experimentation with manpower policies (at federal and state levels) in the US as part of the *Great Society* project was influential in promoting ideas about programming for marginalised groups in an otherwise full-employment economy.
- (iii) In the 1970s, as manpower policies encountered high unemployment in OECD countries, a particularly important development was the realisation (first made by Mukherjee (1974) for the British Manpower Services Commission) that in more highly developed welfare states where high unemployment imposed major fiscal strains, active labour market programming could be funded out of savings made from moving people from the receipt of passive social welfare benefits and into employment. This marked the introduction of net-cost calculus into policymaking more generally, and active labour market policies specifically – and the first public acknowledgement of this in Ireland was by O’Neill (1980).
- (iv) In the 1980s, as high unemployment persisted across the OECD, a labour market flexibilisation agenda developed most clearly outlined in the OECD’s Dahrendorf report (OECD, 1986).

These international ideas about labour market policy found a ready audience among developmentalist political and administrative elites in Ireland as is clearly shown in the early episodes of Irish active labour market policy. Even prior to Whitaker’s famous memorandum *Economic Development* (May 1958) and the abandonment of the import substitutive model, Sean Lemass had

demonstrated a strong interest in labour market training. As Minister for Industry and Commerce in 1943, he established the Commission on Youth Unemployment, whose recommendations for restructuring the apprenticeship system eventually led to the 1959 Apprenticeship Act and the establishment of a central apprenticeship authority and union/employer trade committees (Wickham, 1981). Internationally, the OECD's 1961 Washington conference set out for the first time a definitive case for active manpower policy (OECD, 1964). Based substantially on the Rehn-Meidner model, the OECD argued that education and human capital were as important for economic growth as capital investment. This argument resonated in Ireland, particularly amongst the developmentalist wing of the then ruling Fianna Fáil party and the trade unions. The unions were suspicious of arguments about restrictive practices and were markedly conservative about reform of the apprenticeship system. However, they became ready converts to progressive ideas about retraining for workers who faced redundancy as Ireland opened its markets (Wickham, 1981). The two most important actors within Ireland were Whitaker, in his role as Chair of the National Industrial and Economic Council (established in 1963), and Patrick Hillery, in his then role as Minister for Industry and Commerce. In response to these and other developments two key institutional changes occurred during the late 1960s namely, the creation in 1966 of the Department of Labour and the establishment of a levy-based Industrial Training Authority, *An Chomhairle Oiliuna* (AnCO) in 1967.³⁸ The creation of the Department of Labour, and particularly the creation within the Department of the National Manpower Service in 1970 gave political and administrative prominence to labour market policy. However, AnCO became the most important actor in adding an Irish dimension to international ideas about the strategic importance of active labour market policy.

The ideological justification for AnCO went far beyond apprenticeship and training and included expansive goals for human capital as a motor for economic growth: it was believed that

³⁸ The National Industrial and Economic Council's *Report on Manpower Policy* (1964) provided the basis for the October 1965 White Paper on manpower and the Interdepartmental Committee on Administrative Arrangements for Implementing Manpower Policy (1965) which led to the creation of both of these organisations.

'The availability of trained manpower will attract industry'.³⁹ The pre-emptive justification for active labour market measures was clear in the eyes of both Hillery and Whitaker (and civil servants at the Department of Labour). AnCO fully embraced this line of thought and action and its 1973 discussion document, *Apprenticeship: a new approach*, developed the argument that apprenticeship and training should be geared towards jobs that *might* be created rather than those already in existence. A key point in relation to this is that then, as now, employers were primarily concerned with their own needs, not the wider expansive strategy. Thus, not only were there market failure problems in generating the skills that employers currently needed, but employers were viewed as incapable of addressing the needs of the development strategy.

The next major change in Irish active labour market policy again resulted from the impetus provided by OECD research and analysis. The OECD report *Manpower Policy in Ireland* (1974) commissioned by the Department of Labour, restated the case for an expansive active manpower policy, made a number of policy recommendations and identified weaknesses in policymaking institutions as the major problem facing Irish policymaking. In this, it was influenced by the 1969 Devlin Report, which identified the central weaknesses of the Irish state as (a) an inadequate emphasis on policy making and (b) a lack of co-ordination across the public service as a whole. The OECD report called for the development of a more powerful research/intelligence capacity, increased cooperation across different departments and agencies, as well as increased collaboration with the social partners. However, it failed to identify where this increased research capacity, policymaking

³⁹ Hillery, *Dáil Debates* on the creation of AnCO, 14-12-1966. The interchange from which this line is drawn is instructive: Mr James Tully: This whole thing depends upon a big 'if' – if employment can be made available. Dr Hillery: Yes. I would say that the creation of employment and the attraction of industry will depend to a great extent on having a trained manpower force available Mr James Tully: You cannot train them if you do not know what you are training them for. Dr Hillery: The availability of trained manpower will attract industry. Mr S. Dunne: How can you train people to make aeroplanes? Dr Hillery: They are doing it in other countries. Mr S. Dunne: You know what I mean. I do not want to go into unpleasant matters but we have a place already, and how do you propose to train fellows to make a non-existent aeroplane? Dr Hillery: The availability of a trained labour force is a great attraction to industrialists. Other countries have found it so. Mr James Tully: I am skeptical of all this. Dr Hillery: Do you not think we should try?

power and advocacy role should reside within the current policymaking system. It was at this point that Ireland joined the European Economic Community (EEC) and this development provided AnCO with the means of acquiring the new capacities and roles outlined in the OECD report.

3.1.4 Ireland's accession to the EEC

Admission to the EEC immediately made it, rather than the OECD, the most important international reference point for Irish active labour market policy. Although OECD reports continued to be influential, practical considerations, most notably the fact that the EEC was a source of funding for the Irish state, made it the most important source of external advice for the Irish state.⁴⁰ The availability of European Social Fund (ESF) revenues for both programming and institution building gave AnCO the opportunity to grow rapidly and to assume key roles and responsibilities identified as lacking within the Irish state. The first AnCO plan was produced in 1974 and drew heavily on the work of both the British Manpower Services Commission (MSC) and the Swedish model.⁴¹ More importantly however, the ESF provided both the grant to draw up the plan and the funds to build the proposed Training Centre network. AnCO's 'empire building' occasioned one major clash with the Department of Labour in 1974-75 (arising from the debate around who should hold responsibility for research for sectoral forecasting) but AnCO prevailed and was duly accorded responsibility for this (29). From this point on, AnCO, especially under then Director General Jack Agnew, was very solicitous towards European Commission officials.⁴² Politically, EEC admission brought the Fianna Fáil developmentalists, who had been so instrumental in creating manpower policy and establishing the relevant agencies, into close contact with the European (and Christian Democratic) world of the ESF, social partnership and social cohesion. Hillery became Ireland's first Commissioner in

⁴⁰ A 1982 OECD report (the Shirley Williams Report) was particularly significant in influencing the Labour Party's Gaiety programme and the subsequent creation of the Youth Employment Agency.

⁴¹ Gösta Rehn of the Swedish Trade Union confederation LO was a consultant for AnCO on training systems. (Also, 29).

⁴² Who were 'wined and dined' at every opportunity, to the horror of Departmental officials who were much more abstemious (29, 48).

1973-76, assuming the portfolio for Social Affairs, and he took with him to the Commission a number of officials from his department who were to be influential in the subsequent development and shaping of Irish labour market policy.⁴³ This would have important consequences, as would the subsequent 1980s ideological coupling of Fianna Fáil and AnCO developmentalists on the one hand, with the Irish Labour party and Jacques Delors's new vision for the European Union. AnCO and FÁS were thus, the progeny of two unusual ideological couplings (8): *AnCO = Fianna Fáil + European Social Fund. FÁS = AnCO + the Irish Labour Party.*

These ideological alignments gave rise to the paradigm that was to dominate active labour market policy in Ireland from 1985 onwards.

3.2 The dominant active labour market paradigm

The paradigm was centred on arguments about both market failure and state failure. Within this paradigm market failure arises in part because of the normal collective action problem of the incentives for employers being heavily weighted towards their poaching trained workers rather than incurring the costs of training workers. More importantly, it is also seen to arise with regard to the larger developmental strategy: even if employers were far-sighted or had organisational mechanisms to overcome the free-rider problem, they are seen as incapable of generating the skills needed for a speculative strategy. The consequence of the widespread acceptance of this paradigm within the policymaking and political community was that AnCO, and later FÁS, took a very jaundiced view of employer interests.⁴⁴ These suspicions were articulated by Ministers as well as FÁS officials, the phrase 'crass' was frequently used to describe employer behaviour in this respect (40, 48, 54). In addition, the Labour Party sometimes added a further dose of social democratic scepticism about employer demands.

Within this paradigm state failure is seen as arising in part from organisational rigidities within the structure and policies pursued by the Departments of Education and Social Welfare. The education system itself was viewed as incapable of anticipating and

⁴³ Including Kevin Bonner, Secretary General, Department of Enterprise, Trade and Employment, 1992-1997 (48).

⁴⁴ There were jaundiced views of unions and other actors too, but the views held of employers proved to have the greater consequences.

addressing the skill needs of a modern economy. Not only did this paradigm view the education system as ‘academic’ and detached from the labour market, there was also a strong argument that the Department of Education in Ireland was philosophically unwilling to ‘get down in the dirt’ (34, 54) and pragmatically deliver the skills needed for emerging job opportunities. Thus, the paradigm that emerged was one that embraced a new vocationalism approach, critical of the mainstream education system.⁴⁵ This paradigm was summarised by the next comprehensive review of Irish labour market policy as:

A need, unperceived by the business sector and the education system is identified by an external agency, typically a Government manpower agency. Efforts are then made to encourage employers to adopt the ‘need’ as ‘demand’, education and training programmes are introduced to supply the ‘need’; the expectation being that jobs will be generated for those who eventually enter the labour market (NESC, 1985: 60-61).

3.3 Creation of FÁS, 1985-1987

The 1987 Labour Services Act, which was introduced by the then incoming Minister for Labour Bertie Ahern, created the institution that became known as FÁS. The Act detailed the amalgamation of AnCO, the National Manpower Service (NMS) and the Youth Employment Authority (YEA) into a single entity – FÁS. The Act merely set out the functions of the new organisation and gave little guidance as to either the rationale for creating FÁS or its organisational design.⁴⁶ For the former, one has to examine the debate occurring with regard to AnCO and active labour market policy in the mid 1980s. For the latter, one has to examine the initial organisational form taken by FÁS during the period from 1987 to 1988 and the reorganisation that occurred from 1988 to 1992.

⁴⁵ New vocationalism was an argument blaming education systems for much youth unemployment. It was especially strong in Britain, Prime Minister Callaghan 1976 ‘Ruskin’ speech being a particularly important statement of it.

⁴⁶ The Act does not set out the policy paradigm or contain a mission statement for the organisation, unlike the preceding White Paper and the 1985 NESC report, which present a pre-emptive, social democratic paradigm and nor does it detail the organisational features of the new organisation.

3.3.1 Demise of AnCO

Although AnCO was initially modeled on the UK Industry Training Boards (with a levy/grant system to encourage companies to train), its ability to secure ESF resources in the 1970s permitted it by 1980 to: expand its research capacity (to a staff of 40); develop a network of Training Centres (and the creation of a significant in-house training capacity); construct an external training budget (allowing for substantial out-sourced training capacity); build a network of training advisors; and create its own in-house apprenticeship programme (47). By 1985, AnCO had 18 Training Centers and was training 35,000 people per year (Corcoran, 1985: 44). In effect, AnCO became the strategic labour market policy agency called for within the 1974 OECD report (23, 39).⁴⁷ It had its Rhenish⁴⁸ paradigm, focused on addressing weaknesses in the Irish educational and training system. AnCO also had a distinct organisational culture, variously described as ‘can do’,⁴⁹ ‘pragmatic’, ‘masculine’ and ‘Fianna Fáil incarnated as a government agency’ (7, 17, 29, 56). Furthermore, AnCO had a distinct public profile and a positive reputation among clients: ‘Anything associated with [the Department of] Education was viewed as “talk and chalk”, AnCO had got “gear”⁵⁰ and was hands-on. AnCO saw itself as ‘down to earth’ and was suspicious of ‘airy fairy’ educational theories (7). However, a series of administrative and political problems, mostly related to the high level of unemployment in the 1980s served to

⁴⁷ Interviewees from the Department of Labour are inclined to identify AnCO’s role as subordinate to the Department’s or confined to implementation (20, reviewer). AnCO’s officials see AnCO as dominant (5, 29). Independent observers and Ministerial respondents agree with AnCO sources on this point (13, 23, 48). Similar issues are noted later in this paper in relation to the Department of Labour (now Department of Enterprise, Trade and Employment) and FÁS.

⁴⁸ ‘Modell Deutschland’ as it pertained to vocational education and training was very much in vogue at the time. AnCO’s ethos at this time was largely derived from the British Manpower Services Commission admiration (led by Geoffrey Holland) for the German model and the problem of the ‘low skill equilibrium’ identified by Holland (1984), and in Ireland by Arthur O’Reilly for AnCO (O’Reilly, 1985).

⁴⁹ ‘Department of Labour officials were Trappists by comparison to AnCO’ and ‘The Department of Labour officials would only want to do what they had specific legislative guidance to do. AnCO would do anything so long as there was no specific rule against it’ (48).

⁵⁰ That is, equipment, and a hands-on approach to using it (14).

undermine AnCO and resulted in its demise, though many of its characteristics were encapsulated in its successor FÁS. The administrative problems primarily arose from cost and organisational rigidity issues (6, 7). AnCO's programmes were expensive. It invested heavily in capital goods and its in-house delivery capacity was dependent on the employment of a large and expensive staff. A second cost factor revolved around the levy/grant system used to encourage employers to pick up some of the costs associated with training employees. This was seen as burdensome both on the administering body and the employers.⁵¹ AnCO's focus on industry, rather than the service sector, was seen as an example of its rigidity, as was its inability to switch its training programmes to a more flexible, modular system. However, AnCO's two major problems were political: (a) conflict with other labour market agencies and (b) a difficult relationship with the Department of Labour.

3.3.2 *Conflict between AnCO and other labour market agencies*

Other important actors in labour market policy (particularly as it concerned training) at the time were the Youth Employment Agency (YEA) and the National Manpower Service (NMS). The YEA was established in 1981 to address youth unemployment and promote job creation. The community and voluntary sector and some political parties (particularly Fine Gael and the Labour party) had called for the creation of this agency (42). It was funded through the administration of a one per cent payroll levy and (unlike AnCO) had formal policymaking functions assigned to it (Corcoran, 1985). However, the YEA actually spent most of its funding on training rather than job creation (Ibid.). The NMS had, like AnCO, greatly augmented its capacity during the 1970s by developing its network of local offices and building up its placement and occupational guidance staff. It had also become involved in administering programmes such as the Work Experience Programme. Ultimately however, competition from the YEA and the NMS for AnCO programmes such as the Community Youth Training Programme generated both policy confusion and heated inter-agency rivalry (10, 61). In addition to these inter-agency rivalries, there was

⁵¹ This system was abolished along with AnCO and replaced by a small payroll levy and a company-exemption approach

considerable jealousy and a number of ‘vicious’ turf wars (14, 15, 29) between the vocational education wing of the education system (particularly third level Regional Technical Colleges, subsequently renamed Institutes of Technology) which viewed AnCO’s monopoly on ESF funding as intolerable and resented AnCO’s ‘annexation’ of the largest part of vocational education and training (29).

The largest political problem faced by AnCO was its relationship with the Department of Labour. AnCO was seen as having all the capacity while the Department was regarded as a mere mailbox through which AnCO sent its funding request to Finance (56). In the case of ESF funding, AnCO didn’t even need to go through the Department, enjoying its own direct access to the European Commission (5, 9, 14). The then Department of Labour Minister, Ruairi Quinn remarked that, ‘Sending my officials to meet with AnCO is a little like sending the under-15s out to face the All Blacks’ (17⁵²). Perhaps more importantly, Finance saw AnCO as ‘out of control’ (48, 50). Its access to ESF funding and the inability of the Department of Labour to ‘control’ AnCO annoyed Finance intensely (40).⁵³ It was in this context that NESC commissioned a consultants report on Irish manpower policy (Danaher, Frain and Sexton, 1985). This report, which was largely endorsed by NESC, strongly reasserted the AnCO paradigm in relation to active labour market policy, with a particular emphasis on the inability of the education system to respond to labour market.⁵⁴ It made a series of policy recommendations concerning apprenticeships, external training and the levy-grant system, but its primary recommendation was that the Department of Labour needed to be the agency that (a) coordinated a strategic, coherent active labour market policy (as opposed to manpower policy) and (b) identified and planned for future skill needs. It noted that the Department needed to become ‘much stronger’ in order to achieve this – the implication being that the Department must assume control not only of policy but of the various agencies within this field the most notable of which was AnCO. It also recommended the merging of the main competing labour market agencies operating under the Department of Labour into a single entity.

⁵² Attributed to Quinn by an interviewee.

⁵³ AnCO was seen as a ‘loose cannon’ (18).

⁵⁴ This report emerged at a moment of great pessimism about the Irish economic crisis and it lacerated the education system.

3.3.3 *Birth of FÁS*

The recommendations set out in the NESC report were developed into a government white paper, the 1986 *White Paper on Manpower Policy*, the shaping of which was heavily influenced by Ruairi Quinn in his role as Minister for Labour. This paper in turn provided the basis for the 1986 National Employment Training Bill, which influenced the subsequent 1987 Act resulting in the creation of FÁS. The 1987 Act called the new organisation, An Foras Áiseanna Saothair, rather than the National Employment and Training Authority, but otherwise implemented the proposals in the 1986 Bill, particularly the dissolution of AnCO, the YEA and the NMS.⁵⁵ It is worth noting that the 1987 Act, preceded two developments that were to be major influences on the subsequent development of FÁS – social partnership and the Delors tranches.

At the sub-system level, a crucial political axis consisting of the populist/progressive wing of the (at the time, opposition) Fianna Fáil party and the trade union wing of the Labour party was established in the mid 1980s. The 1987 Fianna Fáil-led government, contrary to most expectations, introduced both drastic fiscal austerity and macro-level social partnership in the face of an enormous national fiscal deficit. Social partnership secured a corporatist bargain.⁵⁶ Fiscal austerity secured the support of the main opposition party, Fine Gael. The startling outbreak of social peace amongst employers and employees and an end to adversarial party politics provided the context for the maintenance of the powerful new coalition in the active labour market policy subsystem, including employers, unions and most political elites that had been precociously forged in the 1985-1987 period. The creation of FÁS was an 'important part of the prehistory of social partnership' (13). The cross-party political axis of Fianna Fáil and Labour saw two prominent Fianna Fáil politicians, Bertie Ahern and Mary O'Rourke, defy their party leader, Charles Haughey, to support Ruairi Quinn's Social Employment Scheme

⁵⁵ Apart from the linguistic tokenism the only significant change to the 1986 Bill was the omission of CERT, the training agency for the tourism/hospitality sector.

⁵⁶ The 1987 *Programme for National Recovery* agreed to by the social partners is the Irish equivalent of the 1982 Wassenaar or the 1938 Saltsjobaden Accords. It is important to note that the Irish accord was much more state-led than its Dutch and Swedish predecessors.

during the 1985 to 1987 period, much to Haughey's 'fury' (40, 54). In later years, Ruairi Quinn and others in the Labour Party supported Ahern once in opposition, sometimes against their own party colleagues (48, 54). These intra-party cleavages are important in terms of the policy paradigm. Much of the Labour Party was still committed to a Keynesian economic strategy in which demand-side stimulus, including hi-spend programmes in education and public services, was identified as the solution. Charles Haughey, as Taoiseach for the periods from 1979 to 1981 and again in 1982, followed a Keynesian approach to financial issues and whilst in opposition during 1982-1987, he attacked the austerity of the Fine Gael-Labour government with partisan relish. However, the post-Keynesian Quinn/Ahern axis on active labour market policy was new and proved enduring.

Despite the domestic austerity of the late 1980s, the active labour market policy sub-system encountered a sudden windfall: the new European regime for cohesion funding set out in the 1989 and 1994 Community Support Framework documents also known as, Delors 1 and Delors 2. A key objective of these Framework documents was the development and structural adjustment of regions whose development was considered to be lagging behind (Delors, 1989). Ireland did particularly well out of these funding tranches: Delors 1 channelled IR£3.1 billion of funds to Ireland, one third of which went through FÁS, while Delors 2 channelled IR£4.6 billion of funds into Ireland, one quarter of which went through FÁS (FÁS, 2000) (9). The importance of the actual quantity of funding has been somewhat exaggerated. More important were the ideational and administrative requirements that came with the funding – for example, the requirement for all programmes funded under Delors 1 and 2 to implement gender mainstreaming. More broadly, a rigorous monitoring system was implemented as a check against the misuse of funds (5).

Although the 1987 Act formally allocated the policymaking functions with regard to labour market policy to the Department of Labour (Section 12) and mandated the amalgamation of AnCO, the YEA and the NMS into FÁS, the Act failed to set out how each of these goals was to be accomplished. The inspiration for the organisational design and mission followed by FÁS was drawn not from the UK but from a combination of models in operation in other European countries, particularly Germany and Sweden and to a

lesser extent, France and Hungary (7, 40, 48).⁵⁷ Particular ideas incorporated included the regionalisation of labour market agencies (drawn from the German model)⁵⁸ and ideas about active labour market policy measures as a qualitatively superior means of preventing unemployment (drawn from the Swedish model) (12, 48). The merger process for AnCo, YEA and NMS was assigned to a government appointed Strategy Group led by John Lynch.⁵⁹ In early 1987, this group convened and through numerous sessions, devised an organisational structure for FÁS, which saw the creation of a number of roles including those of Director General and Assistant Directors General (ADGs)(seven in total) as well as identifying key agency goals such as regionalisation.⁶⁰ In September 1987, the FÁS Board was appointed (with John Lynch as Chairman) and in December 1987, Brendan Leahy was appointed its first Director General. FÁS came formally into being on January 1st, 1988. However, from the start the AnCO, NMS and YEA elements of the new organisation coexisted rather uneasily. FÁS's Programme Development Department was largely seen as a 'YEA group' and its work more 'political' and focused on countering unemployment. FÁS's Research and Planning Department was seen as an 'AnCO group' and viewed itself as more 'analytic' and focused on skills shortages (32). Although the Strategy group effected the amalgamation with a minimum of organisational trauma, the larger issue of whether the Department of Labour would direct policy (and whether or not this new agency would be responsive to this

⁵⁷ The MSC and AnCO had held each other in high regard (29), but by the mid 1980s the MSC had been emasculated by the Thatcher governments and was soon abolished. Britain was now regarded as the model of what not to do. The Swedish model was particularly admired, as were certain features of Kadar's 'goulash socialism' in Hungary.

⁵⁸ Norbert Blum (Helmut Kohl's Labour Minister for his entire Chancellorship) was a particularly influential figure (51). Blum represented the left of the CDU/CSU block (Franz Josef Strauss the right), and was the guardian of the German social partnership model.

⁵⁹ Lynch had a long history of involvement in active labour market policy, particularly through the Irish Productivity Council. He became Chairman of AnCO in 1986 at a point when its demise had become inevitable.

⁶⁰ Members of this strategy group included Eddie Shaw from the NMS, Ray Byrne from AnCO, and Martin Lynch from the YEA. A facilitator from the Irish Productivity Council, Eamon Cahill, led the most crucial meetings of the group. The group put forward the ideas for regionalisation and commissioned research on how to do this. The 7 ADG's were distributed as follows: AnCO =5, NMS =1, YEA = 1 (40, 52).

direction) was not resolved. This issue immediately surfaced for the new organisation in 1988 and precipitated another round of internal upheaval.

3.4 Reorganisation of FÁS, 1988-1992

If the newly created FÁS expected a settling-down period, it was quickly disabused of this notion by a combination of external and internal factors. Externally, the executive leadership of FÁS was berated by Minister Ahern at a 1988 meeting for its inability to respond to government priorities, the most important of which was tackling the issue of the high level of unemployment (6).⁶¹ Internal conflicts between the merged agencies and the perception that AnCO was still 'running the show' led to a number of upheavals including the 1991 resignation of Leahy as Director General and his replacement by the Chairman of the Board, John Lynch. It was only with this installation that the power of the position of Director General within FÁS became clear and an attritional reorganisation of FÁS got underway.⁶² In particular, the fact that the Director General could effectively by-pass the Board and the executive leadership of FÁS on policy issues and work out policy on a one-to-one basis with the Minister was a particularly important tool in the hands of the Director General (48, 51, 61). The essence of the reorganisation was encapsulated in a statement attributed to Director General Lynch that 'FÁS head office ought to be able to fit into a double-decker bus' with the rest of the organisation dispersed to the field in a full-scale regionalisation/ decentralisation (17). The regionalisation of FÁS was a long-term aspiration – it first appeared in the 1986 Bill and was repeated in the planning documents of the 1987 Strategy Group – but had not been fully implemented. The reorganisation occurred in two phases: the first followed from the 1989-1993 *FÁS Development Plan* (1990), the second consisted of a series of changes introduced in a May 1992 reorganisation plan in response to criticism from the Culliton Report.⁶³ At this time, both the Taoiseach and the Minister for Labour were encouraging FÁS to reorient its activities away from youth unemployment towards long-term unemployment, and at the same time, to address the skills shortages becoming apparent as a

⁶¹ The then Minister for Labour, Bertie Ahern, was under pressure from the Taoiseach's office to 'get something done' about the unemployment figures (64).

⁶² Attritional in that it was drawn out rather than being a 'big bang' (40).

⁶³ *The Irish Times*, June 2 and 3, 1992 (and 6, 40).

result of the 1987-1990 economic recovery. Finance was especially exercised about the long-term unemployed, as the cost to the exchequer of supporting these recipients was much higher than that incurred in supporting unemployed youth (typically, those who were long-term unemployed had more dependents). However, FÁS's 1989-1993 *Development Plan* was written in the knowledge that the infusion of Delors 1 Structural Funds would provide major fiscal relief for programming and thus give FÁS a freer hand vis à vis Finance. But with staffing levels frozen, the extra commitments made in the Development Plan would effectively involve 'sweating' FÁS's 2,000 staff, 17 Training Centres and 44 Employment Service offices. From hereon in, the pattern of FÁS managing ever greater throughput (and budgets) without increasing staffing levels was established.⁶⁴ The reorganisation's impact on staffing levels is instructive. In 1988, FÁS employed 2,500 staff of which 1,200 were based at head office. A decade later it employed 2,000 staff of which 375 were based at head office (*FÁS Annual Reports, 1988 – 2000*) The fall in the total number employed within FÁS was in large part fiscally driven (32), but the reallocation reflected a changed management strategy. Staff numbers relative to expenditures and throughput were to remain an enduring concern for FÁS during the period from 1988 to 2000 (7, 64). Also at this time, a proposal to abolish the FÁS research and development department and outsource all research tasks was dropped in favour of a drastic reduction in staffing levels within the department.⁶⁵ In addition to regionalisation, a major up-grade of FÁS's physical facilities was also carried out with FÁS offices and centres designed to be attractive and publicly prominent. A much greater attention to 'marketing' FÁS through publicity and glossy PR materials was introduced at this time and capital expenditures (especially for equipment at the Training Centres) were severely cut (6, 14).

Regionalisation was given added impetus in 1989, when Fianna Fáil went into coalition with the Progressive Democrats. The new Minister for Trade and Industry, Des O'Malley was especially

⁶⁴ The 'low morale' reported by some interviewees seems to be related to this 'speed up' (44, 56, 61).

⁶⁵ Staffing levels in the Research and Development unit was pegged at 12 – these levels did not increase over the next decade. Director General Lynch was known to view in-house research as tainted and liable to be viewed as propaganda. Consequently, the preferred option was to commission outside consultants to fulfil this function (16).

critical of a 'top heavy' FÁS head office (45). Within the newly regionalised FÁS, each Regional Director controlled all delivery within their specific region (46): 'Each region had its own budget and they could make their own trade-offs regarding cheap versus expensive programming' (5). Regional Directors reported to the Assistant Director General (ADG) for Regions rather than to the functional ADG's at the centre (46).⁶⁶ Critics saw this as a feudal system with regional barons controlling the organisation, answerable only to the Director General (45, 61). However, in 1992, the Culliton Report (and the Interdepartmental Taskforce that was set-up to consider its recommendations) recommended splitting FÁS into unemployment and training elements. Culliton supported the rationale for an activist labour market policy but argued that that the multi-objective nature of FÁS was hindering its efforts to focus on training for industry. The response from the FÁS Director General and Board came in the form of a second reorganisation carried out between June 1992 and May 1993, in which a new divisional structure was created with separate divisions focusing on (a) training schemes for the unemployed, (b) vocational training at the workplace, and (c) industry. The division for regions was greatly augmented in this reorganisation and further attention was paid to professionalising its public relations (*The Irish Times*, June 3, 2003). The plan triggered a mutiny by the FÁS Assistant Directors General who took their protest to the Board.⁶⁷ Nevertheless the reorganisation went ahead in an attempt to accomplish within FÁS what Culliton had argued required dismemberment. The only dismembering that occurred involved the divesting of some company training to Forbairt in 1993. The internal conflict noted above with regard to the ADG's points to the existence of three advocacy coalitions operating within the policy community: the 'AnCO traditionalists' (including the bulk of the ADG's), the 'regionalisers' (Director General Lynch and Ministers at the Department of Labour) and the 'dismemberers' (supporters of the Culliton proposals, including IBEC). Within FÁS, much of its Head Office was opposed to the regionalisation strategy, although the

⁶⁶ This shifted power to the Regional Directors away from the ADG's. The ADG's fearing they would effectively have responsibility without power, resisted this (47).

⁶⁷ The Board rebuked them and said it was a matter for the Director General (*Irish Times* June 2, 1992).

new Regional Directors soon became a powerful counterbalance within the organisation (32, 46).

With the victory of the regionalisers what did the new FÁS look like? In grasping for an analogy it is sometimes useful to imagine 'if this organisation were an animal what would it be'? This paper suggests that if FÁS were an animal it would be an octopus: all tentacles, relatively small brain, invertebrate, omnivorous, and using an ink-based defence when attacked.⁶⁸ More formally, the following features and characteristics distinguished FÁS's organisational structure after the 1988-1992 reorganisations:

- 1 Multifunctional and multi-tasked.
- 2 Largely autonomous from Department officials but connected to key politicians.
- 3 Small, low-cost centre with a heavily regionalised organisation.
- 4 A representative (non-executive) Board with a powerful Director General position.
- 5 Loosely coordinated at the centre: substantial autonomy at the Assistant Director General level and below.⁶⁹
- 6 Programmatic, not client-centred that is, its primary focus was on the delivery of programmes through providers and the spending of large programmatic budgets.⁷⁰
- 7 Mix of in-house and out-sourced service provision for various aspects of its functions: research, training and employment scheme supervisors (see Chapter 4).

⁶⁸ The ink-based defence mechanism applies to the use of glossy public relations materials. With regard to its 'tentacles' programmatically and geographically, FÁS was omnipresent. It developed extremely long, and independently functioning tentacles to access sustenance (funding). It is argued in this paper that this caricature captures the essence of the organisation that emerged out of the 1988-1992 period. The management system involved 'delegation with control'. It was hierarchical but not centralised. This is the opposite of the 'matrix management' approach involving non-hierarchical but more centralised management.

⁶⁹ There is disagreement over whether this was 'negative autonomy' (that is, benign neglect by the DG) or 'positive autonomy' (that is, encouragement for innovation) (47, 61).

⁷⁰ 'FÁS knows how to spend money whereas other departments and agencies, such as the Department of Education and Enterprise Ireland) suffer under-spends' (34).

- 8 Fiscally opportunistic: attractive to funders because of (a) net cost calculus, (b) the fact that is avoided long term staffing commitments (c) shared the financial, legal, political and moral costs of implementing policy thereby creating a low cost, high-impact policy, a multiplier effect (see Chapter 2).
- 9 Cheap and retractable, it had low organisational fixed costs (59), effectively placing much provision on 'soft money'.

3.4.1 Criticisms of FÁS

There have been two recurring sets of criticism of FÁS since its establishment:

- 1 FÁS is unable to carry out multiple functions.
- 2 Its parent Department is unable to control FÁS.⁷¹

These have led to a series of proposal and stratagems designed to counter these perceived weaknesses. On at least five significant occasions, proposals have been advanced to structurally reform FÁS along functional lines. In 1989-1990, there were interdepartmental proposals to turn FÁS over to the Department of Social Welfare.⁷² In 1992, the Culliton Report recommended splitting FÁS along functional lines, recommendations strongly supported by IBEC. The Taskforce on Long Term Unemployment (1994-1995) also considered dismembering FÁS (see Chapter 5 for more details) and at one point, the Rainbow government came close to handing FÁS to the Department of Social Welfare.⁷³ The 1997 White Paper *Human Resource Development* also proposed splitting FÁS along functional lines (as described in Chapter 5). The reason that debate over whether FÁS should be split functionally is important not just to FÁS's

⁷¹ The departmental nomenclature changed over time: it was the Department of Labour until 1993, the Department of Enterprise and Employment (DEE) 1993-1997 and the Department of Enterprise, Trade and Employment (DETE) from 1997 onwards.

⁷² Social Welfare Minister Michael Woods (10-3-1987 to 11-2-1992) as well as Department of Enterprise and Employment Minister Des O'Malley (12-7-1989 to 5-11-1992) were party to these discussions, as was Social Welfare Minister McCreevy (11-2-1992 to 12-1-1993) (34).

⁷³ This was part of the coalition negotiations and centred on the Departmental responsibilities and Ministerial rank of the Workers Party's Proinsias De Rossa (35).

administrative integrity, it cuts to the very heart of FÁS's mission by proposing that much of what FÁS does should be primarily deemed 'merely social' and detached from labour market policy per se.

Similarly, there have been at least five sets of proposals to reassert Departmental control. Ruairi Quinn's successful initiative to create FÁS in the first place was motivated in part by the desire to assert the power of the Department of Labour over it (32, 48). The Taskforce on Long Term Unemployment also called for greater political control over FÁS (see Chapter 4). From 1995-1998, the Department of Employment installed an official with oversight over FÁS in what was seen as an effort (albeit a largely unsuccessful one at the time) to try to gain control of FÁS's budget and by extension, of FÁS itself (45). In 1995-1996, Department of Enterprise, Trade and Employment officials 'froze' FÁS out of deliberations about the upcoming White Paper in order to secure a more radical, Departmentally driven initiative (41, 56). Lastly, the appointment of Rody Molloy (from DETE) as FÁS Director General in 2000 as well as the appointment of Brian Geoghegan as Chairman of the Board was interpreted by many as an effort to restore Departmental control (40, 46).⁷⁴

3.4.2 *FÁS and institutional capacity*

Each of these various efforts to dismember and/or control FÁS failed and the reasons for this are explained in subsequent chapters. The key point to note here that the organisational structure that was created and which has endured, had three sets of consequences concerning:

- 1 The locus of policy initiatives
- 2 The ability to secure funding for programmes
- 3 The ability to spend budgets to the satisfaction of diverse constituencies.

The loosely coupled divisional structure, together with the powerful regional 'tentacles' meant that there was a great deal of devolved responsibility allowing actors within FÁS considerable space to be entrepreneurial and devise policy (42, 61, 63).

⁷⁴ Brian Geoghegan was a leading figure at IBEC and had previously represented IBEC on the FÁS Board for a number of years prior to becoming the latter's Chair in 2000.

FÁS was adept at 'managing its dependencies' (51), principal of which were the Department of Finance and the EU. Its low fixed costs and the net cost of its programming were both important in this regard. A fortuitous factor regarding its relations with the Department of Finance was that the two politicians most associated with the creation of FÁS in their capacities as Labour Ministers during the period from 1983 to 1991, Quinn and Ahern, were Finance Ministers during the period from 1991 to 1997 (40, 48).⁷⁵ Leaving this aside however, both the Department of Finance and FÁS had a joint interest in maximising the Irish financial allocations from the EU. Within the Commission, the Irish were viewed as the most solicitous and determined of grant seekers (9). At the same time, they earned a reputation for being responsive to the Commission and effective users of funds (9). The EU regarded FÁS as a model of good practice in its area because it was able to demonstrate that European funding had acted as the catalyst for the establishment of a number of high profile and valuable projects in Ireland on the ground, a view expressed by both FÁS and European Commission actors (5, 10).⁷⁶

The crucially important fact that EU funds went direct to FÁS rather than being managed by Finance, as they were in the UK by the Exchequer, added to the visibility of the impacts at the EU level (9, 14, 15). For example, the signage on projects sponsored by FÁS always accorded the EU prominent credit (9). The direct contacts that FÁS had with the Commission were important in giving FÁS autonomy from government departments (5, 9). The fact that FÁS was not a regular bureau of government meant that senior civil servants played only a minor role in shaping its internal workings. However, political leadership (particularly that of the Minister of Enterprise, Trade and Employment) did matter. FÁS was able to 'horse-trade' with the Commission and its interactions were unmediated by any government department (2). The relationship with the Commission became very tight and this helped shape policy: 'we could tease out their thinking' (7). In short, its direct

⁷⁵ Respondents report that once at Finance Minister's 'go native', but the prior experience was relevant for both Ministers (40, 48).

⁷⁶ The monitoring regime to be employed was a contentious issue. The 1988-1994 Community Support Framework required that FÁS programmes be monitored as part of the Operational Programme on Industry (within the Department of Industry and Commerce) (comment by reviewer).

access to EU funding and the ability of Finance to calculate the net cost of programmes gave FÁS leverage with Finance that sustained support for its programmes, even in times of extreme fiscal austerity.

Approval for changes in arrangements with EU funding had to be made through EU monitoring committees. This tied the hands of Finance, it took away Finance's discretionary power (5).

This independence meant that Finance could not dictate: for example, in the late 1980s and early 1990s, Finance wanted FÁS staff placed in Social Welfare offices, but FÁS was able to resist this (6). This independence declined after 1996 due to the commencement of the second *National Development Plan* (1996-2002) and tighter control from Finance of the system of pluri-annual budgeting (5, 7).

Although the getting of budgets is crucial to organisations, spending them to the satisfaction of both funders and supplicants can be just as difficult. FÁS developed a capacity to deliver programmes both in-house and through outsourcing, contracting out many of its services to external actors. Due to its interactions with the European Commission and its reliance on EU funding, FÁS adapted its auditing and financial systems to EU requirements, developing a 'clean' and accountable reputation whilst maintaining an ability to respond to the clientelistic demands placed on it by Irish politicians. FÁS always devoted great energies to responding to requests from elected politicians on behalf of constituents.⁷⁷ A symbiotic relationship developed whereby FÁS sought to be able to respond to the concerns of politicians whose intensive constituency service made them useful sources of information about the demand for placements. In return FÁS, both at head office and through its regional offices, was able to rely on strong political support, almost irrespective of party affiliations. The regional structure came to be important as local politicians developed strong links with FÁS in their region.

⁷⁷ For example, the then Director General had a staff of four working on correspondence with elected officials making representations (8).

3.5 Conclusion: FÁS and institutional capacity

In summary, FÁS's organisational structure was highly adapted to its budgetary and political environment.

- It was a single, multifunctional labour market agency, largely autonomous from its parent Department.⁷⁸
- It had a representative Board of Directors on which the social partners sat, but the organisation was dominated by a powerful Director General position.
- FÁS was regionalised, with 10 relatively autonomous Regional Directors controlling its operations in these regions.
- FÁS was fiscally opportunistic, as demonstrated by its capacity to respond very precisely to the demands of its funders, the Department of Finance and the EU.

Its ability to attract significant levels of EU funding for its programmes made it possible for it to subsidise its programmatic spending. In later years, savings made in the social welfare budget as a result of programmes run by FÁS helped further minimise the costs to the exchequer. In addition to this net cost factor, FÁS was also attractive because of its ability to avoid long-term spending commitments. Outsourcing its functions meant it avoided having to appoint and/or create permanent public sector positions and consequently, its fixed costs were low (59). In short, much of FÁS's capacity was legally and fiscally retractable. This model of operation was particularly attractive to the Department of Finance who had a well-recognised abhorrence towards creating permanent public sector employment. However, FÁS's model of operation was able to attract and spend huge programmatic budgets without making Finance nervous. As one interviewee noted, 'Budgets were generous, but it was all programmatic stuff' (2).

These attributes came at a price. There was an atrophying of the qualitative capacity built by AnCO. The lack of funding for the augmentation of the organisation and for capital expenditures meant that over time the organisation degraded somewhat, with

⁷⁸ As with AnCO and the Department of Labour, there is disagreement between FÁS (40, 61) and some DEE sources (20, 44, reviewer) over whether there was autonomy regarding policy. Other DEE sources as well as other independent sources (16, 45, 48) view FÁS as wholly autonomous regarding day-to-day operations and largely autonomous from the DEE (but not the Minister) regarding policy.

resulting morale problems within an organisation that was being 'sweated' (6, 29). Despite this, FÁS was able in the next period (1992-1994), to accomplish two startlingly effective programmatic innovations: the Standards-Based Apprenticeship and Community Employment schemes.

Table 1: Creation and Reorganisation of FÁS: summary table

<i>Case</i>	<i>Creation of FÁS: 1985-1987</i>	<i>Reorganisation of FÁS: 1988-1992</i>
Policy problem	<ul style="list-style-type: none"> • Failure of Dept. Labour to create coherent active labour market policy instead of discrete manpower programmes. 	<ul style="list-style-type: none"> • Ineffectiveness of FÁS organisation
Source of problem	<ul style="list-style-type: none"> • Weakness of state in policymaking 	<ul style="list-style-type: none"> • Botched amalgamation, unresponsive organisation
Source of initiative	<ul style="list-style-type: none"> • NESC/Minister Quinn 	<ul style="list-style-type: none"> • FÁS Director General (John Lynch) and Minister Ahern
Key documents	<ul style="list-style-type: none"> • 1985 NESC report, 1986 NETA Bill. 	<ul style="list-style-type: none"> • FÁS Development Plan, 1989-1993 • May 1992 Reorganisation Plan
Key proposal	<ul style="list-style-type: none"> • Multifunctional labour market agency under the direct control of an assertive Dept. of Labour 	<ul style="list-style-type: none"> • Shrinking FÁS head office and regionalisation
Policy coalitions	<ul style="list-style-type: none"> • Active labour market policy • AnCO traditionalists • Keynesians 	<ul style="list-style-type: none"> • Decentralizers • AnCO traditionalists • Culliton – dismember FÁS

<i>Case</i>	<i>Creation of FÁS: 1985-1987</i>	<i>Reorganisation of FÁS: 1988-1992</i>
Decision points	<ul style="list-style-type: none"> • Quinn's 'NETA' backed by Ahern/O'Rourke • Ahern renames NETA 'FÁS' • Strategy Group achieves organisational fusion 	<ul style="list-style-type: none"> • 1988 critique of FÁS executive • June 1992: 'mutiny' by FÁS Assistant Director Generals
Decisive factor	<ul style="list-style-type: none"> • Cross-party support for comprehensive ALMP 	<ul style="list-style-type: none"> • Power of FÁS Director General
Result	<ul style="list-style-type: none"> • July 1987 Labour Services Act creates FÁS 	<ul style="list-style-type: none"> • Regionalised FÁS, low fixed costs, programming orientation

Programmatic innovation: the FÁS model of governance, 1992-1994

We have a love-hate relationship with FÁS, but FÁS is all we've got. We prostituted ourselves for the money and FÁS uses us for its own purposes.

Community sector leader, 2004 (36).

4.1 Signature programmes, the 1992 alignment and the FÁS method

FÁS's two signature programmes are the Standards Based Apprenticeship (SBA) system, introduced in 1993 and the Community Employment (CE) scheme, introduced in 1994. In terms of budget, CE is by far the bigger programme while in terms of staffing commitment the apprenticeship system is the largest programme.⁷⁹ Both initiatives rank as important innovations, not only because they were significant (and successful) departures from previous policy but also because both were novel, homegrown solutions developed to address particular Irish labour market issues. These initiatives occurred during the two-year window in which a Fianna Fáil – Labour coalition was in power. The particular programmatic fecundity of this period for FÁS is unsurprising given that the 'left' wing of Fianna Fáil and the trade union wing of the Labour Party were the key ideological axis which underpinned the initial creation of FÁS. The ministerial team of Quinn as Minister for the newly created Department of Enterprise and Employment (DEE) and Mary O'Rourke (Fianna Fáil) as Minister of State for this Department brought together two key political supporters of the FÁS approach. This conjuncture was also marked by the overwhelming need to address the unemployment issue, the largest infusion received by Ireland to date of EU funding, and the most

⁷⁹ The staffing figure is perhaps misleading as FÁS indirectly employs a large number of people to run CE, but these are not classified as FÁS staff. This anomaly will be discussed further below.

elaborated period of social partnership. This was also the first period in which the new FÁS (i.e. the organisation which had emerged from the regionalisation and restructuring undertaken in 1988-1992) functioned.

The principal question to be addressed in this chapter is what accounts for the successful launch of the Standard Based Apprenticeship and Community Employment initiatives? However, the key theoretical issue that this chapter seeks to tackle concerns governance: how did FÁS run its programmes and in what way were its programmes coordinated, differentiated and integrated? In recalibrating policy, who had control over programmes and who had responsibility for delivering them?

4.2 Standards Based Apprenticeships

The policy problem for the Standards Based Apprenticeship initiative was neither economically nor politically acute. Rather, it was the chronic problem of a highly uneven and largely uncertified time-served apprenticeship system. This problem had long exercised policymakers and was primarily one of market failure: employers underinvested in training and preferred to poach skilled workers. Previous solutions (such as the levy-grant system) had failed to overcome this problem (40, 47) and while there was a consensus about the need to address the problem there was no such consensus as to how to achieve this (AnCO/Department of Labour, 1975; AnCO, 1975; FÁS, 1990). A second aspect of the problem involved state failure – namely, that the vocational education system led by the Department of Education was perceived as inert and unresponsive to the changing needs of both employers and apprentices (34, 54). However, the perceived culprits – employers and the Department of Education – could not be ignored as they were crucial actors within the policy network within which the SBA initiative developed. Not only were they part of the policy debate they were in effect veto players: without their active support a new system would be administratively unworkable. As a considerable amount of vocational education, including a lot of off-the-job training for apprentices, was done by Regional Technical Colleges (RTCs), it would be impossible for FÁS to initiate any new scheme by itself: the cooperation of the Department of Education was essential to the introduction of any new apprentice training scheme. As the apprenticeships were specifically for the end use of

employers and the cooperation of the various trades' bodies was essential, advocates for a reformed standards-based system had to win over both employer organisations and a substantial cohort of sponsoring employers. However, despite the presence of employer representatives on the FÁS Board, FÁS's leadership retained a deep distrust of the motives of employers.⁸⁰ In initiating reform of the apprenticeship scheme, FÁS believed that employers would have to be cajoled, if not coerced, into supporting a system from which they would, in the long-term, benefit (12, 46, 47).

The reform paradigm is not new. As noted earlier, criticisms of the apprenticeship system were first heard under Lemass in 1943. Until the early 1980s, criticisms of the system had primarily focused on the issue of union restrictive practices. The partial collapse of the British system in the 1980-1983 recession was a key factor behind AnCO's anxiety to push for a comprehensive standards-based system to replace what was perceived as a haphazard and (largely) time-served system.⁸¹ The first attempt at reform of the system was made by the AnCO Board in 1983, but was vetoed by employers (47). AnCO resurrected its reform agenda again in 1985 and it was inserted into AnCO's strategic plan (AnCO, 1985) with no real effect (29). Employers' reasons for opposing the reform were varied. The up-skilling agenda was not itself opposed by employers, or at least self-described 'thinking employers'.⁸² Employers were supportive of the idea of a qualitatively superior apprenticeship system that was standards-based rather than time-served, but they wanted the state to pay for it (47, 63). While desiring a new standards based system, employers did not wish to have to bear its costs but did wish to be able to 'cherry pick' the results of the system by being able to avail of a new cadre of highly trained apprentices. If US corporations were to be allowed to pick skilled labour coming out of the RTC's 'off the shelf' at taxpayers expense, why shouldn't Irish employers be allowed to do the same with apprentices? Similarly,

⁸⁰ There was also distrust of the motives of unions, most of whom remained skeptical toward the reform agenda.

⁸¹ Some trades such as tool making already had well designed standards-based training systems. However, the 'quickie brickie' model was predominant elsewhere. The apprenticeship system had until 1993, three tiers: a small, in-house, full service system inherited from AnCO; a large but highly variegated day release system operated by the RTCs and a large, entirely time served system, particularly strong in the building trades (16, 47).

⁸² IBEC and the Construction Industry Federation perceived themselves as the 'thinking' (i.e. focused on the long-term) employers (47).

officials in the Department of Education (DE), the RTCs and the teachers unions were not opposed in principle to the reform agenda. However, in practice the key issues were: who was going to devise the new system? Who was to pay for it? Who was to control it?

From the perspective of the FÁS-based coalition, with union leaders on the FÁS Board such as Kevin Duffy of the Irish Congress of Trade Unions (ICTU) at the fore, it was perceived as only natural that FÁS should take the lead in devising the system. As they saw it employers and the education sector were part of the problem and, therefore, control for the new system (with regard to curriculum, standards, testing and certification procedures) should rest with FÁS (47). FÁS had inherited from AnCO an in-house apprenticeship programme that took on 1,000 apprentices annually (constituting more than 30 per cent of all registered apprentices per year) and conducted a one-year, off-the-job training programme prior to apprentices being taken on by employers (47, 63). This was regarded as a high quality system and the particular feature of it that employers liked was the fact that they could pick ready-made apprentices 'off-the shelf'. However, this full service provider system was very expensive to run and could not be expanded into a comprehensive programme without a massive infusion of funding. Accordingly, FÁS sought to establish a system in which employers assumed much greater responsibility for the scheme as well as bearing responsibility for a large part of the associated costs. In effect, FÁS was seeking control but with shared responsibility (63). But, so too were the employers bodies. They wanted the off-the-job training provided by FÁS tailored to their specific needs (but without what they saw as excessive 'FÁS bureaucracy') and to have this training done at public expense whilst also receiving state aids to meet as much of the on-the-job costs as possible.⁸³

The education sector (which in relation to this scheme consisted of an informal alliance composed of the Department of Education, Teachers Union of Ireland (TUI) and RTCs) predictably saw the solution to the deficits in the current apprenticeship system as 'education, education, and education'. In making this argument they looked to a number of European labour markets and

⁸³ Employers sought 'subventions' rather than 'subsidies'. Employers made this distinction as they argued that the on-the-job training provided by them was a public good and therefore should be eligible for state subventions (see for example, comments made by Peter McCabe of the Construction Industry Federation in *The Irish Times*, April 29, 1997).

vocational education systems (particularly Italy, Spain and France), which were structured such that long lasting, mass secondary education effectively supplanted an apprenticeship system. If the apprenticeship system was allowed to wither, and some traditional trades to die out, this type of education system might have emerged in Ireland by default. However, the cost implications of this education-driven, full service provider approach was not viewed with favour by Finance which, as always, sought to minimise the growth in public sector employment (48, 63). Given employer and education sector inertia in driving forward the development of the system, the initiative fell to FÁS. However, this gave rise to a new set of questions and concerns:

- (a) From where would the political impulse and legitimacy for a new system come?
- (b) How would FÁS and the Department of Enterprise and Employment devise the initiative?
- (c) How would FÁS acquire the consent of employers and Education in both devising and implementing the system?

Social partnership provided the answer to the first question. The loosely coupled organisational structure of FÁS (and in a parallel fashion, the DEE) answered the second. The Quinn/O'Rourke ministerial team ultimately addressed the third.

FÁS had continued to invoke AnCO's call for a standards based system. This call was made in a 1989 FÁS Board review of apprenticeship and subsequent discussion document; it appeared in the FÁS Development Plan in May 1990 (FÁS, 1990) in which the goal was described as the creation of goal a cost-effective standards based system with a comprehensive certification system; and it was a priority for the in-coming (in 1989) FÁS Assistant Director General for Training, Henry Murdoch.⁸⁴ However, these invocations would have had little or no lasting impact were it not for the insertion of a commitment to a standards-based system into the 1991 Social Partnership agreement, *Programme for Economic and Social Progress* (PESP).⁸⁵ The commitment expressed within PESP was much more

⁸⁴ Henry Murdoch replaced Gerry Pyke as ADG for Training in 1989.

⁸⁵ FÁS Board member and ICTU Assistant General Secretary Kevin Duffy was responsible for this insertion. ICTU remained heavily committed to promoting the reform.

than an aspiration as it detailed the sort of outcome that was expected ('qualified workers') and more importantly, represented the crucial, politically legitimating imprimatur. Following from this, a National Apprenticeship Advisory Committee (NAAC) was set up by FÁS to act as the steering committee for the design and implementation of the initiative. The Committee was chaired by Kevin Duffy and while it included non-FÁS representatives (including Education, employer and unions representatives), it was to all intents and purposes a FÁS entity. The NAAC endorsed the PESP idea and made FÁS responsible for drafting the plan.⁸⁶ Employers on the NAAC were won over to the principle of the new system, although employer organisations then fought a behind-the-scenes campaign against various aspects of the practice.⁸⁷ Bringing the Department of Education on side proved somewhat more problematic and in 1993, a FÁS/Department of Education Liaison Committee was established to agree key elements and features of the new system.⁸⁸ By 1993, the Fianna Fáil-Labour government was in power and this proved to be crucial in effecting a FÁS-Department of Education agreement. Despite initial opposition from the then Education Minister Niamh Breathnach (of the Labour Party), Mary O'Rourke (Breathnach's predecessor in Education) was able to secure her assent to an agreement that saw responsibility for off-the-job training split between FÁS and the RTCs.⁸⁹ The intervention of the then DEE Minister, Quinn in combating his Labour colleague's opposition to the overall plan was critical in reaching this agreement (40, 48, 54).

⁸⁶ ADG Murdoch was the principal actor. Donal Kerr was heavily involved in drafting the curriculum and standards for the new system (47).

⁸⁷ Employers were seen as duplicitous by Ministers and FÁS officials: publicly supportive, and cooperative on the NAAC, while seeking to lobby Ministers directly (47, 54).

⁸⁸ The Liaison Committee consisted of three FÁS officials – Henry Murdoch, Donal Kerr and Pat O'Callaghan (the latter representing the FÁS regions), four Education representatives (including two RTC Directors) and two representatives from the Department of Enterprise and Employment.

⁸⁹ There was no programmatic or pedagogic rationale for this arrangement rather it was primarily a political agreement (47).

4.2.1 *Main features of the Standards Based Apprenticeship scheme*

The new system was publicly launched in 1993 and had five important features:⁹⁰

- 1 **Sandwich model:** The new apprenticeships involved four periods on-the-job alternating with three off. This block system ended the day-release model. The first block was undertaken with the employers who therefore assumed responsibility for the initial hire of the apprentice. The seven block system was end-certified in order to prevent employers removing part-certified workers from the programme.
- 2 **Length of off-the-job modules:** under the previous in-house AnCO/FÁS apprenticeships, 46 weeks were spent with FÁS and 22 weeks on off-the-job training undertaken in RTCs. Under the new system, apprentices spent a total of 40-44 weeks in off-the-job training divided equally between RTCs and FÁS. While apprentices spent less time off-the-job under the new system, they had to reach specific standards during this time.
- 3 **Transition:** apprentices entering the new scheme had to do a four-year course, although it was envisaged this requirement would later be more flexible. The new system also came into being alongside the old system. There would be a 4-year transitional period during which the new system would gradually supersede the old.
- 4 **Employer obligations:** employers had to reach certain standards before they were permitted to take on apprentices. In assessing an employer's capacity to provide the specified training, FÁS took into account their ability to provide access to specified equipment and specific tools. A suitably qualified and experienced craftsman had to be available to oversee the training and work of the apprentice and there had to be a suitable

⁹⁰ The launch occurred at a carefully stage-managed event at Buswell's Hotel in Dublin, at which IBEC and the Construction Industry Federation were surprised to find themselves 'fronting' the launch: this public fêteing was calculated to give employers a sense of ownership of the new system (47, 54, 63).

person approved by FÁS to carry out the specified assessments of competence. Apprentices had to reach specified standards while being trained on-the-job by employers.

- 5 **National certification:** the end product of the new system was the award of the national craft certificate, which would become a compulsory requirement for recognition as a craftsman.⁹¹

Two pilot projects (covering 15 trades) for the system were initiated by FÁS in early 1993 and the first in-take of apprentices began in September 1993. The number of trades covered quickly rose to 25, essentially covering all the active trades. Plans to extend the system to 30 or more other occupations were flagged, but progress proved slow. The funding formula initially agreed on for the system included an apprenticeship levy (at 0.25 per cent of reckonable earnings) on employers to pay for the apprentice wage costs for the off-the-job portion of the apprenticeship, while employers also assumed all the costs (wage and training costs) of the on-the-job portion. This arrangement was legislated for in the 1994 Industry Training (Apprenticeship Levy) Act. Initially, the revenues were collected by the Revenue Commissioners and handed over to FÁS to control. However, this system proved unwieldy and was eventually replaced by a training fund, created in the 2000 National Training Fund Act, resourced through a levy equivalent to 0.7 per cent of employers' social insurance contributions.

Although the 1993/94 launch of the new system commenced with the support of both the Department of Education and the main employer organisations, opposition from employers, teacher unions, as well as from internal FÁS staff, threatened to derail the system. Employer opposition focused on the block nature of the new system, with many preferring the previous day-release system. Employers argued that this system gave them flexibility and kept apprentices connected to the rhythms of the workplace. FÁS officials took the jaundiced view that the flexibility employers sought was for the sole purpose of keeping apprentices working when convenient and to only allow their release when business was

⁹¹ The trades were overwhelmingly male, women making up less than two per cent of the total. FÁS introduced various schemes, and incentives to counter this gender imbalance, with only minor success (*The Irish Times*, July 17, 1992 and May 21, 1996).

slack (day-release systems were prone to highly spotty attendance) (63). A persistent complaint emanating from employers was that the lengthy off-the-job segments socialised apprentices in a way that made them more obstreperous, less docile employees.⁹² The major complaint however, was that FÁS was calling the shots. Peter McCabe of the Construction Industry Federation described the standards based apprenticeship system as:

It's like being in a car where you don't know the driver but you need this car. It's probably a good model but the management and organisation and FÁS's performance leave much to be desired. These are our employees but the consultative process is not in our control...We're looking for a bigger role for employers (*The Irish Times*, April 29, 1997).

Some employer organisations repudiated FÁS's leadership. The Irish Small and Medium Enterprises Association (ISME) conducted a survey amongst its members of their views on the new system and its findings concluded, 'FÁS, as presently constructed, has lost the confidence of the generality of the business community' (*The Irish Times*, June 17, 1997). This criticism was aggressively countered by FÁS.⁹³ The Small Firms Association also criticised FÁS's ability to oversee the apprenticeship system whilst also managing and co-ordinating various social employment schemes.⁹⁴ Perhaps more serious for FÁS was the stance taken by IBEC during 1996-1997 that, although the new system represented an improvement on the old, business needed to move beyond apprenticeships to a more flexible and importantly, employer-led system.⁹⁵

Within the education sector, the TUI maintained a constant attack on both the quality of, and the administrative problems afflicting, the new system, which became particularly evident as the number of apprentices grew rapidly during 1996 and 1997. Difficulties with the curricula, assessment, repeat examinations,

⁹² For example, Cyril McHugh of the Society of the Irish Motoring Industry said, 'the new system is not working out. My members are unhappy with the lengthy release and the work ethic with which the students return. There is a tempo and pace to work in the garage that has been lost.' (*Irish Times*, May 21, 1996).

⁹³ *The Irish Times*, June 17, 1997, (32, 40). Director General Lynch once described ISME as the Khmer Rouge of the business community.

⁹⁴ Pat Delaney, Assistant Director of the SFA in *The Irish Times*, April 29, 1997.

⁹⁵ Brian Geoghegan, then director of economic affairs, research and information with IBEC and FÁS Board member (*The Irish Times*, April 29, 1997).

timetabling and financing arose. In 1997, the TUI president Alice Prendergast, commenting on a TUI-commissioned report into the new apprenticeship system, argued, 'until the assessment, testing, certification and curricula are agreed nationally between FÁS and the education establishments, the goals set out in the change from time served apprenticeship to standards based apprenticeship probably won't be achieved' (*The Irish Times*, April 29, 1997). The TUI claimed that FÁS did not have the manpower to oversee the off-the-job monitoring and accused it of 'unilateralism'. FÁS rejected this criticism, pointing out that both FÁS and educational professionals had been involved in devising the system (Ibid). Moral suasion ultimately played a role. FÁS Assistant Director General for Training Henry Murdoch spoke to a TUI conference and made the case that the large number of 'qualified' craftsmen who had passed no exams was an insult to all educators and a national disgrace that the new system addressed (63).

Perhaps the most serious opposition to the implementation of the new system came from within FÁS. Training Centre managers and some Regional Directors argued that the new system was unworkable, while the charge that, ironically, the teachers of craftsmen were themselves being subject to a classic 'Taylorist'⁹⁶ speed-up, struck a nerve within FÁS. The new system did involve sweating FÁS's in-house training system: more apprentices passed through, undertaking shorter more intensive modules. These criticisms caused FÁS's leadership in 1994 to reconsider whether the new system was in fact workable (4, 47, 63).⁹⁷ However, despite initial fears amongst both FÁS leadership (51) and DEE officials (41) that there would be too few apprentices in the new system, soaring numbers attested to the success of the programme. At the inaugural conferring ceremony for the first batch of qualified apprentices in 1998, Director General Lynch commended those who had advocated for the new system pointing out that the proof of the pudding was now being devoured by the tiger economy.⁹⁸ The numbers of apprentices grew from 10,000 in 1996 to 14,000 in 1997,

⁹⁶ Derived from Frederick Taylor's 1920's theory of scientific management. This refers to the idea that through detailed time-and-motion study, productivity could be increased through ever finer specialisation, with repetitive tasks speeded up. Crucially, it removed the autonomy of the skilled craftsman.

⁹⁷ The heads of Training Centres were particularly irate. Two FÁS Regional Directors led the internal debate on the system.

⁹⁸ (47, 63).

17,000 in 1998, 21,000 in 1999, 24,000 in 2000, 25,000 in 2001, and 26,000 in 2002 (FÁS Review, 2003). Another considerable advantage to the system was that it was a particularly cost-effective way of providing such training. A 2000 National Apprenticeship Advisory Committee report showed that block 2 training was done by FÁS at only one-third of the cost of blocks 4 and 6 training, which were done by the Institutes of Technology (ITs) (*The Irish Times*, March 27, 2000). In part, this was attributed to the fact that the ITs tended always to use resources to add permanent teaching staff (51, 61) whereas FÁS pursued more flexible, soft-money means to meeting staffing needs.

4.2.2 *Standards Based Apprenticeship: a summary*

Why was this initiative successful where others failed? What was the model of governance established? This initiative was successful because of, in ascending order of importance:

- 1 Favourable economic conditions: apprenticeship costs are notoriously vulnerable in recessions. The fact that the new system was launched into the most heated phase of the economic boom helped. With labour shortages, the apprenticeships became important tools for employers to recruit high quality workers (47, 51).
- 2 Political leadership blocked opposition from employers and the education sector at both the policy development (54) and policy implementation stages (47).
- 3 The newly restructured FÁS proved an effective instrument to devise and execute policy.

The loosely coupled nature of FÁS at the centre gave considerable autonomy for the development of policy in this area to the ADG for Training Henry Murdoch (63, 64). Interestingly, this was mirrored at the political level, where not only did DEE Minister Quinn enjoy a high degree of freedom regarding this FÁS initiative as a Departmental minister, so too within the Department did Minister of State O'Rourke (47, 54). This autonomy accentuated the enormous comparative organisational advantage enjoyed by FÁS. FÁS could deliver a national system cheaply. It could sweat its own staff, greatly expanding throughput whilst barely raising fixed organisational costs. Neither the employers search for subvention nor the education sector's full services provider alternatives were

viable alternatives to the FÁS-led proposal in the eyes of the Department of Finance. In the words of one former minister, 'it was a case of doing it FÁS's way or not doing it at all' (48). The fact that FÁS's way existed certainly served to forestall higher spending alternatives.

What was the model of governance? Control by FÁS but with shared responsibility with the key stakeholders, the education sector and employers. FÁS could achieve its labour market goals because it controlled the system, but employers assumed a large share of the responsibility and cost of the new system. This leveraging effect also explains the begrudging aftermath of the initiative. By any objective standards, the new system is a great success and its two key features (namely, has the block system and the funding arrangements) have attracted much international interest (47, 59). However, FÁS's own staff was unhappy with the new, speeded-up system and employers have continued to complain the burden the system places upon them (34, 49, 63). Arising from this particular complaint and employer pressure (particularly from IBEC), the enterprise-led *Skillnets* networks were launched in 1997 in some of the newer occupational fields. Specifically designed to be less onerous on employers it has proved popular with them.⁹⁹ Significantly perhaps from the perspective of employers, *Skillnets* networks are beyond FÁS's control.

4.3. Community Employment Scheme: FÁS, community organisations and the politicians

This examination of the Community Employment Scheme seeks to address the empirical question: why was CE successfully devised and launched in 1994? The aspect of greatest interest to this overall discussion is the phenomenally rapid, mobilisation that enabled FÁS to create a reformed, 40,000-place scheme in less than one year.¹⁰⁰ This represents one of the most dramatic mobilisations of

⁹⁹ Its approach to lifelong learning has won it plaudits from the EU (*Memorandum for Lifelong Learning – Report on Irish Consultation*, 2001).

¹⁰⁰ As late as October 1993 the *National Development Plan*, reacting to the increased salience of the unemployment issue proposed a programme that would reach 30,000 after 6 years (*The Irish Times*, October 12, 1993). The commitment to a programme of 40,000 within one year came the following January (*The Irish Times*, January 27 and 28, 1994). CE was launched in May 1994 and within a year the commitment had been met.

state capacity in the recent history of the Irish state. A related empirical question: why was this initiative carried out as a labour market programme, rather than a community-development programme, will be discussed in Chapter 5. The theoretical question to be addressed is: what was the governance model employed and who controlled the new system? In answering this latter question, comparisons will be drawn with the SBA initiative.

During the 1980s, long-term unemployment posed a fundamental economic, social, fiscal and political problem for the Irish state. Although the turnaround in Irish economic performance is generally dated to 1987, rapid job growth did not occur until the latter half of the 1990s. The principal fear of the Government during this time was of 'jobless growth' coupled with hysteresis resulting in the creation of a large cohort of long-term unemployed.¹⁰¹ Mass unemployment was perceived as a social crisis in two respects. Some feared social disorder, even revolution, would arise should mass unemployment continue.¹⁰² However, even among those more sanguine about the stability of Irish society, many were concerned that the hysteresis effect would detach a whole segment of Irish society from the labour market, the work ethic and other social norms. Fiscally, long-term unemployment was a substantial burden for the Irish state because of the considerable number of long-term unemployed 'breadwinners' with large numbers of dependents and the associated costs for the state in supporting these. Politically, long-term unemployment was the main issue of the day and the live register (the official measure of the number of unemployed) was by far the most important barometer for the perceived success or failure of Irish governments.

Although the high level of unemployment was a result of various international and domestic economic factors, as a policy problem the particular issue of long-term unemployment, especially among those with few skills, was viewed by FÁS as a

¹⁰¹ Hysteresis was the concept economists devised to explain the stubbornness of long-term unemployment even after job growth resumes. Those who become unemployed soon become unemployable, and the numbers unemployed become ratcheted up regardless of cyclical economic change.

¹⁰² The cliché that 'FÁS saved Ireland from revolution' was repeated in at least 10 interviews. Prior to this emigration was the traditional safety valve during times of high unemployment in Ireland. The fact that Ireland did not encounter the kind of urban rioting that Britain was repeatedly subject to during the 1980s is judged significant in this respect.

state failure. The failure was attributed to (a) an education system that had failed youth (by not equipping them with the necessary skills and training to participate in the workforce) and generated a large functionally illiterate segment of the population (56) and (b) a social welfare system that served only to entrench the detachment of people from the world of work and undermine the work ethic (40, 55). However, neither an educational assault on the problems of illiteracy and skills deficits nor a punitive social welfare regime that would coerce the unemployed into the labour market (or at least off the live register) were serious political options. Consequently, FÁS was in a position to devise a policy separate from those pursued by the Departments of Education and Social Welfare. However, given the political and fiscal gravity of the problems, the Departments of the Taoiseach and Finance were highly significant actors whose concerns would have to be addressed in any strategy devised by FÁS – the focus of these Departments attention were respectively the live register and the costs accruing to the state from high levels of unemployment.

The FÁS paradigm was centred on labour market programming namely, providing placements for people so that they could acquire basic work habits and a higher skill level. There are differing views as to how closely FÁS adhered to its labour market paradigm in connection with CE. For some, FÁS was only ever about labour market policy (40, 61), while for others, the labour market paradigm became intertwined and ultimately fused, with social goals (10, 34). Some see FÁS as having struck a Faustian pact and, as a result, CE hijacked it: CE as 'Dr. Frankenstein's monster' (49, 59).¹⁰³ Whatever the case, the paradigm repudiated the argument that the long-term unemployed were an unemployable social problem that just had to be managed and sought instead, to undertake proactive measures to reincorporate this cadre of the population back into the workplace. It also contradicted the Keynesian idea that all that was needed was a fiscal growth stimulus. The FÁS paradigm argued that without the provision of some level of relevant training and up-skilling, many of the long term unemployed would be locked out of even a buoyant jobs market. The newly significant community and voluntary sector emerged at this point as simultaneously FÁS's biggest political

¹⁰³ One prominent FÁS figure made the argument that FÁS found it easier to sell CE to doubters in the business and think-tank sectors if it claimed that it was 'mere make-work', disguising the real labour market intent (64).

obstacle and its crucial programmatic opportunity. From a position of great weakness in 1993, the FÁS-based coalition was able to accomplish an interesting piece of political and organisational 'judo': its opponent became its key lever. Community organisations were to become the means through which FÁS delivered its preferred system of employment and training for the long-term unemployed.

The Social Employment Scheme (SES) was created by the Department of Labour in 1984, and was run by the Department rather than AnCO (it became part of FÁS in 1987). Its purpose was 'to prevent participants becoming chronically unemployed through the provision of part time work on projects identified by local communities as fulfilling a public need' (FÁS, 1990). The programme took the form of payments to sponsoring organisations, overwhelmingly public sector agencies, to cover allowances and other costs. SES lacked a significant training component (a source of on-going criticism of the programme) and it also had serious political weaknesses. Irish trade unions became very suspicious of the scheme and accused public authorities of using the scheme to displace regular (unionised) employment.¹⁰⁴ Dependence on public authorities also undermined SES's public credibility: the caricature of unsupervised SES recipients resting on shovels at public expense stuck. The quality of SES was also seen to have been a casualty of the formation of FÁS: in each of the 1987-1992 organisational changes SES was neglected (8, 42).¹⁰⁵ With the persistence of high levels of long-term unemployment during the early 1990s two particular developments contributed to the eventual demise of SES. First, in December 1991, SES was made ineligible for EU structural funding partly due to its lack of training provision (*The Irish Times*, December 11, 1991). Second, Albert Reynolds's replaced Haughey as Taoiseach in February 1992 and this led to more intensive efforts to 'get the feckin' numbers down' (8, 54). Both the SES's ineligibility for EU funding (an issue of particular concern to Finance) and the evolution of the electoral politics of unemployment in the period 1991-1994 had crucial bearings on the ultimate outcome. Initially, the Department of the Taoiseach assumed a leadership role in the initiative but ultimately FÁS's ability to devise a workable policy and to bring other sectors on board to support and implement this policy (particularly the community and voluntary sector) resulted

¹⁰⁴ *The Irish Times*, July 24, 1992 and December 1, 1993.

¹⁰⁵ Quality control declined in the 1989-1992 period (42).

in FÁS establishing CE as the primary intervention designed to address long term unemployment.

Finance's opposition to public expenditure has always been pragmatic rather than principled: it approved of high levels of spending, so long as someone else (preferably the German taxpayer) footed the bill. This predilection was important during the period from 1991 to 1994 as a quantitative leap and a qualitative shift in the nature of EU funding unfolded. The loss of eligibility for ESF funding on the part of SES was more than countered in late 1992, by Ireland's success in having IR£8 billion earmarked for its development activity for the 1994-2000 period at the December 1992 Edinburgh summit. Following from this in 1993, the then Minister for Enterprise and Employment, Ruairi Quinn, made securing EU funding for SES an immediate priority (*The Irish Times*, February 9, 1993). Finance moved swiftly to calculate the best way to maximize the Irish 'take' and concluded that the most effective way to achieve this was through the provision of training for the long-term unemployed identified.¹⁰⁶ Taoiseach Reynolds fastened on to the new 'community development' criteria for funding eligibility in June 1993 (*European Insight*, June 25, 1993). However, not only was SES beyond redemption as far as EU funding was concerned, it was becoming clear that any new scheme for the long-term unemployed would have to be substantially paid for by Finance.¹⁰⁷ It was at this point in late 1993, that Finance Minister Ahern intervened.¹⁰⁸

The pressure on Finance was the culmination of a political cycle during which the Taoiseach's office had become progressively more preoccupied with the urgency of responding to the issue of long-term unemployment with both the current (Reynolds) and former (Haughey) Taoiseach's consistently seeking action on this issue. As it became clear that the strong economic growth that had taken

¹⁰⁶ The Department of Finance had 11 consultants and the ESRI examine the implications of the IR£8 billion 'Edinburgh tip' (40). These ideas formed the basis of a 60-page strategy document that identified human resource expenditures as the best way to optimize the 'take' (*The Irish Times*, June 19, 1993).

¹⁰⁷ This was brought home in February 1994 when European Commission representative Eneko Landaburu repudiated Minister Quinn's plans to use EU funds for employment schemes (*The Irish Times*, February 21, 1994).

¹⁰⁸ The final Exchequer figure for 1993 reflected a surge in revenue derived from the first major tax amnesty (the first major fiscal dividend of the economic boom). This fiscal boost had an immediate impact on the negotiations over the next Social Partnership agreement (*The Irish Times*, January 5, 1994).

place since 1987 was not going to lower unemployment levels, and as a global and in particular British recession developed (the latter removing the emigration option that had become important again in the late 1980s), Fianna Fáil's electoral base became increasingly vocal in their calls for Government action to tackle the issue. The anxiety of the Fianna Fáil backbenchers with regard to this issue was clearly expressed through the work of the Joint Oireachtas Committee on Unemployment. The Committee's reports in July and October 1992 called for both an expansion of the (then 12,000 place) Social Employment Scheme and a 'fundamental rethink' about policy towards the unemployed.¹⁰⁹ The November 1992 General Election was fought primarily on the unemployment issue. Fianna Fáil promised to increase spending on employment schemes (*The Irish Times*, November 13, 1992). The Labour party also made substantial promises in this area in part because the Democratic Left (DL), whose manifesto included a pledge to create a 50,000 place community jobs programme, was pressing it on the left (*The Irish Times*, November 13, 1992). At this time, the DL's proposal looked extremely radical, although the final outcome was to be closer to their goal than to that of the other parties. The surprising outcome of the post-election bargaining saw Labour entering into a coalition with Fianna Fáil, largely on the basis of an economic policy of Labour's choosing. However, although the Labour Party's leader, Dick Spring became Tánaiste and his office acquired some influence over employment policy and Ruairi Quinn was restored to the renamed Department of Enterprise and Employment, the Taoiseach's office retained the initiative regarding policy toward the long-term unemployed in the form of the Community Employment Development Programme (CEDP).

4.3.1 Community Employment Development Programme and the emergence of the community and voluntary sector

The CEDP was a pilot initiative that had emerged from the 1991 PESP agreement and was designed as a targeted initiative, focused on particular unemployment black spots and with a significant

¹⁰⁹ *The Irish Times*, July 24, 1992. Frank Fahey TD was one of the leading backbench agitators on this. The October *Interim Report of the Oireachtas Committee on Employment* brought together a cross-party coalition calling for action, despite the imminence of a general election (*The Irish Times*, October 10, 1992).

training component (for example, training modules of 24 days per year were envisaged), all facilitated by training supervisors. The initiative operated out of the Taoiseach's Department and the pilot period of the scheme was regarded as successful (*The Irish Times*, December 10, 1993). Politically, the CEDP was the vehicle that brought Taoiseach Reynolds and the social partners together. It was to become especially important after the Fianna Fáil-Labour coalition had set out its Programme for Government. Reynolds called an emergency meeting with the social partners in September 1992 in response to news that the unemployment figures had almost reached the 300,000 threshold.¹¹⁰ FÁS participated in National Consultative Committee meetings (which monitored the partnership programme) and through these meetings it made the Taoiseach's office and the social partners aware that it could rapidly expand an employment scheme, if asked (12). But it was not clear if FÁS would be asked. The Department of Finance's October 1993 *National Development Plan* included a proposal to expand some version of SES to 30, 000 places over a six-year period but there was no guarantee that this would be a FÁS programme.

The creation in 1993 of the National Economic and Social Forum (NESF) and the establishment of the Taskforce on Long-Term Unemployment created other potential vehicles for policy change and, furthermore, ones which enjoyed considerable support within both the Taoiseach's and Táiniste's offices (see Chapter 4 for more). A November 1993 meeting of the NESF witnessed the emergence of a powerful new coalition of voluntary sector groups and elements of the political left. Both the NESF and the CEDP threatened FÁS's position. NESF's more radical agenda would have marginalised FÁS in what would have become a major 'community development' initiative (32, 51, 61). The development of the CEDP and the direction taken by the Taoiseach's office with regard to its implementation and development might have gone one of several ways. In early December 1993, a major budget reallocation was announced by Finance, in which a substantial part of FÁS's budget (approximately £58 million) was reallocated to the Taoiseach's office for CEDP (*The Irish Times*, January 5, 1994). However, in January 1994, FÁS readdressed the situation and achieved a sudden success

¹¹⁰ The 300, 000 unemployment threshold (equivalent to almost 20 per cent of the labour force) was crossed in February 1993, amidst much concern that it would shortly reach 400,000 (*The Irish Times*, August 8, 1992 and February 9, 1993).

arising from Finance's calculations for the 1994 budget and the final deliberations over the February 1994 social partnership agreement. Finance found itself in the position of having funds available for a major expansion of employment schemes, but also faced with the prospect of a much more costly community development initiative. FÁS was ready and able to launch a major new scheme that would subsume SES and CEDP. In a budget announcement on January 26 1994, Finance Minister Ahern said funding would be provided to FÁS to start a Community Employment scheme in March/April with the intention of creating a 40,000 place scheme within a year (*The Irish Times*, January 27, 1994). The next day, Minister Quinn suggested that the number of places created might well exceed 40,000 (*The Irish Times*, January 28 1994). This abrupt announcement put FÁS's capacity to create and develop such a scheme to the test and immediately placed the onus on FÁS to devise a workable scheme and have it up and running in four months (it was formally launched May 23, 1994). It is important to note that the February 1994 *Programme for Competitiveness and Work* not only ratified this budgetary decision, it made clear that the new scheme was to be primarily a labour market scheme and only secondarily a community development/social employment scheme:

Action to meet the challenge. Will have two components: sustainable employment and enterprise, based on market-led growth and community-based work, with work experience and training to enable the unemployed, especially the long-term unemployed, to have improved access to sustainable employment and enterprise *and a particular opportunity to develop the areas in which they live* (Section 1.5).

The development of the skills and aptitudes of persons entering the labour market for the first time, of those at work and of those seeking employment is a key element in ensuring Ireland's future prosperity and continuing competitiveness. Active labour market interventions by Government in the form of training and employment opportunities, particularly for the marginalised and disadvantaged, *are also an important instrument in promoting social cohesion* (Section 1.108). **(Emphasis added by author to stress the secondary nature of social goal in sections 1.5 and 1.108).**

Community development and promoting social cohesion are the happy by-products of a labour market strategy, not its central purpose. Variations on this formulation have been a constant feature of the FÁS paradigm during the period from 1988 to 2004. Despite its prominence in the debate the community development lobby did not achieve a breakthrough in these negotiations. The one concession to their demands was the approval of a pilot project at 'rate for the job' to be run by Conference of Religious of Ireland (CORI).¹¹¹ Although CORI welcomed the project, the larger political defeat was acknowledged (*The Irish Times*, January 27, 1994).

4.3.2 *Creation of the Community Employment Scheme*

Whereas the SBA initiative enjoyed a long gestation period, the creation and implementation of the Community Employment (CE) scheme occurred very rapidly. The task of devising the scheme was largely left to the Director of FÁS's Programme Development department, Tom Costelloe, and the DEE's Rody Molloy.¹¹² FÁS's loosely coupled structure facilitated a good deal of autonomy for these actors once they adhered to the aggregate features of the scheme set out by the Taoiseach, Finance, and Minister Quinn namely, a national 40,000 place programme, which extended well beyond the black spots of CEDP (43). Most of FÁS's leadership 'didn't know what it was getting itself into' (34). The ideas about quality in CE were largely internal to FÁS namely, the insertion of 'real' training modules in all placements and the need for an intensive system of supervisors to oversee training and personal development. Unlike earlier employment programmes (and despite Finance's concern about costs), CE was developed as a programme that would employ supervisors to ensure the delivery of a good quality training and employment programme on projects that were largely sponsored by the community sector (eventually, 80 per cent of CE placements would be with the voluntary sector, the rest mainly with public

¹¹¹ Mentioned in the last line of *Programme for Competitiveness and Work* (section 1.146). This pilot project was to be 'rate for the job' (with trainees paid the prevailing wage for the type of work being done rather than an allowance) and would be run by CORI, under Fr. Sean Healy. CORI and INOU also objected to the term 'scheme' as they were looking for something that suggested a sustained programme, not a temporary intervention. (61).

¹¹² Tom Costello was a YEA veteran as were most of the personnel within the Programme Development department.

agencies). High calibre supervisors were regarded as key to the success of the programme and salary and conditions for supervisors were accordingly attractive: supervisors were not seen as a cheap way to deliver the scheme (34, 50). However, supervisors were to be employees of sponsoring organisations, not FÁS employees. FÁS wanted to control the scheme and insert its goals into the scheme but leave sponsors with the legal responsibility for these FÁS agents (33, 50): FÁS as ‘cuckoo’ rather than octopus in this instance. Although the word was not used, ‘progression’ into jobs in the open labour market was viewed as the goal.

Although devising the new scheme was a significant challenge, the greatest challenge faced was that of actually getting the scheme off the ground, as this called for a prodigious harnessing of community-based sponsors.¹¹³ Voluntary sector actors such as CORI and Irish National Organisation of the Unemployed (INOUE) were important in the policy debate about CE, but it is noteworthy that the bulk of the voluntary and community sector (whom FÁS saw as potential sponsors) were not motivated by employment agendas. Rather, they had their own organisational goals which they wanted to achieve. This widely disparate group included organisations that wanted to provide services that ranged from theatre for Glenamaddy, through to narrow-gauge railway for Fintown. The minority of groups within the sector that were focused on employment issues were the voices most likely to be suspicious or critical of FÁS. However, these elements were trampled by the opportunistic majority of groups that saw in the sudden availability of FÁS funding the opportunity to accomplish not only their own social purposes but also an opportunity to build and professionalise their own organisations (37). A third group of sponsoring organisations and individuals is also worth mentioning, those created by FÁS. FÁS played a pro-active role in searching out, cultivating and training activists. This mobilisation was particularly important in the most deprived areas where local civic activism was often missing (12, 36).¹¹⁴

Therefore, although the community and voluntary sector were either opposed or indifferent to FÁS’s goals, FÁS was able to

¹¹³ A potential well understood by FÁS leadership (40).

¹¹⁴ Very often these activists were persons alienated from ‘the system’ (12). FÁS cultivated activists by for example, creating courses and diplomas in community work.

mobilise the sector to realise CE. For the community and voluntary sector, the 1994-1995 period was something akin to the Oklahoma land rush:

In the early days they were throwing money at communities, there wasn't even an application process let alone evaluation. FÁS had to run to catch up with itself (33).

A wide range of community groups won access to substantial funding. A large cohort of unemployed or semi-employed community activists found themselves recruited as supervisors. Thousands of long-term unemployed people sought and found placements: CE from the outset proved to be remarkably popular with participants, vital given its voluntary nature. Finally, large numbers of people benefited from the new services provided. Even FÁS's harshest critics within the voluntary sector and beyond acknowledge the prodigious logistical feat which it achieved in getting CE up and running in such a short period of time (30, 33, 36, 41, 56). FÁS not only 'delivered' CE, but it also found itself with an enormous political constituency. Politicians were acutely aware of the importance of CE, particularly as they were ever more frequently approached by constituents seeking assistance in gaining access to a place on the scheme (12, 40). The partisan complexion of governments did not matter in this regard: all politicians had CE schemes in their constituencies (8, 40).¹¹⁵

In short, the key to CE's success lay in the way it:

- 1 Mobilised community organisations as sponsors.
- 2 Ran the system through supervisors who nominally worked for sponsors but who effectively worked for FÁS (50).

The CE scheme galvanised a cohort of community activists who, though operating outside the framework of the political parties, were able to exploit the responsive, clientelistic nature of Irish local and national politics to secure the resources necessary to develop a sustained response to mass unemployment, and other social problems. FÁS's leveraging capacity did not undermine its ability to control policy. Shortly after the launch of the scheme, FÁS began to

¹¹⁵ The rural/urban divide made some difference, as rural communities were perceived to be disproportionately assisted by CE – the Galway/Mayo region being perceived as 'especially blessed' (8, 40).

insinuate its labour market goals into the scheme. Although supervisor training first began in 1994, it wasn't until 1996 that FÁS began to rigorously enforce training goals (30, 33). After the 'wild west' phase of expansion, community organisations began to chafe at FÁS's 'autocratic' and 'top-down' methods in dealing with sponsors and supervisors – a number of interviewees noted that a feeling existed amongst the sponsoring organisations that it was 'FÁS's way or the highway' (30, 33). Supervisor burnout similarly became an issue, and fed unionisation efforts among the supervisors.¹¹⁶ Eventually, both supervisors and sponsors came to see themselves as exploited by FÁS. Sponsors resented being deflected from their original purposes into becoming training organisations. Supervisors resented the legal fiction that they were not FÁS employees when all aspects of their work, pay and conditions seemed to be determined by FÁS. In collective bargaining meetings between FÁS and supervisors, FÁS officials always began by reciting the mantra that 'we are not your employers' (35). Yet wage rises and other changes in conditions were announced direct to supervisors, sponsors often being the last to know (36). One leading community sector actor summed up the predicament as follows 'we have a love-hate relationship with FÁS, but FÁS is all we've got. We prostituted ourselves for the money and FÁS uses us for its own purposes' (36).

Cronyism was a factor in deciding who received places on some CE schemes. One voluntary sector actor noted 'you would lose your trainees at election times, they were all off working for Fianna Fáil' (36). Nevertheless, EU auditing requirements were followed closely and EU auditors considered CE particularly 'clean'. That there were few profits being made through CE schemes goes some way towards explaining this (5, 45). CE was extensively reviewed and analysed by FÁS and others.¹¹⁷ Although periodic evaluations of CE by external consultants and a great deal of academic research suggested that CE was not progressing clients into the open labour market, there has been belated recognition that CE has had a big impact on the hard core of 'work poor households,' where Ireland has moved from being a very poor performer to a good one (Russell

¹¹⁶ By IMPACT and SIPTU. Unionisation efforts accelerated in subsequent years when the issue of 'cuts' to the CE scheme came on the agenda (35).

¹¹⁷ See for example: DICP & SWA (1995), ESRI (1997), FÁS (1990) FÁS (1995a), FÁS (1996), FÁS (1995b). ESF PEU (1996).

et al, 2004). Whether this is true or not, politicians were extremely dismissive of 'expertise' and work conducted by academic researchers, and they were inclined to ignore their assessment of FÁS (40, 48, 53, 54).

Table 2. Community Employment and Standards-Based Apprenticeship: a summary table

<i>Case</i>	<i>Standards Based Apprenticeship</i>	<i>Community Employment Scheme</i>
Policy problem	<ul style="list-style-type: none"> • Poor/uneven quality of time-served apprenticeships 	<ul style="list-style-type: none"> • Long term unemployment crisis
Source of problem	<ul style="list-style-type: none"> • Employer myopia and education inertia 	<ul style="list-style-type: none"> • Jobless growth/hysteresis
Source of Initiative	<ul style="list-style-type: none"> • Social partnership (ICTU/Duffy) 	<ul style="list-style-type: none"> • FÁS /DEE
Key documents	<ul style="list-style-type: none"> • 1991 Programme for Economic and Social Progress 	<ul style="list-style-type: none"> • Jan 1993 FF-Lab Programme for Government • January 1994 budget announcement
Key proposal	<ul style="list-style-type: none"> • 7-stage system, part employer-financed, off-the-job modules split with Education, end-certified. 	<ul style="list-style-type: none"> • National, 40,000-place scheme, based on voluntary sector sponsors, run by FÁS-controlled supervisors
Policy coalitions	<ul style="list-style-type: none"> • FÁS interventionists • Educationists (full service providers) • Cost-shy employers 	<ul style="list-style-type: none"> • Labour market programming • High spend community development (NESF)

<i>Case</i>	<i>Standards Based Apprenticeship</i>	<i>Community Employment Scheme</i>
Decision points	<ul style="list-style-type: none"> • 1991 social partnership agreement • Spring 1993 meetings with employers 	<ul style="list-style-type: none"> • January 1994 budget • February 1994 partnership agreement
Decisive factor	<ul style="list-style-type: none"> • Social partners and Ministers jointly 'lock-in' employer responsibility 	<ul style="list-style-type: none"> • FÁS's delivery capacity, mobilisation of voluntary sector sponsors
Result	<ul style="list-style-type: none"> • SBA system launched September 1993 	<ul style="list-style-type: none"> • CE launched April 1994

4.4 Conclusion: FÁS and governance

The CE and SBA initiatives were substantial, innovative policy breakthroughs accomplished thanks to a favourable political alignment that translated into a dominant advocacy coalition at the sub-system level. The creation of CE as a large, broadly-focused programme, mobilising/leveraging large numbers of sponsors and employing a supervisory staff to provide placements, gave FÁS control over the most significant elements of the scheme, but left sponsors with responsibility for the employment of staff, staff working conditions, et cetera. The creation of SBA as a comprehensive, modular, employer-centred programme with joint instructional arrangements with the RTCs meant FÁS had predominant control but shared responsibility for the programme. FÁS's organisational structure, the 'octopus', helped give rise to these outcomes. But what really sustained them was the form of governance that emerged. This governance model had an important consequence, namely, it accentuated FÁS's usefulness as a policy tool for the Irish state.

In addition to the short and long term financial attractiveness of FÁS programmes over other alternatives, FÁS was liked by Finance and Brussels for its ability to animate societal actors such as voluntary organisations (as project sponsors) and employers. FÁS was able to share financial, legal, and political responsibility with its

institutional clients, effectively maximising its returns for a minimum level of input and funding. For these reasons, 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.

The post-1987 consensus had a general 'freezing' effect on policy innovation. Although social partnership removed the threat of industrial action and encouraged dialogue among the social partners, the need for consensus meant that all actors retained important veto powers. Radical policy ideas, whether neo-liberal (workfare, privatisation, welfare state retrenchment) or social democratic (egalitarian educational policies, public sector employment growth) in the fields of social welfare and education were marginalised and 'beyond the pale' (35). In this environment FÁS became adept at policy innovation and creating viable solutions to policy problems. The suitability of FÁS as an implement to address problems was less relevant than the fact that it became perceived as the only implement the Irish State had to hand. This led to it being used for a wide variety of purposes: from funding the arts to addressing drug and psychiatric problems in Irish society, particularly through the Community Employment programme. In addition, it proved a very cheap way of addressing these needs, although this was an unintended consequence rather than a deliberate strategy (59).

Challenges to the FÁS model: advocacy coalitions and the politics of labour market policy

*FÁS is the worst way to administer government policy,
apart from all the other ways*

Business leader, 2004 (34).

5.1 Rival paradigms and structural reform

This chapter looks at the ideological and political struggles associated with active labour market policy, the advocacy coalitions that clashed over policy and considers how the FÁS-based coalition that prevailed differed from opposing coalitions – namely a distinctly social democratic coalition and a neo-liberal one. Each of these rivals advocated not only for a radical policy change but also structural reform that would have effectively dismantled FÁS. The social democratic rival emerged first in connection with the Task Force on Long Term Unemployment. The neo-liberal model emerged later in connection with the 1997 White Paper *Human Resource Development*. What made these contending coalitions so important was that they each posed an alternative to FÁS not only in terms of substantive policy but also in terms of structural reform of the institutions designed to develop and implement active labour market policy. That both unfolded during the 1994-1997 Rainbow government is also significant.

5.2 Taskforce on Long Term Unemployment

The FÁS-based advocacy coalition, as it evolved out of AnCO in the late 1980s and early 1990s, revolved around a labour market programming paradigm that sought to (a) address mass long-term unemployment through a greatly enlarged temporary employment programme, with a significant training dimension run by FÁS-controlled supervisors for projects sponsored by community

organisations¹¹⁸ and (b) address skills shortages through apprenticeship and training programmes run through its employer clients. This coalition received strong backing in the 1993 Fianna Fáil-Labour Programme for Government. However, given the saliency of the unemployment issue at the time, a rival coalition emerged with a much more radical agenda combining a social democratic high-spend approach to job creation with a community development paradigm advocated by the community and voluntary sector, together with political support from the Democratic Left party and a portion of the Labour party. This latter coalition grew around the NESF and attached itself to the Taskforce on Long Term Unemployment created by the government in response to the NESF. This community development advocacy coalition sought:

- (a) A much larger, permanent programme.
- (b) A new institutional network, a 'bottom-up' employment service.
- (c) 'Community development' driven policy rather than policy driven by a labour market programming ethos.

FÁS's primary programme (CE), its organisation, and its paradigm were thus all called into question by this new rival coalition. A struggle between these two coalitions ensued, ultimately won by the labour market programming group led by Ministers Quinn and O'Rourke. Finance opposed the community development model not so much because of short term cost considerations but because of the fear that without a labour market focus, programmes would quickly cease to be short-term and temporary and would involve the exchequer supporting public sector employment and the development of sheltered employment for a permanent clientele. Some of the Taskforce's proposals were adopted, albeit in a much watered down form, but even these had withered by the end of the 1994-1997 Fine Gael/Labour/Democratic Left 'Rainbow' coalition. FÁS's paradigm, organisation and programmes survived intact.

The NESF was established with the strong support of both the Taoiseach's and Tánaiste's offices and was the institutional fulcrum around which the radical new coalition emerged to address the issue of unemployment, and other issues. Heretofore fringe actors such as

¹¹⁸ The lines 'FÁS is a labour market organisation not a community development organisation' were repeated by FÁS leadership throughout its history (6, 49, 51).

the INOU and the Democratic Left quickly became centrally important to the debate. A November 1993 meeting of the NESF witnessed the flowering of this new coalition as a paradigmatic entity (41), in which voluntary sector groups such as CORI and INOU coalesced with the DL and elements of the Labour party. Paradigmatically, the NESF had a rather explicit social democratic ideology, although the language used was that of community development (48). It developed a house philosophy (best expressed in its publication of a series of reports) that centered on the need to create a more caring and equal society. The core component of its philosophy was the tackling of social exclusion in order to ensure a more equitable society.¹¹⁹ Within this paradigm, considerable emphasis was placed on state failure (with FÁS regarded as a part of this failure), which the NESF paradigm believed had resulted in the creation of training schemes that were either a useless substitute for an ineffective education policy or the completely wrong-headed pursuit of 'training without jobs'. INOU and CORI were advocates of this approach. INOU was both a guardian against coercion of the unemployed and a key policy actor in its 'long march through the institutions' (Allen, 1998: 27). INOU had advocated, long before the 1989 general election, for the creation of a National Forum on Unemployment (Allen, 1998: 64). Through a combination of canny leadership¹²⁰ and a highly well organised political strategy (they sought to lobby all political parties not just left wing parties), INOU and CORI were able to galvanise large parts of the political system.¹²¹

In June 1994, the NESF released a report on long-term unemployment, which set out a new vision for labour market and social policy. Largely inspired by the voluntary sector, it demanded the establishment of a client-based system external to FÁS and a local employment service that would be a vehicle for local activists (this latter recommendation had been a core policy goal of INOU

¹¹⁹ Social exclusion refers to the structures and processes that exclude persons and groups from full participation in society

¹²⁰ Mike Allen, head of INOU, and Fr. Sean Healy, head of CORI, were universally regarded as astute 'players' (40, 61, 62, 64). Both were forceful actors on the NESF and driving forces behind the 1994 Report.

¹²¹ INOU courted both Fine Gael and the Progressive Democrats (PDs), the latter ultimately advocating for the inclusion of the voluntary sector as a pillar of social partnership. Fine Gael was the first party to support INOU's call for a national 'Forum'. Both the Workers Party and the PD's then supported this, though it was the Fianna Fáil Labour coalition that created the Forum. CORI was seen as having a particular influence over Fianna Fáil.

since the late 1980s). Instead of FÁS mobilising activists, the NESF believed that the activists would mobilise the new local employment service. This report was perceived as an immediate threat to FÁS (whose leadership also took this view), not least because it proposed that a quarter of all FÁS staff be transferred to the new service (10, 22). In addition to being an institutional threat to FÁS, the report constituted a fundamental political challenge to the government. The conventional response would have been a White Paper addressing the issue from the Department of Enterprise and Employment (DEE). DEE officials wanted a White Paper, as they had their own agenda, some of which would dovetail with that set out by the NESF.¹²² A White Paper from the Department would, most likely, have looked at the issue of substantial institutional reform (see Section 5.3). However, FÁS and the DEE Minister of State, Mary O'Rourke wanted to avoid this. After mooting the possibility of a White Paper in June 1994,¹²³ the Minister of State successfully advocated for the creation of a less formal Task Force, agreed to at a Cabinet meeting in July, at which the Ahern (Finance) – Quinn (DEE) axis vigorously defended FÁS and criticised the NESF.¹²⁴ This was largely a tactical manoeuvre designed to marginalise DEE officials and at the same time, give CE a chance to get off the ground (40). Although the Taskforce was charged with assessing the NESF report and making recommendations regarding both FÁS programming and the FÁS organisation, FÁS did have the opportunity to defend its interests on the Taskforce.¹²⁵

In September 1994, the Taskforce on Long Term Unemployment was announced and included representatives from the DEE (Rody Molloy), Social Welfare, the Department of the Taoiseach (Dermot McCarthy), Finance, Education and the Environment, as well as FÁS (Gerry Pyke) and was chaired by Julie O'Neill from the Tánaiste's office. From the perspective of the government representatives, the O'Neill/McCarthy axis was crucial. Representatives from the voluntary sector also sat on the Taskforce. Indeed, some would argue

¹²² DEE officials wanted to get policy back under the control of the Labour Market Division of the Department (41, 54).

¹²³ In answer to criticism of FÁS on a Dáil committee (*Irish Times*, June 22, 1994).

¹²⁴ *Irish Times*, July 19, 1994 (and 48).

¹²⁵ Which it did in the person of Gerry Pyke, Secretary to the FÁS Board, a member of the Taskforce. He is widely credited within FÁS for successfully defending FÁS's interests (32, 51, 55).

that the Taskforce was 'stacked' in favour of the NESF coalition (61). INOU commented 'the fact that the new Task Force will include 6 representatives from local groups, who are involved in community-based job placement services, is a significant step in the right direction' (*The Irish Times*, September 22, 1994). However, the launch of CE in April/May 1994 had pre-empted the NESF group from making a major programmatic initiative: the January 1994 deal would have to be given time to function. As a result, the work of the Taskforce first focused on the institutional aspects of the NESF Report's recommendations, with programmatic deliberations delayed. The Taskforce had been charged with producing an interim report by December 1994 and a final report by October 1995. In its Interim Report (published February 1995), the Taskforce chose to focus on institutional changes, leaving programmatic issues to be addressed in the final report. The former report set out the case for a Local Employment Service (LES) albeit a more modest version of the system suggested by the NESF. This was a structural change, but its effects on FÁS were much more minimal. This plan was implemented over the next few years with LES offices established in 12 (later 25) partnership areas, but was regarded by actors inside and outside FÁS as an unsuccessful initiative – conforming to a pattern whereby labour market initiatives launched outside FÁS tend to wither (10, 51, 61). Begun as an effort to dismember FÁS, the LES ended up being folded back into it in March 2000.

The final report of the Taskforce (published in December 1995) addressed the more fundamental, programmatic issues. The delay in bringing these proposals forward had given FÁS the necessary time to get CE up and running, and the scheme was at its most 'community-friendly' stage (39). The success of the launch and the rapid expansion of early CE schemes served to take much of the heat out of this issue. However, the Taskforce report did pose a fundamental challenge in the form of a key recommendation that CE effectively be 'tiered', with some portions of it continuing to exist as currently structured, oriented towards temporary training for people who could be easily progressed into the open labour market (with a suggested allocation of 27,000 places to this tier). However, in addition, there would be three other tiers of CE (approximately 21,000 places) that would effectively become long-term, or permanent sheltered employment for those least likely to secure employment in the open labour market. The Taskforce's 'central thesis... is that even if it is possible to achieve a

[high] level of performance on the jobs front, it is unlikely to have a significant impact on the hard core problem of long term unemployment without special interventions to address the specific needs of this group' (1995: 11). The three central recommendations of the Taskforce were thus:

- (a) Build the LES
- (b) Improve CE training
- (c) Create sheltered employment for the long-term unemployed.

Key demands made by INOU and CORI were also included. CORI's Job Opportunities Pilot Programme was supported and another pilot recommended, to be operated by the LES.¹²⁶ The short-term implications of these recommendations were modest, but the proposed tiering of CE represented a paradigm-breaking departure and a fiscal 'time bomb' in the form of a large number of permanent public sector employees. Regarding the sheltered employment proposal, paradigmatically the most radical idea, the most significant intervention came from the Department of Finance:

It is tempting to create jobs on CE schemes for long term unemployed people who have no other obvious chance of working again. Looking after the playing fields of a school or doing maintenance work on a community centre would give them meaningful and socially useful employment. But what happens four or five years down the road, when the school groundsman or community centre maintenance worker realises that someone is doing exactly the same job in another school or another community centre down the road, and being paid 'real' wages for it. The answer is simple. The scheme worker concerned will go to his or her union and slap in a parity claim. By 2000, such a community job creation scheme could be costing the taxpayer well over £1 billion a year. As one source close to the task force put it, 'we might as well have done with it and say we're creating 70,000 new, low paid public sector jobs'. This scenario terrifies the Department of Finance. Governments would be faced with the alternatives of plunging the public finances back into crisis or throwing thousands of scheme workers back on the dole.¹²⁷

¹²⁶ These pilots eventually became the small public employment scheme.

¹²⁷ Department of Finance official cited anonymously in *Irish Times*, December 7, 1995.

Finance Minister Ruairi Quinn squashed this proposal in the January 1996 budget.¹²⁸ Finance, staring into what it saw as a fiscal abyss, realised, not for the last time, that FÁS's approach to this issue was cheap and retractable. There was some dissention within the Rainbow Coalition – most notably, the DL was very unhappy with the outcome and with comments made by Tánaiste Spring about the final report being the government's 'last word' on policy in this area (*The Irish Times*, January 22, 1996). The voluntary sector and the NESF still hankered after a more permanent system but by 1996 the Government's commitment to FÁS and the FÁS approach to tackling these issues had clearly prevailed.¹²⁹ Fianna Fáil's January 1996 policy document *Pathways to Work*, and O'Rourke's public comments on this report, indicated that Fianna Fáil were not going to try to outflank the government on this (*The Irish Times*, January 28, 1996).

In summary, the conflict was fought between the NESF and FÁS coalitions. The NESF advocacy coalition consisted of CORI, INOU, the Democratic Left, and the Taoiseach and Tánaiste's offices. But this social democratic coalition did not have a number of key players on its side notably ICTU, the most powerful part of the Labour party, and the 'left' wing of Fianna Fáil, each of whom were part of the FÁS coalition. INOU was at odds with ICTU over organisational issues, particularly those relating to organising the unemployed and organising CE supervisors. FÁS's coalition had ICTU at its heart, with a more tepid IBEC in support – the latter was at this time at odds with both the Chambers of Commerce of Ireland and ISME (34, 35). The addition of the Department of Finance, together with leading politicians and those parts of the voluntary sector who were CE sponsors but not focused on employment goals, made for a formidable coalition.

It is worth noting that these coalitions were indigenously Irish in terms of their inspiration (41, 63). This is dissimilar to what occurred in the UK, where US models were explicitly drawn upon as models for labour market policies by both the pre-1997 Conservative

¹²⁸ *The Irish Times*, January 24, 1996. Quinn's actions are seen as stemming from his institutional role as Finance Minister rather than his political sympathy for FÁS (61, 64).

¹²⁹ A NESF Report in May 1996 acknowledged its defeat (*The Irish Times*, May 8, 1996).

¹³⁰ For example, Stratton's 'Boston' model was used in the 1980s to create the Training and Enterprise Council system (Boyle, 2003) and the San Bernardino/Riverside model, which has found favour with the current Labour government (Boyle and Roy, 2003).

governments and the subsequent Labour government.¹³⁰ Very little of substance in Irish active labour market policy from 1992 to the present has been derived from foreign models. It is particularly notable that neo-liberal models did not gain a predominant position within Irish policy in this area, in contrast with other countries.

5.3 *Human Resource Development White Paper (1997)*

The fall of the Fianna Fáil-Labour coalition and its replacement by the Rainbow coalition in December 1994 did not have much of an impact on the course of the initiatives connected with the Task Force on Long Term Unemployment. The change from Ahern to Quinn as Finance minister simply switched one FÁS ally for another, and their attitude towards the NESF and the Task Force was very similar. However, the change in Ministers at DEE from Quinn to Richard Bruton did have major consequences for FÁS, regarding both policy and policymaking. Regarding policy, Bruton had, while in opposition, been a vocal critic of FÁS programming and had also become sympathetic to a growing chorus of opposition to FÁS programming from employers (44, 56). Regarding policymaking, Bruton sought to reverse the pattern of FÁS dominating the DEE and sought to work with Departmental officials in crafting a new policy. Bruton's sympathies with earlier critiques not just of FÁS but of Irish policymaking in general, expressed most pointedly in the Culliton Report, was also an important factor (56). Against this background, the fusion of programmatic and institutional change laid out in the 1997 White Paper *Human Resource Development* that emerged from the DEE during Bruton's time as Minister, made it the most radical set of proposals for active labour market policy to emerge during the entire 1987 to 2004 period. Whereas the programmatic and institutional reforms that grew out of the Task Force initiative became separated, those in the *Human Resource Development* initiative were kept in what was, for FÁS, a dangerous tandem. The White Paper combined a series of policy proposals (many of which have since been brought about incrementally) with major structural reform of institutions, especially FÁS. The structural changes were argued to be essential in order for the programmatic recommendations to be workable.

The White Paper drew on three distinct sources of criticism of FÁS including expert and/or consultant opinion on the effectiveness of FÁS programmes but also, more generally, of its

overall programmatic approach; criticism from employers in relation to the apprenticeship system and services to business; and criticism of its independence from Departmental control. This list of FÁS's critics is not exhaustive. It is crucial to note that while there were many other actors critical of FÁS, such as those evident in the aforementioned Taskforce initiative, they did not coalesce with these latter sources, in fact they ultimately allied with FÁS.

At the beginning of 1996, academic and expert opinion about the effectiveness of current Irish active labour market policy began to shift.

In a growing body of research, economists have compared groups of unemployed people who enter government training schemes with similar groups who do not. In almost every case, these studies have found that the schemes have failed to improve either the earnings or the employment prospects of their clients (*Economist*, April 6, 1996).

OECD research tended to support this thesis. In Ireland, two principle sources of criticism of FÁS's approach began to emerge: research by the Economic and Social Research Institute (ESRI) and the reports of consultants hired to assess FÁS programming. ESRI researchers determined that although certain sorts of targeted interventions were effective, the programming that FÁS focused most of its energies on, in particular CE, were the least effective (O'Connell and McGinnity, 1997a; O'Connell and McGinnity, 1997b). The Department of Finance also commissioned the ESRI to evaluate FÁS programming in connection with the Community Support Frameworks and these reports served to reinforce the arguments put forward by a number of the ESRI researchers (ESRI, 2001). There were four main sources of consultants reports on active labour market policy: Deloitte and Touche (see for example, Deloitte and Touche with Murphy, 1998); Indecon International Economic Consultants (see Indecon, 2002); DKM Associates (see DKM, 1995), and Fitzpatrick and Associates (see Fitzpatrick and Associates, 1995 and 1997).¹³¹ The Deloitte and Touche and Indecon reports were the most damning of CE and FÁS programming more broadly. There is lively debate over the relative merits of the different measures used to assess the programmes, but the core issue concerns whether

¹³¹ The former two consultancy firms were those preferred by the Department, the latter two were those preferred by FÁS.

progression (i.e. the number of FÁS participants progressing into the labour market) data are the most important to focus on in analysing the outcomes of FÁS CE programmes.

Beyond the world of econometric analysts, reports by academic economists and researchers 'were routinely dismissed' by FÁS leadership (8, 40), community organisations (30, 33, 35, 36) and government ministers (48, 53, 54). Two main types of criticism were laid against the consultants' analyses of the progression data. First, regarding CE, sponsors initially had no interest in progression – on the contrary they wanted to keep their best CE workers. As sponsors came to be judged by their progression records, these incentives changed and sponsors became focused on progression (33, 36). Second, the client base for CE changed dramatically since it first began and after 2000 was composed of a cohort of long-term unemployed whom it was felt would never progress into the broader labour market. The difference between 'experts' and politicians and community groups clearly pointed to the existence of different epistemic communities¹³² in which academic expertise was distrusted by a large number of policy actors who understood how the world worked in a different way.¹³³

Leaving aside the battles over data and data analysis, the paradigmatic influence over the *Human Resource Development* White Paper was not the rhetorical neo-liberalism of the new right but the triangulating¹³⁴ neo-liberalism of Bill Clinton and, especially, Tony Blair. Bruton was much enamoured of the Small Business Administration model in the US for enterprise-led intervention (51). DEE officials were much influenced by the current British Labour government's¹³⁵ thinking on this issue and were especially prone to borrowing code words for more vigorous enforcement of client

¹³² This refers to the idea that many of the groups involved in this area followed different epistemologies i.e. they had different ways of achieving understanding of particular issues.

¹³³ This is not to say that FÁS was not actively engaged in rigorous policy analysis. It was, and much of what it produces is widely respected by other researchers (for example the Quarterly Labour Market Commentary and the Labour Market Review, as well as sectoral and forecasting analyses). Rather, it is that the political support FÁS enjoyed was not dependent on this research.

¹³⁴ The political strategy of casting a progressive agenda as equidistant from the new right and the old social democratic/liberal left.

¹³⁵ In the area of active labour market policy this involved both an emphasis on the duties of benefit recipients and an individualised approach to addressing skill needs.

obligations such as 'robustness' and 'conditionality' (code words for a connection between work and social welfare benefits), while 'targeting'; and 'early interventions' were cited by Department officials as UK influenced euphemisms for a harsher regime (41, 44, 45). The *Human Resource Development* paradigm fuses a Blairite neo-liberalism originating within the DEE, which drew heavily on expert analysis of policy, together with an employer call for employer-centered and employer-led active labour market policy. It was not, however, a backdoor route to workfare. The paradigm represented a modified and heavily coded form of Irish neo-liberalism: a 'new economy' approach that viewed training as a vehicle through which Irish firms could become more strategic, thinking organisations (50). This approach was often connected with ideas about lifelong learning and transforming the way Irish firms functioned.

Although this human resource agenda was not at the forefront of employer concerns during this period, there were three types of employer criticisms of FÁS that did gain traction. First, employers who were encountering shortages of low skilled workers were becoming increasingly irate. These employers perceived CE as a policy that served only to distort the labour market. The most vituperative such attacks came from the ISME. During the mid 1990s, ISME attacked CE workers as 'FÁS course junkies' and 'social misfits'¹³⁶ and openly regarded FÁS as a hindrance to enterprise. This employer criticism resonated at the DEE where the 'Killybegs fish-gutting' anecdote (employers short of labour whilst nearby CE crafts projects bulged at the seams) was oft repeated (15, 18, 20). The second sort of employer complaint was in connection with the SBA initiative: the 'onerous' requirements on employers and the cultivation of out-dated attitudes in apprentices. Although IBEC and the Irish Construction Federation expressed these concerns, the Chambers of Commerce of Ireland and the Institute for Personnel and Development were the most forthright (11, 34), complaining in particular about how little FÁS spent on in-firm training relative to training the unemployed, and a general organisational 'shambles'.¹³⁷ However, although griping was a more or less

¹³⁶ *The Irish Times*, March 6, 1997, June 20 1997 and November 15 1998. ISME President (Frank Mulcahy) traded insults with FÁS DG Lynch and INOU.

¹³⁷ The 1995 IPD conference witnessed the first concerted employer assault on FÁS, attacking CE and the 'services to industry' division of FÁS (*The Irish Times*, May 12, 1995 and May 30, 1995).

permanent feature of employer interaction with FÁS this opposition was usually tempered. IBEC was always ambivalent because of its role in social partnership and its seats on the FÁS Board (49). Its leaders were regarded as non-ideological 'bottom-line joes' by FÁS leadership (40). Furthermore, IBEC's stance on the *Human Resource Development White Paper* was not altogether clear.¹³⁸ Overall, although unhappy with certain aspects of FÁS's operation and programmes, employer organisations still perceived it as the best of a bad lot: 'FÁS is the worst way to administer government policy, apart from all the other ways' (34).

Officials at the DEE, at least at the Assistant Secretary level, struggled for several years to assert control over FÁS. Previous efforts largely revolved around Departmental attempts to control FÁS's budgets (45) partly because the DEE did not have the capacity to analyse FÁS and its activities – 'there was simply no analytic framework [at the DEE] to assess what FÁS was doing' (56, also 22 and 45). Two policymaking initiatives were developed within the DEE in 1995-1996. First, officials within the DEE Enterprise Division developed a strategy paper *Growing and Sharing our Employment* (1996), hatching the idea for a one-stop shop business assistance model and these ideas were to have long-term implications for FÁS. However, the initiative of more immediate concern was the *Human Resource Development White Paper*. The systematic exclusion of FÁS from the gestation of this initiative was significant. Although both Minister Bruton and the DEE officials drafting the White Paper were suspicious of FÁS from the outset, the decision to exclude FÁS from the deliberations leading up to *Human Resource Development* stemmed from a meeting between Bruton and the FÁS Board in 1994 at which the Minister was heavily criticised by the Board.¹³⁹ The Minister viewed FÁS as being motivated by narrow administrative and political agendas (41, 56, reviewer).

¹³⁸ IBEC was cited in the press and by some sources as being supportive of Bruton's proposals (54 and *The Irish Times*, April 20, 1997) but others claim IBEC's support was at best tepid (61).

¹³⁹ (51, 61). There are differing recollections about this point. Some argue that Bruton was determined to exclude FÁS in order to get 'fresh thinking' (41), but the approach taken by the FÁS executive and Board leadership settled the issue in any case.

5.3.1 *Advocacy coalitions and the White Paper*

The coalitional politics at this time revolved around three advocacy alignments: the community development model coalition (NESF, the voluntary sector, parts of the Labour Party and Democratic Left); the labour market programming coalition (FÁS, most unions, elements of Labour: Ruairi Quinn, and Fianna Fáil: Mary O'Rourke); and the client-centred intervention coalition (DEE, Richard Bruton, ESRI/research, most business groups). The fact that the first and third of these coalitions never themselves coalesced (despite sharing several concerns regarding FÁS) was important.

The White Paper had an unexpectedly long gestation period (41, 45, 50, 56) and when published in May 1997 proved to be a large, analytical document.¹⁴⁰ Its opening comment noted that 'a policy framework for human resource development into the 21st century' requires a move from 'The old approach based on programme-led interventions [to a] new emphasis on achieving objective-driven solutions to the real, and changing, needs of our people and businesses' (p.11). Its concluding comment is that the Irish State, having invested heavily in labour market interventions has 'a bounden obligation to make sure that its activities are effective and are delivered efficiently. It must develop more and better critical tools to effectively monitor and evaluate those activities, to ensure that the goals it has set itself are being attained, to root out inefficiencies, develop new work practices and enhance its professionalism' (p. 150). In between these comments, both of which were construed as attacks on FÁS, the White Paper covered the whole spectrum of activities within the remit of the DEE in relation to active labour market measures. Much of the White Paper dealt with measures to assist the unemployed but it also emphasised the importance of policy to promote skills development in businesses. It argued that there was a clear need for increased investment in the amount of training undertaken by enterprises and that small businesses in Ireland should be helped to overcome the skill barriers to development. It also saw a need to improve the level of management training and development. At an institutional level, the White Paper argued that the training for industry activities of FÁS should be transferred to Forbairt (the State's industrial development body for Irish industry) and that state training supports for industry should be placed in the context of other

¹⁴⁰ Critics dismissed it as a 'PhD thesis', the product of a 'wonkathon' (40, 50).

programmes to assist the overall development of industry. Forbairt was seen as the most appropriate home for this type of training as it operates by encouraging companies to develop company development plans and provides grants to support companies' implementation of these. The White Paper argued that training supports should be integrated with these other grants.

Although many of the particular recommendations made in the White Paper were not objectionable to FÁS, the proposals to effectively dismember FÁS, and its general tone, set up a major confrontation with the FÁS coalition. When news of its proposals leaked out in February 1997, union representatives on the FÁS Board and the FÁS Director General Lynch signalled their immense displeasure, both publicly and to their political allies.¹⁴¹ Although IBEC, and even the INOU, originally signalled some support for the document,¹⁴² this was soon reversed (Allen, 1998: 204, 61). The delayed release¹⁴³ of the document was its undoing as, with an election approaching, FÁS's allies in the cabinet, especially Ruairi Quinn, were able to exercise a 'pocket veto',¹⁴⁴ neither accepting nor rejecting the document, in effect consigning it to post-election limbo. Had the Rainbow government been re-elected, the White Paper might have been revisited, as it was the election of a Fianna Fáil led government resolved this political problem. In-firm training was eventually moved to Enterprise Ireland and several other proposals that surfaced in the White Paper were subsequently adopted. However, the grand strategy of transforming Irish business practice by transforming training by dismembering FÁS was quietly abandoned, despite the formidable array of DEE officials, employers and policy experts that had supported it.

¹⁴¹ *The Irish Times*, February 27 and 28, March 6 and April 20 1997. Board member Kevin Duffy and Chair Christy Kirwan complained about the lack of consultation. The comment by John Lynch that 'I haven't seen the White Paper. I haven't asked for it. It hasn't been discussed with me, nor should it as it is a policy document of the government' signalled something other than a concern with constitutional protocol.

¹⁴² *The Irish Times*, April 20 regarding IBEC, February 28 regarding INOU.

¹⁴³ Active labour market policy was effectively stalled for two years – one casualty of this was the Expert Group on Future Skill Needs, which was only convened after the 1997 election, despite being first called for two years earlier (28).

¹⁴⁴ Allowing the initiative to die by running out of time rather than formally vetoing it (40, 48, 61).

Table 3: Task Force on Long Term Unemployment and Human Resource Development: summary table

<i>Case</i>	<i>Task Force on Long Term Unemployment</i>	<i>1997 White Paper Human Resource Development</i>
Policy Problem	<ul style="list-style-type: none"> • Long term unemployment crisis 	<ul style="list-style-type: none"> • Skills shortages, hysteresis AND structural flaws within FÁS
Source of Problem	<ul style="list-style-type: none"> • Training without jobs 	<ul style="list-style-type: none"> • Lack of robust activation measures
Source of Initiative	<ul style="list-style-type: none"> • National Economic and Social Forum (voluntary servants sector, offices of Taoiseach/Táiniste) 	<ul style="list-style-type: none"> • DEE Minister/Civil
Key Documents	<ul style="list-style-type: none"> • June 1994 NESF unemployment Report 	<ul style="list-style-type: none"> • 1997 White Paper <i>Human Resource Development</i>
Key Proposal	<ul style="list-style-type: none"> • Community-led, client-based programme, located outside of FÁS. 	<ul style="list-style-type: none"> • Client-centred programmatic reform, requiring dismemberment of FÁS.
Policy coalitions	<ul style="list-style-type: none"> • High spend community development. • Labour market programming. • Anti make-work. 	<ul style="list-style-type: none"> • Community development • Labour market programming • Client (employer)-centred intervention
Decision points	<ul style="list-style-type: none"> • Feb 1995 Interim Task Force report. • December 1995 Final Report • January 1996 budget 	<ul style="list-style-type: none"> • 1994 Minister clashes with FÁS board • 1996 DEE crafting policy • May 1997 cabinet meeting

<i>Case</i>	<i>Task Force on Long Term Unemployment</i>	<i>1997 White Paper Human Resource Development</i>
Decisive Factor	<ul style="list-style-type: none"> • Growth of CE pre-empted Task Force 	<ul style="list-style-type: none"> • Weakness of DEE policymaking and a 'pocket veto'
Result	<ul style="list-style-type: none"> • Structural change abandoned – except for creation of LES 	<ul style="list-style-type: none"> • Structural change abandoned – except in-firm training assigned to Enterprise Ireland

5.4 Conclusion

The FÁS-based labour market programming advocacy coalition was not only challenged from the left but also from the right in the mid 1990s. As CE attracted heavy criticism for failing to progress people into jobs and for deadweight (that is, funding the creation of jobs that would have been created in any case) and substitution (scheme placements replacing 'real' jobs) effects, it was also criticised for being insufficiently connected to the labour market and being too provider-centred (focused on organisations providing places) rather than client-centred (focused on the people being placed). Although FÁS programmes received mixed reviews from economists and academic researchers, it nevertheless remained in a politically strong position. The leadership of FÁS felt insulated from pressure by critics because, with over 3,500 community projects receiving FÁS support at any time, there was a massive constituency of support. There were only three occasions when FÁS leadership felt it necessary to mobilise this constituency to counter critics: once when a hostile newspaper article argued FÁS spending was wasteful, twice when budget cuts were mooted. On all three occasions a modest mobilisation of support generated overwhelming backing to see off the criticism (7); such flexing was highly effective in the mid 1990s.¹⁴⁵

¹⁴⁵ Pressure on politicians and sometimes letter writing to newspapers was sufficient (7, 8). Part of the defence of CE was that social disruption was likely if nothing was done. The other argument was that FÁS had to help people up the skills ladder

Clientelism is often considered the root of all that is evil in Irish politics. The literature on clientelism usually views it as a pre-modern system that revolves around patrons who control clients. But with regard to FÁS programming, it is striking how the clients shaped (and continue to shape) the views of patrons. The evidence that politicians cite is largely drawn from their constituency service caseload rather than a reading of academic analysis of progression data, Irish politicians are arguably more fluent in 'anecdote' than 'regression'.¹⁴⁶ The client-centred [employer] intervention advocacy coalition, which drew on support from academic think tanks, such as the ESRI, business interests and elements within the civil service and the Fine Gael party, made a series of proposals, including proposals to detach programmes for the unemployed from regular training and align the former with social welfare. However these proposals were successfully resisted. One disadvantage that this coalition had was that it was seen as a 'Thatcherite' solution to which there was a widespread aversion in Ireland (41, 48). As the expert evidence about the ineffectiveness of these policies mounted, Irish active labour market policy underwent its largest expansion. By the late 1990s, there were over 40,000 persons per year employed on CE and 27,000 involved in the Standards-Based Apprenticeship scheme. As the jobs boom took off, CE's clientele changed from the long-term unemployed to incorporate a larger proportion of more marginalised groups such as lone parents, older people and persons with disabilities. The numbers on the scheme remained high however, and despite the retrenchment attempted by the 1997-2004 government, there remained in excess of 20,000 persons on the programme annually in 2003 and 2004. In effect, rival paradigms were buried¹⁴⁷ and their principal achievements – the LES and Enterprise Ireland – were minor. FÁS and its programmes had proved politically and administratively durable. That durability now faced a radically changed economic and political environment: the end of mass unemployment and the entry of the Progressive Democrats into government.

¹⁴⁶ Irish clientelism is a self-abasing sort, according to Collins and O'Shea (2003) in which clients view patrons as being beholden to them, not vice versa.

¹⁴⁷ In the Krushchevian sense of being endured and survived.

The Swiss Army Knife and its legacy: FÁS after mass unemployment 1997-2005

My approach is to look at the challenges from a zero base.

Tánaiste Harney in letter to the FÁS Board June 6, 2001.

If, in 1997, one were to have tried to identify the key factors that had given rise to FÁS's hegemonic paradigm, its organisational form and the extent of its programmatic activities, five particular factors would have stood out:

- 1 Mass unemployment, particularly long-term unemployment.
- 2 Social partnership, both at national level and within the FÁS Board.
- 3 The Fianna Fáil – Labour Party political axis.
- 4 EU funding.
- 5 A cadre of institutional entrepreneurs: Lynch, Bonner, Kirwan and Duffy.

In the 1997-2004 period, each of the above factors either disappeared or became severely attenuated. The extraordinary jobs boom replaced mass unemployment with severe labour shortages as a generation of people viewed by many as unemployable found their way into the labour market (and with FÁS now involved in the administration of a large work visa system for non-EU immigrants). Since the days of fiscal and social crisis, social partnership has, in the view of most observers, atrophied: it continues, not least in the area of wage regulation, but even its champions perceive a dramatic reduction in its capacity to initiate policy change.¹⁴⁸ The 1982-1997 era in which either Quinn or Ahern served as the Minister of either Labour or Finance gave way to a new era which saw Mary Harney as the Minister of Enterprise, Trade and Employment and Charlie McCreevy as the Minister of Finance. Although Ireland retained access to EU structural funding, the level of funding was

¹⁴⁸ Boucher (forthcoming 2005), O'Donnell and Thomas (2002) and interview 43.

significantly reduced and played a relatively minor role in planning and development. Finally, the 'Berlin-leaning' Lynch-Quinn-Bonner-Kirwan axis, gave way to an alignment of political personalities that would appear to be decidedly 'Bostonian': Harney-Haran-Geoghegan-Molloy.¹⁴⁹

With the end of mass unemployment was not FÁS's *raison d'être* gone? With its political, fiscal and ideological base having been undermined was it not doomed? The March of Dimes organisational dilemma (what happens to an organisation after its central purpose has been accomplished) suggests that organisations can find fresh purposes. Furthermore, institutions designed by one set of political elites may well suit the different purposes of succeeding elites. But in the case of FÁS, it had developed powerful opponents, including the left wing coalition that had grown around the Taskforce on Long Term Unemployment and the neo-liberal coalition that grew around the *Human Resource Development White Paper*. Among FÁS's own client base, there was deep-seated animosity towards it from the community organisations involved in CE and the employers involved in SBA. Academic and consultants reports continually criticised FÁS's programmes and employer organisations chafed at its control over training. Yet, were either FÁS or CE folded? Not only was FÁS not folded, its paradigm was reaffirmed and its organisation was enhanced and given the opportunity to undergo an internally driven restructuring. Not only did CE did not wither away, in fact – relative to the number of long-term unemployed – it remained a large programme and was increasingly asked to address an even larger array of policy problems. These outcomes are the result of a series of intended and unintended outcomes resulting from the way FÁS and its programmes developed in its first decade. The established trajectory, particular to the Irish case, has shaped the options and tools available to subsequent decision makers.

¹⁴⁹ John Lynch was a former DG of FÁS, Ruairi Quinn was intimately involved in FÁS's development, Kevin Bonner was General Secretary at the Department of Labour/ETE 1990-1997 and was seen as 'left-leaning' (45, 51), Christy Kirwan was chairman of the Board of FÁS 1991-1997 and an ICTU leader. Mary Harney is the most articulate neo-liberal rhetorician in Irish politics. She appointed Brian Geoghegan chair of the FÁS Board in 2000. Roddy Molloy was appointed Director General in 2000. Paul Haran was Secretary General at DETE 1997-2004. He had previously had PD affiliations, serving as a policy advisor to former PD leader Des O'Malley.

This chapter will first examine the organisational and paradigmatic directions FÁS took in the 1997-2000 period, the subsequent reorganisation and the impact of Mary Harney as the DETE Minister. It will then look at the impact of political and institutional changes on the programmatic direction of CE. The major theoretical question posed in this chapter is how constrained is policymaking in one period (1997-2005) by the legacy of policy established in an earlier period (1987-1997).

6.1 FÁS's triple by-pass, 1997-2000

Although the 1997 election result ended a five-year period in which the Labour party anchored Irish governments and began a period in which the Progressive Democrats provided the anchor, there was initially no major substantial policy departure in active labour market policy. Labour and the Democratic Left had gone into the 1997 election committed to a large expansion of CE,¹⁵⁰ but with that commitment now off the agenda the transition was uneventful, for three reasons. First, despite the fact that the transformation of the labour market was well underway by 1997, a lag in elite and popular perceptions was evident and the implications of full employment did not become fully clear until 1999: FÁS was at first perceived to an important ongoing contribution to make through the CE and SBA schemes. Second, the in-coming DETE Minister (and Tánaiste) Mary Harney was seen as initially focusing more on the 'trade and enterprise' rather than the 'employment' side of her brief. The fact that she never communicated any sort of agenda to FÁS leadership during the first four years in office is striking testimony to this (40, 41, 51).¹⁵¹ Third, the demise of the *Human Resource Development* White Paper and its proposals left both DETE officials and Ministers chastened as to the wisdom of 'big bang' efforts to reform FÁS.¹⁵² The result was that the sleeping octopus

¹⁵⁰ Civil servants had drawn up plans for a 65, 000 person scheme (59).

¹⁵¹ This was a puzzle to civil servants who sought to stiffen her resolve first by showing her a copy of a 'Blairite' speech by Quinn in which he said that youth should not be allowed the option of unemployment (46). The wording of the Employment chapter of the 1997 Amsterdam treaty was also cited to her as providing considerable 'cover' for a more 'robust' agenda (41). FÁS officials were less concerned that 'Harney never told us her agenda' (51).

¹⁵² FÁS itself undertook a minor internal reorganisation in 1997, the *Programme for Change* (FÁS; 1997) (46, 47).

was let lie. No major initiatives involving FÁS occurred¹⁵³ and while there were three other initiatives, they by-passed FÁS, or involved FÁS only as a peripheral actor.

The long gestation and subsequent stillbirth of the *Human Resource Development* White Paper arguably inhibited the development of policy ideas by players in higher education, employers and DETE officials respectively. Emerging policy ideas from these particular sectors now saw the development of proposals leading to (a) the Expert Group on Future Skill Needs (EGFSN), (b) Skillnets, and (c) Enterprise Ireland. Each drew on elements of the *Human Resource Development* and *Growing and Sharing Our Employment* White Papers, but developed as discrete initiatives. Concerns relating to a skills shortage had existed since 1993 and were voiced by a number of different bodies. Immediately following the 1997 election, Minister Harney established an interim group to examine this issue chaired by Prof. Frances Ruane (Trinity College Dublin) – later this same year, the group's report was presented by Forfás to the Tánaiste.¹⁵⁴ Building on this, the Tánaiste established the Expert Group on Future Skills Needs (EGFSN) in February 1998 – this was chaired by businessman Chris Horn and included representatives from DETE (Seamus O'Morain), FÁS (Roger Fox) and Prof. Ruane.¹⁵⁵ The EGFSN met from February to June 1998, following which it presented its report – a key recommendation of this was the creation of an additional 5,400 tertiary and other technician places to address the skills shortage (Forfás, 1998). A Steering Committee was set up to follow up on the recommendations of the group.¹⁵⁶

FÁS's main institutional goal was to prevent Forfás from

¹⁵³ The Jobs Initiative (in 1997, a small, full-time scheme) and the Social Enterprise Programme (SEP), launched July 1999, was a programme to encourage the creation of small business, it was carved out of CE at the behest of Tánaiste Harney but little loved by FÁS (36, 39), were two relatively minor initiatives carried out within FÁS.

¹⁵⁴ Recommending provision for needs in graduate-level software, technicians and language training for telesales (*The Irish Times*, October 24, 1997).

¹⁵⁵ Gerry Pyke was FÁS's designated representative on the Interim Group, while Roger Fox represented it on the EGFSN (17, 32, 61). The FÁS research department had done much of the background research on which the group deliberated.

¹⁵⁶ Implementation was delayed by prevarication from Finance, but was eventually carried out in early 1999 (*The Irish Times*, April 20, 1999).

becoming the primary policymaking agency (32, 61).¹⁵⁷ Programmatically, FÁS's main goal was to focus on shortages at the technician rather than degree-level. FÁS was highly sceptical about much of the alleged skills shortages, particularly in telesales and IT technicians, and believed other actors on the EGFSN were overly responsive to employer 'whining' and to educational institutions intent on adding staff lines (26, 32). FÁS leadership believed that employers saw the EGFSN as an opportunity for a shakedown and that although FÁS was wise to such things, others were not (51).¹⁵⁸ Regarding the programmatic dimension, some heed was given to technician-related issues, but the initiative largely resulted in higher education institutions, particularly the ITs, acquiring enhanced capacity (that is, more permanent faculty to handle increased throughput). These developments are significant because the ITs followed a mission/paradigm remarkably similar to that pursued by FÁS, one that was characterised by proactive and speculative policy. That FÁS was a marginal actor in an initiative articulating its proactive, speculative paradigm was significant as was the fact that its National Training Advisory Committee was folded into the Expert Group in 2000 (44).¹⁵⁹ A larger institutional factor was that the ITs represented an agile competitor for FÁS. To some extent they were a functional equivalent to FÁS for the upper third of the labour market, providing cost-effective production of qualified workers in growing sectors important for foreign direct investment (Wickham and Boucher, 2004).¹⁶⁰ Whereas FÁS was not able to compete with

¹⁵⁷ Forfás was founded in 1994 (as part of a reorganisation of the IDA) as an advisory agency for DETE and Irish development agencies. Forfás carried much weight within DETE but FÁS wanted to retain its policy advice role with regard to labour market policy.

¹⁵⁸ Comments from interviewees number 32 and 51. However, other actors on the EGFSN dispute this (28).

¹⁵⁹ This removed a FÁS-controlled committee that had been a source of influential policy advice since its founding. The National Apprenticeship Advisory Committee (NAAC) was established in 1991 on a non-statutory basis to advise the board of FÁS. After being folded into the expert group in 2000, it was reestablished by the board of FÁS, with expanded terms of reference in 2002 (Department of the Taoiseach 2002 Archive at: <http://www.taoiseach.gov.ie/>).

¹⁶⁰ Recent research by Wickham and Boucher (2004) on the technological sector of higher education in Ireland notes the growth of the regional ITs: by the 1990s these institutions were enrolling as many students as the traditional universities. The ITs were also particularly adept at turning out sub-degree level graduates with modular one and two year courses with Certificates, Diplomas and other

the IT's in areas of degree or sub-degree level academic qualifications, it was much better able to compete with them in relation to the apprenticeship system. In early 2000, a report by the National Apprenticeship Advisory Committee attacked the ITs for their failure to respond to skill needs.¹⁶¹ The *Skillnets* initiative was flagged in earlier White Papers and was favourably regarded by DETE officials, however the scheme was championed by employer organisations (particularly IBEC and the Chambers of Commerce of Ireland) (34, 63). Their strong preference for an employer-led initiative that avoided 'FÁS bureaucracy', which in this instance was a euphemism for union-based controls and restrictions, meant that the initiative was launched outside of FÁS (34).¹⁶² *Skillnets* was set up as a private company (funded by DETE but lacking any statutory basis) to sponsor networks of employers who would come together to address skill shortages affecting the network. The presence of union representatives on its board and the involvement of employer organisations that also worked with FÁS meant that the initiative was not really hostile to FÁS's interests rather, it again spoke to a certain marginalisation. *Skillnets* quickly became important for domestic, non-traded services (44) and most actors involved with it view it as a success.¹⁶³

Although the EGFSN and *Skillnets* initiatives occurred in a manner that largely sidelined FÁS, it was the creation of Enterprise Ireland (EI) and the loss of part of its in-firm training function to EI that really rankled (rankles) within FÁS. The creation of EI was the only major initiative of the 1997 White Paper that was actually

¹⁶⁰ *contd.* qualifications forming a large part of their activities – three quarters of all IT qualifications are sub-degree level. Qualifications could be tailored to meet labour market needs and the costs of producing such third level education were relatively low: the average duration of third level education in Ireland was two-thirds that of the OECD average, largely because of the ITs.

¹⁶¹ *The Irish Times*, March 27, 2000. The NAAC report noted that FÁS's costs in providing apprenticeship training were a third of those of the ITs.

¹⁶² 'Breaking the FÁS monopoly' was viewed as a desirable goal by some members of the FÁS Board involved in *Skillnets*, one viewing it as a potential model for FÁS that that would move the organisation away from the training centre model (49) it currently followed. There was also an element of 'venue shopping' by IBEC that is, going elsewhere in order to get something off the ground outside FÁS that they would not have been able to get off the ground within it.

¹⁶³ Skillnets Board members regard it a great (34, 49) or fair (63) success. Critics don't foresee it surviving the first recession the Irish economy will meet (64).

implemented and in aggregate terms, its establishment was seen as a small price to pay for effectively burying the rest of its proposals.¹⁶⁴ Furthermore, the loss of its in-firm training role to Forbairt/Enterprise Ireland was compensated by the incorporation of the LES and the National Rehabilitation Board under FÁS control.¹⁶⁵ The creation of EI and the idea of a one-stop shop for enterprises looking to invest were attractive and a strategic priority for the Government (since reversed however in the 2004 strategy document *Industrial Enterprise Policy*).¹⁶⁶ The 1998 Industrial Development (Enterprise Ireland) Act created Enterprise Ireland through the amalgamation of Forbairt, the Irish Trade Board and the in-company training section of FÁS.¹⁶⁷ However, the fact that EI poached many FÁS staff in order to carry out its in-firm training mission gave rise to a degree of inter-agency feuding between the bodies.¹⁶⁸ This feud has been channelled into ongoing competition between the agencies, with FÁS being somewhat gleeful that EI has persistently encountered under spend problems with its training budget (under spend is not a term usually associated with FÁS).¹⁶⁹ Whereas the EGFSN initiative was a more-or-less traditional joust with the full service provider model followed by the Department of

¹⁶⁴ FÁS did not complain too loudly (44, 51) the most vociferous complaints came from the Trade Board (who were folded into EI)

¹⁶⁵ *The Irish Times*, May 3, 1997. The final transfer of the LES and NRB was not completed until March 2000 (*Dail Eireann Written Answers from the Tánaiste* Vol. 510 November 4 1999). This was viewed as retrospective recognition of the folly of taking initiatives outside FÁS. Similar returns are anticipated regarding EI training and *Skillnets* (49, 50). Among actors who have worked with FÁS, EI and *Skillnets* there is a view that FÁS 'gets things done and gets its budgets spent' in a way that other entities responsible for training cannot.

¹⁶⁶ In-firm training had been subject to numerous studies during this period see for example, Fox (1998), Tansey (1998), Barrett and O Connell (1998).

¹⁶⁷ Forbairt, IDA Ireland and Forfás had originally been created in July 1993, in a plan at odds with the Culliton-Moriarty proposals (*The Irish Times*, September 1, 1992) – also at this time, a new division was created within FÁS to promote training for those in work (DEE, 1993).

¹⁶⁸ 'Enterprise Ireland cherry-picked 22 of our best training advisors, it was an exercise in asset stripping' (32). See also *The Irish Times*, January 21, 1998.

¹⁶⁹ In the current Human Resources Operational Programme, both EI and the Department of Education and Science report substantial under spend (34). There is great deal of frustration expressed by employers in relation to the functioning of EI – 'Whatever you say about FÁS they don't let things wither on the vine' (34). Supporters of EI argue that EI is 'choosy': 'FÁS is a money spending organisation, we set a high bar for supporting firms' (44).

Education and Science (and with the ITs clearly having the edge in sub-degree third-level provision) and the *Skillnets* initiative was viewed by some as a substantial pilot that would eventually return to the FÁS orbit (9, 50 – although this is disputed by others – 63), the creation of Enterprise Ireland posed a more substantial challenge to the FÁS paradigm and FÁS as an organisation: the doomsday scenario of being reduced to ‘CE plus loose change’ loomed. The newly created Enterprise Ireland had a specific business assistance paradigm that FÁS had always steered clear of and which it was accused of not prioritising (e.g. through the provision of in-company training) – the creation of Enterprise Ireland was seen as the price to be paid for this shortcoming (44).

In addition to the post-1997 domestic political agenda, it is important to consider the impact of the European Union on developments. Four three-year cycles would seem to be significant here. The 1994 Essen Process (an early version of the open method of coordination) and the Employment Chapter of the 1997 Amsterdam Treaty both developed the idea of a European-wide employment strategy, although one that was still largely focused on long-term unemployment. Although the predominant influence was still Rhenish (i.e. Norbert Blum-style social partnership), the Amsterdam Treaty provided some important ‘couching’ for Tánaiste Harney that was geared toward a more robust intervention (41).¹⁷⁰ However, with the 2000 Lisbon process, a more expansive vision of a European Employment Strategy emerged, characterised by a strong emphasis on the activation of the short-term unemployed: a preventative approach that necessarily involved early intervention with those who begin claiming passive social welfare benefits. However, although the stated line is that ‘Irish labour market policy does not exist in isolation, our National Employment Action Programme reflects the European Employment Strategy (EES),’¹⁷¹ Irish policy actors repeatedly assert that the EES does not drive Irish policy: ‘the EES has not been an impetus to policy, it’s just couching’ (20, 41, 59). The only instances in which the EU was a factor in terms of initiating policy concerned gender

¹⁷⁰ Strident neo-liberal rhetoric was not politically acceptable. The Amsterdam Treaty and the EES provided more acceptable euphemisms for some such policy.

¹⁷¹ Sean O’Gorman, Assistant Secretary at DETE, speaking at the FÁS Conference November 27, 2003. Taoiseach Ahern always cites the EES and the Lisbon Agenda when he talks about employment (27).

equality in the early 1990s and the early activation idea in the late 1990s. In 2003, even couching seems to have evaporated as Tánaiste Harney treated communications from the Directorate General for Employment and Social Affairs and Commission President Prodi with little short of scorn.¹⁷² DETE officials made one last effort to get FÁS on board in the area of labour market policy through a proposed enterprise-led training strategy coordinated with EI in early 2000. At this time, a presentation was made to the FÁS Board by DETE making the case for both enterprise training and lifelong learning and addressed the distribution of funds created by the National Training Fund.¹⁷³ The FÁS Board rebuffed the proposal (44, 51). It is interesting to note that whilst DETE officials and FÁS leadership continued to clash, the Tánaiste remained on the sidelines (44).

6.2 Regime change, strategy and reorganisation

By 2000, the question of FÁS's future was on the agenda. Elite and public opinion about the Celtic Tiger had now swung from disbelief to hubris as full employment and labour shortages (rather than just skills shortages) developed.¹⁷⁴ This coincided with a change in leadership at FÁS as Lynch resigned as Director General, and a new Board and Board Chair, Brian Geoghegan, were appointed in 2000/2001. John Lynch announced his resignation in May 2000 and was succeeded by Roddy Molloy later the same year. Both the FÁS paradigm and its organisational composition were in question during this transition. In response, FÁS initiated a process that saw the development of a Statement of Strategy that reaffirmed the established paradigm and a reorganisation that changed many of the organisational features of the 'octopus'. However, what is most significant is that this process, which was precipitated by Tánaiste Harney, was entirely internally driven. Although the outcomes were

¹⁷² Such as Frank Siebert's *Employment in Europe 2003* (Brussels, Directorate General for Employment and Social Affairs) and the Sapir Report, *Agenda for a Growing Europe*, (European Commission, 2003) produced for Commission President Prodi. It would appear that most of what was reported in connection with the Lisbon agenda (particularly those elements that did not recognise the superiority of the US model) received little significant attention by the DETE and its Minister at the time (24, 25, 26).

¹⁷³ A Task force on Lifelong Learning was created by the DETE in early 2000.

¹⁷⁴ A report by Tansey (1998) was the first to state that the problem was no longer skills shortages but rather, labour shortages.

significantly different from the 1991-1992 restructuring, FÁS was permitted, as it had been then, to address through an internal reorganisation what it might well have been forced to do by an externally driven dismemberment.

The trigger to these changes was a letter sent to the newly appointed FÁS Board in June 2001 by Tánaiste Harney in which she set out an agenda for FÁS.¹⁷⁵ Although this agenda was couched in (to FÁS) a different terminology it did not reflect the kind of robust neo-liberal rhetoric the Tánaiste is renowned for.¹⁷⁶ Its fundamental theme was that the changed labour market situation, including the significantly shrunken CE clientele base, offered FÁS the opportunity to reorient itself as an organisation. To some extent this could be seen as an offer to FÁS to reinvent itself by devouring its own progeny, CE: programmatic cannibalisation in order to accomplish organisational renaissance. This invitation was seized with alacrity by FÁS. Significantly however, this changed the relationship that existed between FÁS and CE: from viewing CE as a key political strength, FÁS began to view it as an embarrassing liability.

Paradigmatically the letter states:

I believe that FÁS's longer-term mission should be to increase the quantity and quality of human resources to meet the needs of the economy by mobilising all available sources and by enhancing the skills and employability of individuals (and **thus promoting social inclusion**).¹⁷⁷ (*author's emphasis*)

Regarding FÁS's organisation and programmes the crux is:

the lack of fit between the labour market challenges and the activities of FÁS give rise to a number of issues which I would like the new FÁS strategy to address. **My approach is to look at the challenges from a 'zero base'**. The current wide

¹⁷⁵ This letter was delivered June 6 2001, the day before the Board were to become involved in the strategic review.

¹⁷⁶ Although some actors in active labour market policy view Mary Harney as a neo-liberal ideological zealot (21, 22), others see her as cautious (4, 64) and others as being little interested in policy (as opposed to politics) (56).

¹⁷⁷ Earlier in the letter the formulation adopted was 'Continuous up-skilling of people both in and seeking employment will have to become the norm. I also believe that tackling labour shortages and increasing skill levels is not just an economic challenge – it also presents us with a social opportunity to tackle long term unemployment and disadvantage'.

range of objectives, activities, programmes and client groups which have been built up incrementally only tend to lead to confusion about what the aims and strategy should be (*author's emphasis*).

In terms of the existing active labour market paradigm, the letter stated nothing that Patrick Hillery, the 1985 NESC report or anyone at FÁS could fundamentally disagree with, and the FÁS Statement of Strategy duly replicates it (preferring a 'thereby' to a 'thus' and removing the parentheses):

To increase the employability, skills and mobility of jobseekers and employees to meet labour market needs, **thereby promoting** competitiveness and **social inclusion** (FÁS 2002-2005 *Statement of Strategy* mission statement). (*author's emphasis*).

However, zero basing was an institutional impossibility.

The new leadership at FÁS formalised a mission statement that lay squarely in the tradition of Irish active labour market policy since the AnCO period.¹⁷⁸ However, addressing the challenges alluded to in the Tánaiste's letter was a more complicated task. The new leadership perceived a two-fold challenge. First, the political support once enjoyed by FÁS had been corroded, both amongst elected politicians and state officials (21, 22). FÁS's administrative and delivery capabilities were still appreciated (especially relative to other departments and agencies) but its political support had increasingly come to depend on CE. The CE political constituency, once seen as crucial to FÁS (12, 40) was now viewed somewhat differently (21, 49, 50). FÁS needed to distance itself from CE and reposition itself as an authoritative actor regarding all aspects of labour market policy. Second, FÁS was perceived to be organisationally incoherent and disjointed. This required two changes: a restoration of central control (becoming more tightly coupled regarding both functions and regions); and the introduction of a different managerial structure: a matrix management system, enabling FÁS to become a 'networked, learning organisation' (21, 46). Some of this reflected thinking within DETE about the need to move from training the unemployed

¹⁷⁸ A proactive labour market purpose: not services to business, community development, democratising education, or lifelong learning.

to persuading firms to become more strategic and training oriented. The argument advanced by some within DETE was that policy needed to get away from 'doling out money' to a more holistic approach (41, 50). However, doling out money was something FÁS was very effective at.

In November 2000, Director General Molloy outlined his vision for the organisation. As he was anxious to achieve the twin goals of developing a strategy document and achieving a reorganisation, four principal sets of stakeholders had to buy into the process namely the executive leadership, particularly the Assistant Directors General; mid-level staff at headquarters; the Board; and the Regions. Inclusivity and involvement were watchwords, the hope being that out of an inclusive process a common vision would emerge (46, 50). The process was in contrast to the previous regime in which ADG's and Regions enjoyed a substantial degree of autonomy but were always subordinate to the Director General and in which the Board was more passive.¹⁷⁹ Internal consultation workshops (fifty) took place during April/May 2001 with mid-level staff certainly buying into the process, and improved staff morale being widely reported in 2001-2003 (1, 15, 26, 32).¹⁸⁰ The goal of getting the ADG's and the Board to develop a common set of ideas about the direction of the organisation was achieved in a series of meetings during May-June 2001 (49, 50). The Regional Directors were a different matter as it became clear that their power and autonomy would be severely curtailed in the new regime. An organisational development unit drafted the strategy statement, which was discussed in strategy meetings during June 2001 (17). The full Board was presented with the statement in September and after further deliberations (that included some outside groups) it was approved at a November 2001 Board meeting. What is striking about the creation of the strategy statement and the reorganisation that followed from it is how esoteric the process was. Apart from the Tánaiste's letter in June 2001 and a brief window in October 2001

¹⁷⁹ All actors do not share these characterisations. However, the new executive and Board leadership strongly assert that engaging the Board in the internal reorganisation and in policy issues was the intent of the reorganisation (49, 50).

¹⁸⁰ More recently, low morale has been reported within FÁS. An internal 'climate survey' reported not just opposition to the proposed relocation, but complaints about cronyism within the organisation. In addition, a mere 19 per cent of respondents said that the new matrix management system was effective (*The Irish Times*, September 9, 2004).

when outside entities were permitted to attempt some input, this was a wholly in-house process.¹⁸¹

The reorganisation consisted of two central elements: a restoration of the authority and influence of the centre and the introduction of a matrix management system. Both features stem from the perception that FÁS, as it developed in the early 1990s, had become disjointed. Restoration of leadership and policymaking capacity involved: (a) enhancing the organisational capacity of the centre (doubling the number of Directors from 15 to 30); increasing the research capacity of the organisation; and strengthening the functional/divisional structure of the organisation; and (b) reducing the independence of the regions, subordinating them to the centre and reducing regional diversity within the organisation. Critics see this process as FÁS 'going civil service' (8). Whether that is a fair characterisation or not, it is a development that has proved to have support within and outside the organisation, with the exception of the Regional Directors.¹⁸² The introduction of a matrix managerial system has been more controversial. Matrices and learning organisation concepts get short shrift among many, and such management theory appears to cut against the pragmatic organisational culture that still prevails at FÁS (40, 46).

Overall however, these changes have sought to make FÁS a more tightly coupled organisation: 'the problem used to be that there was no central thinking, there were 10 FÁS views on any subject, this has changed' (50). FÁS has been able to manage its own reform. The result is a substantial, though not radical, organisational change that has seen it augment and resource an enlarged head office. Supporters of this process claim that FÁS has adapted to its changed political and fiscal environment (49).

6.2.1 FÁS's organisational structure following the 2001-2002 reorganisation, a summary

- 1 Maintaining the multifunctional nature of FÁS.
- 2 A networked managerial approach, a greater role for the Board and greater co-ordination with DETE.

¹⁸¹ Insiders are very 'chuffed' about this (32, 46, 50). Outsiders are inclined to see the process as navel-gazing (33, 34).

¹⁸² Who used their political connections to oppose changes, by having friendly politicians place parliamentary questions (46).

- 3 Greater control from the centre and reduced autonomy for regional offices.
- 4 Aspiration to play an 'active and leading role in labour market policy.'
- 5 Being less opportunistic about new tasks/funding opportunities.
- 6 Retractable capacity: organisational fixed costs remain low.

6.3 Retrenchment, restructuring, resistance and revival: CE and the reorientation of FÁS¹⁸³

If FÁS's durability impresses, what of CE? In the context of the extraordinary performance of the labour market CE began to look superfluous to many in 2000-2002. It was widely believed that FÁS Board Chair Brian Geoghegan thought FÁS 'should not be in the CE business' (33, 36). Director General Molloy was perceived as more sympathetic to CE as a programme (he had been partly responsible for designing it in the first place), but strategically CE was, if not a liability then at the very least, marginal to FÁS's broader interests. At the same time that FÁS was seeking to disentangle its role from CE, DETE, in its own Statement of Strategy 2003-2005, has moved even further away from the programme and become very supportive of the idea that reductions in CE funding should be recycled to promote the up-skilling for those in work agenda. Tánaiste Harney was widely believed to be hawkish on CE.¹⁸⁴

Leaving aside the preferences of key actors, the larger backdrop is that the principal purpose of CE as it was first conceived was to address long-term unemployment and this began to fall precipitously in the 1999-2002 period. In these circumstances all actors assumed numbers on CE would fall. The 2000 Social Partnership agreement made its own contribution, via the mainstreaming initiative, which was supposed to convert CE positions in the public services into 'real' jobs. In relation to the voluntary and community sector which, since 1997, had provided

¹⁸³ Parts of the following account draw on an unpublished paper *Overview of Community Employment Programme 1984-2004* by Gerard Walker, NESF Policy Analyst.

¹⁸⁴ (33, 35, 36). In June 1998, Harney commented that those who refuse work should have their social welfare cut, a rare case of the non-coercive social welfare regime being challenged (*The Irish Times*, June 19, 1998).

80 per cent of placements (FÁS Annual Report, 2000), Molloy's first pronouncements as DG were ominous: 'We will be moving to bring it [CE] down gradually. We're not going to pull the plug. We're talking about a gradual winding down' (*The Irish Times*, November 24, 2000). At the end of 2000, it appeared likely that only a small portion of CE would survive. However, a detailed analysis of the politics of retrenchment in this period shows that a rapid response to changed economic conditions and to the preferences of key actors was severely constrained. The retrenchment period falls into four stages: 1997-1999 in which opportunistic cutbacks were initiated; the 1999-2001 period in which a sustained, but incremental, drive to cut CE was developed but ran into a strong grassroots resistance and some resistance from within FÁS; the 2001-2003 period (either side of the June 2002 general election when the Fianna Fáil – Progressive Democrat coalition was comfortably returned to power) in which a more radical effort to emasculate CE was initiated, but then ran into well organised opposition from CE supervisors and political actors; and finally 2003-2004, in which the retrenchment ground to a halt and went into reverse.

Despite the plans drawn up for an expansion of CE in the event of the re-election of the Rainbow coalition in 1997, the changed economic circumstances had already led to cutbacks prior to the formation of the Fianna Fáil-Progressive Democrat government. This took the form not of headcount budgetary decisions but a tightening of criteria for sponsors and supervisors. By 1995, more rigorous induction procedures for sponsors were being carried out (33) and training criteria for supervisors became more rigorous as FÁS gradually caught up with administering a system that had grown so rapidly (30, 36). Increasingly, progression criteria were stressed and there was a distinct shift from rewarding sponsors and supervisors for creating placements to rewarding them for progressing their CE workers (33, 39).¹⁸⁵ By 1998, more systematic efforts to cut CE commenced, particularly as a series of negative reports by external consultants were released. In September 1998, the Tánaiste proposed cutting 8,000 places from CE (reducing it to

¹⁸⁵ With the arrival of Tánaiste Harney as Minister in DETE, there was a greater desire to reduce the size and scale of CE. FÁS began acting as a brake on cutting CE (17), but FÁS officials do not characterise the Tánaiste's actions as anything other than pragmatic, the greater ideological zeal was perceived to emanate more from DETE officials than the Minister (7, 51).

32,000 places) at a Cabinet meeting (*The Irish Times*, October 1 1998). The February 1999 report by Deloitte and Touche proposed raising the age at which people were eligible for CE to 25 (which would take away the eligibility of many lone parents for the scheme) (*The Irish Times*, January 11, 1999). These proposals followed in part from the 1998 preventative strategy outlined in the European Employment Strategy. This amounted to vigorous engagement with those who had been unemployed for a long period: intervention to coax unemployed people into interviews, placements or anything other than passive dole. This unfolded for those aged under 25 in 1998, for those aged 25-34 in 1999, and for all aged less than 55 in 2000. The 2001 Indecon report brought this to a logical conclusion by advocating a profiling strategy regarding anyone that was long term unemployed (O'Connell, 2001). In terms of headcount cuts, the *Operational Programme for the National Development Plan* (Department of Finance, 1999) proposed cutting CE to 25,000 places. However, it was the Tánaiste's July 1999 proposal to the Cabinet that a further 5,000 places be cut from CE (at the same time as the Social Economy Programme was created and as an interdepartmental group examined the question of the eligibility of lone parents) that occasioned the first major public opposition (*The Irish Times*, July 22 1999). This opposition was mainly from sponsor organisations, with substantial numbers of CE workers also participating in protests in August 1999 in which advocacy groups associated with the long term unemployed, such as INOU and CORI, were prominent (*The Irish Times*, August 19, 1999). Whilst grassroots protests grew, ICTU was focused mainly on the 'mainstreaming' of CE workers in the public sector, ideas for which first emerged in late 1999.¹⁸⁶

The most intensive effort to retrench CE began in 2001. With the new regime at FÁS less sympathetic to CE, much more substantial

¹⁸⁶ *The Irish Times*, September 19, 1999. Proposals eventually emerged in the *Programme for Participation and Fairness 2000-2003* (2000). This plan was implemented with regard to the Department of Education and Science, with DETE giving the Department IR£30m. But 'Education did not focus this extra spending on deprived areas (it was spread evenly like butter across a slice of bread, the only way Education can do anything' (39) and when schools hired people other than CE workers for the jobs the experiment was seen to fail as far as FÁS and DETE were concerned. Efforts to extend mainstreaming to the Department of Health and Children were halted by Finance when the Department of Health and Children said it would need IR£48m over and above DETE's budget in order to deliver services with mainstreamed staff (39).

cuts were planned. In late 2001, a 20 per cent cut in CE funding was announced (39) and prior to the June 2001 election, Tánaiste Harney announced the cutting of 5,000 CE places. Re-election coincided with the most devastating critique of CE, the 2002 Indecon Report, *Review of Active Labour Market Programmes*. Following this, the Tánaiste agreed with Finance Minister McCreevy to cut CE to 15,000 places.¹⁸⁷ However, a new political strategy was created to counter the opposition to cuts, which had been unexpectedly strong. Certain categories of the scheme were ring-fenced which provided guarantees that sensitive projects would not be cut.¹⁸⁸ The largely political criteria created perverse consequences as it arbitrarily insulated ring fenced projects from fear of termination and added greatly to the pressures on even the very best projects in non-ring fenced areas. Ring fencing did minimise opposition from some quarters but a strong resistance to the Autumn 2002 proposed cuts nonetheless developed. Within FÁS there was opposition to the proposed size of the cuts, which was seen by most elements of the organisation as far too high. FÁS drew up the plan for a 15,000 scheme but counselled very strongly against it (30, 39, 50). Outside of FÁS, the political opposition was more organised than in 1999, and based less on sponsors than on supervisors, whose jobs were now at stake (30, 33, 39, 50). This opposition found allies amongst elected politicians who began to realise that FÁS was not going to be able to defend CE alone. Backbench Fianna Fáil TDs, especially those representing rural constituencies, were particularly unnerved.¹⁸⁹ They found a spokesman in Frank Fahey who had been appointed Minister of State for Employment at DETE after the June 2002 election (53, 58). Although Minister Fahey was viewed as isolated from the

¹⁸⁷ This story was leaked to *The Irish Times* and the *Sunday Independent* (*The Irish Times*, November 8, 2003). See also comments by interviewees 30, 33 and 39. Under the Freedom of Information Act, *The Irish Times* was subsequently able to identify the proposal from the Tánaiste to cut CE to 15,000 (*The Irish Times*, January 3, 2003).

¹⁸⁸ Ring fencing was originally introduced to spare projects working with drug offenders, but at the behest of various interests education, health, child-care and RAPID areas had their projects ring-fenced (30, 39).

¹⁸⁹ This applied to TDs from rural Ireland across the political spectrum, for example Mae Sexton TD (Progressive Democrats: Roscommon-Longford) was vocal in calling for extra provision for older unemployed people in rural Ireland (*The Irish Times*, December 4, 2003). Local newspapers played a central role in making the future of the CE scheme a topical electoral issue – see for example, *Roscommon Champion* March 16 2003.

Tánaiste, DETE officials and FÁS, he nevertheless served as the lightning rod for critics of the retrenchment (18, 30, 50, 53, 58).¹⁹⁰ The 2002 estimates round ended with a reduction in the number of CE places to 22,000 places, of which 13,000 were ring-fenced (33).

The clashes over plans outlined in 2002 had rearranged the coalitional line-ups on the issue. The activist wing of the opposition was led by organised supervisors, but they were joined by backbench TDs, with Fianna Fáil TDs channelling their opposition through Minister of State Fahey. The 2003 Autumn estimates campaign culminated in open conflict within Fianna Fáil between Minister Fahey and Finance Minister McCreevy. The 2002 compromise had satisfied FÁS. In 2003-2004 they sided with the Tánaiste and Finance in resisting calls for augmentation of CE. Supervisors' organisations coordinated much of the public opposition to CE cuts in 2003, organising a series of meetings, fora, and meetings with Minister Fahey.¹⁹¹ In coded public statements and in private meetings, Minister Fahey made his sympathies known.¹⁹² However, the real fight over CE was going on within the policy network in the context of three different internal reports about the future of CE. The Standing Committee on the Labour Market, which monitors the social partnership agreement and draws together all the social partners (including the voluntary sector) and interested ministries, attempted and failed to produce a consensus report on CE. Despite this failure it was out of this effort that the idea of a two-tier CE emerged (an idea first mentioned by the Taskforce on Long-Term Unemployment in 1995). Within FÁS, another effort to produce a report was underway with the participation of all stakeholders, including focus groups with sponsors, supervisors and participants (39). However, the most

¹⁹⁰ The Minister of State had a very ill defined role both vis-à-vis the Tánaiste, within DETE and regarding FÁS. He was the person designated to meet with those making representations regarding CE.

¹⁹¹ The Southside Supervisors Network and the Impact branch that organised CE supervisors organised a Dublin Forum in April 2003 that drew strong support from local politicians. The Supervisors Network had meetings with Minister Fahey in May and November about CE cuts, and Impact met with him in relation to industrial relations issues such as the benchmarking award on pay and redundancy payments (the latter of which raised some interesting and still unresolved legal issues about the employment status of supervisors regarding FÁS).

¹⁹² 'It is imperative that we maintain the balance between competitiveness and the social dimension' Minister Fahey speaking at the FÁS Conference November 27, 2003 (30, 35, 53).

important internal struggle went on within the Cabinet. The Cabinet Sub-Committee on Social Exclusion took up the issue and produced an interim report that supported the idea of a two-tier CE.¹⁹³ In essence, the second tier of CE would be for those who were 'not progression ready', mainly people aged more than 55 years, who would be allowed to continue with CE after their first three years. By 2003, CE had become heavily focused on an older clientele: one third of CE participants were over 50 and over 80 per cent were over 35 (*FÁS Annual Report, 2003*). Essentially, this proposal would institutionalise CE and create a form of sheltered employment. Minister Fahey's proposal to roll JI and the SEP into CE was not included in this report.

Taoiseach Ahern was supportive of the plan. However, Finance (Minister McCreevy) vetoed it at a Cabinet meeting in November. This conflict then escalated into an internecine struggle within Fianna Fáil in which Minister Fahey denounced Finance and a majority of Fianna Fáil backbenchers voted in support of Fahey's position at a parliamentary party meeting on November 25th (*The Irish Times*, November 26-30 and December 3, 4 and 7). The Taoiseach moved to quell this 'rebellion' and the result appeared to be a defeat for Minister Fahey: although there was to be no cut in the number of CE places (and, effectively, an end to the retrenchment process) neither was there to be a two-tier CE. In fact a 'poison pill' was inserted into the budget in the form of a new 2,500 place Rural Social Scheme to be run by the Department of Community, Rural and Gaeltacht Affairs. This decision was intended to undercut the grounds for a two-tier system and address the concerns of rural TDs in the process. What was striking about this conflict over CE is that FÁS was overwhelmingly opposed to Fahey's line (61). FÁS was willing to fight for maintaining a 22,000 plus CE and the appropriate budget, but once the issue of a two-tier system came to the fore, FÁS was hostile to the idea that CE would effectively offer sheltered employment: the labour market paradigm was non-negotiable as far as FÁS is concerned (50, 61). Minister Fahey and his supporters held FÁS's logistical capabilities in high regard, but they wanted it not only to incorporate a labour market focus but also to cater for sheltered employment and assume a more active business assistance

¹⁹³ The plan was to pay for the expanded CE through a combination of Social Welfare savings and a small increment. The Budget amount was minor, but the proposed policy change was substantial (52, 55).

stance (53, 58, 60). DETE officials were also hostile to the plan, a source of anger to proponents of the two-tier system: 'Civil servants don't understand the poor. Sinn Fein does, and the Taoiseach knows it, and needs to do something about it' (58).

The Sinn Fein factor loomed large among many interviewees even prior to the June 2004 local elections, in which Sinn Fein made major gains.¹⁹⁴ The poor performance of Fianna Fáil, particularly in urban areas, prompted a great deal of discontent within the party, much of which has focused on CE. The response to this new political problem as it related to the CE scheme, emerged in the form of a consultation paper from DETE in July 2004 that proposes rolling JI and SEP into a 25,000 place CE scheme (acknowledging that CE is the most effective of the three) and creating a second tier of CE for people over the age of 55 in urban areas, to be operated by FÁS (DETE, 2004). 'Ministers re-affirmed that CE is primarily an active labour measure'¹⁹⁵, but the proposal does blur the paradigmatic line.

Table 4: Reorganisation of FÁS and the Community Employment Scheme: summary table

<i>Case</i>	<i>Reorienting FÁS away from CE</i>	<i>Two-tier Community Employment Scheme, 2003</i>
Policy Problem	<ul style="list-style-type: none"> • End of mass unemployment plus disjointed organisation 	<ul style="list-style-type: none"> • Older people and disabled being 'timed out' of CE
Source of Problem	<ul style="list-style-type: none"> • FÁS's preoccupation with CE 	<ul style="list-style-type: none"> • Rural social exclusion (urban in 2004)
Source of Initiative	<ul style="list-style-type: none"> • Harney/Haran/Geoghegan/Molloy 	<ul style="list-style-type: none"> • Voluntary sector resistance to CE retrenchment
Key Documents	<ul style="list-style-type: none"> • June 2001 Tánaiste (Harney) letter to Board • FÁS Statement of Strategy 2002-2005 	<ul style="list-style-type: none"> • Social Exclusion Report for Cabinet Subcommittee, October 2003

¹⁹⁴ Mentioned, unprompted by 32, 35, 38, 40, 46, 50, 51, 53, 54, 58, 62.

¹⁹⁵ Ibid.

<i>Case</i>	<i>Reorienting FÁS away from CE</i>	<i>Two-tier Community Employment Scheme, 2003</i>
Key Proposal	<ul style="list-style-type: none"> Retrenching CE in order to facilitate a reorientation of FÁS strategy 	<ul style="list-style-type: none"> One tier of CE to become semi-permanent for non-progression client groups
Policy coalitions	<ul style="list-style-type: none"> Community development Regionalised labour market programming Neo-liberal up-skilling 	<ul style="list-style-type: none"> Targeted community development Client-centred labour market programming
Decision points	<ul style="list-style-type: none"> June 2001 Tánaiste letter to FÁS FÁS Strategy Review 2000-2002 CE cuts 	<ul style="list-style-type: none"> The '3 reviews' of CE November 2003 Estimates FF backbench rebellion
Decisive Factor	<ul style="list-style-type: none"> Review is entirely in-house December 	<ul style="list-style-type: none"> 2003 Finance veto
Result	<ul style="list-style-type: none"> Restatement of paradigm, restoration of head office, matrix management. 	<ul style="list-style-type: none"> Rural Social Scheme 'poison pill'

6. 4. Conclusion: FÁS and the legacy of earlier policy

Reports of CE's imminent demise in 2000-2002 proved exaggerated. The politics of retrenchment gave supporters opportunities to resist cuts and advocate for programmatic innovation. The enduring fact is that CE is very popular with participants and that elected politicians are acutely aware of this.¹⁹⁶ Even without FÁS mobilising such political support, its latent strength guarantees CE's durability. It is important to note that this is more than just pork-barrel politics: FÁS is too useful to the Irish state as a source of relatively cheap and relatively effective solutions to problems, including the

¹⁹⁶ FÁS *Follow-up Surveys 2000-2003* (by A. Byrne) and *FÁS Customer Survey's* all attest to its popularity. The data indicate that CE participants are even happier with CE than are other FÁS participants with other programmes.

management of the social problems of the Tiger economy and the political consequences of high relative inequality. After an interregnum 1997-2000 when it looked as though it would be marginalised, FÁS was given license to internally revive itself. The resilience of FÁS and CE points to the unintended consequences of earlier decisions. CE now serves a wide array of different social needs. It has a large and broad base of political support that makes cutting it back very difficult. It proved impossible to look at FÁS programming from a 'zero base'.

Conclusion: FÁS and the Irish model

When we (the Government) have a problem, or when we identify a new need, we always ask FÁS to solve it and I must say that they have always done a fantastic job in handling new situations in a very expert and cautious way.

Táiniste Harney as cited in FÁS *Statement of Strategy 2002-2005* (2001).

7.1 Findings

This study of the politics of policymaking in the area of active labour market policy has four major findings regarding the institutional capacity of the Irish state, governance, political durability and the larger welfare state. These will be set out in this concluding chapter and the four lessons that might be drawn from this analysis are identified.

7.1.1 FÁS and the institutional capacity of the Irish state

FÁS's contribution to the flexibility of the Irish labour market is much debated. This paper has focused in part on FÁS's contribution to the flexibility of the Irish state and argues that its contribution is enormous. Because of the way it was organised, FÁS could address a wide array of policy problems. Partly because of its multifunctional, loosely coupled structure it was able to generate innovative solutions closely tailored to Irish conditions – the Standards Based Apprenticeship and Community Employment initiatives are good examples of this. With low fixed (organisational) costs, FÁS was able to effectively (if not always efficiently) administer enormous budgets, generating huge throughputs, usually at a low net cost. This greatly increased the institutional capacity of the Irish state: it was able to accomplish a lot with a little. Both the European Union and the Department of Finance were quick to recognise this and FÁS was able to remain well resourced in terms of its programmes, though its in-house capacity did decline

over time. FÁS adapted itself to the EU's procedural exactness and to Finance's fiscal anorexia. Such was FÁS's usefulness that there was a tendency over time to over-use it: the Swiss army knife effect, with FÁS seen as the all-purpose solution-monger. The Swiss army knife performs myriad functions, none of them well, goes an old joke. Particularly through CE, FÁS became responsible for addressing policy problems that were not primarily labour market problems. FÁS could never be accused of trying to crack nuts with a sledgehammer, however it was sometimes called upon to break rocks with a nail-clipper.

7.1.2 *FÁS governance*

Although FÁS was a quick and cheap way of fixing policy problems, it was much more than this. Within the fiscal and political parameters established, FÁS developed an effective form of governance: a *modus operandi* for managing the community sector and employers. The community sector and business interests chafed at this system and attempted to overthrow it when given the political opportunity, but FÁS governance provided for a 'clean clientelism' in Community Employment and an inefficient but effective 'trough' approach to funding training by employers. This governance pattern consists of: central control; the placing of substantial responsibility on community groups and employers; responsiveness to local political clientelism; and flexible, retractable delivery mechanisms. This governance model was not premeditated, it developed in response to particular conditions in Ireland, but it proved to have great functional advantages particularly in creating and maintaining the capacity to leverage policy-supportive action by societal actors, getting them to share the financial, legal and political costs of policy.

FÁS was a hierarchical institution. Its control over programmes (whether run in-house or out-sourced) meant it was able to respond quickly to political demands. This explains why a disproportionate number of policy problems faced by the Irish state were addressed through FÁS. It provided low-cost, high-impact policy that met the political and administrative requirements of funding sources. It provided cheap, flexible solutions that avoided long-term commitments. But in addition to their financial viability, FÁS's programmes were organisationally feasible and sustainable. It addressed the issue of mass long-term unemployment through a

greatly enlarged temporary employment programme, with a significant training dimension run by FÁS-controlled supervisors for projects sponsored by community organisations. FÁS addressed the deficiencies in the apprenticeship system by enlarging, improving and standardising the apprenticeship system, making employers take responsibility for apprentices whilst FÁS controlled the training.

7.1.3 FÁS's political and administrative durability

The FÁS paradigm grew out of an Irish developmentalist tradition that was most strongly embraced by the 'left' wing of Fianna Fáil and the trade union wing of the Labour party. A dominant paradigm and a dominant advocacy coalition have prevailed in active labour market policy despite the presence of forthright social democratic and neo-liberal rivals. Active labour market policy has been neither 'Boston' nor 'Berlin' nor some paradoxical mix of the two. Rather it has been the politically feasible and socially acceptable result of a consensus at the sub-system level on a strategy to combat market failure and state failure. The resilience of this paradigm and its advocacy coalition, despite the best efforts of a diverse range of actors from CORI to DETE to Finance, points to the continued vitality of a pragmatic-populist streak in Irish politics, best exemplified by Fianna Fáil, but by no means exclusively so (it is arguable that if there is such a thing as 'Fianna Fáil socialism' FÁS is it). Nowhere is this feature more noticeable than in the political immunity to research-based criticism that FÁS enjoyed. Societal actors and elected politicians had detailed knowledge of projects and programmes that served as a counterweight to expert analysis. A number of entities including NESC, the ESRI, The Policy Institute, are in the business of generating politically influential knowledge. Research-driven policy has featured in active labour market policy, but the resilience of much policy in the face of research-based criticism has been equally important.

The durability of FÁS and its programmes is not only intellectual it is also institutional. The three most significant political initiatives that might have resulted in FÁS being dismembered were the 1992 Culliton Report, the DETE White Paper in 1997 and Mary Harney's 2001 reform initiative. FÁS successfully resisted the White Paper's proposals and with the others, turned what might have been an externally driven mandate into an internal opportunity to

reorganise, accomplishing in-house what might otherwise have meant splitting the organisation. The organisational and programmatic policy legacy FÁS has established is not easily eroded. That so little has changed regarding FÁS and CE since 1997 is remarkable given the broader economic, fiscal, political, ideological and even cultural changes that have occurred in Ireland in this period.

7.1.4 FÁS and the Irish welfare state

This examination of FÁS helps resolve the riddle of why Europe's most anorexic welfare state coexists with a stable form of social partnership and a frozen policy discourse on social and educational policy. According to recent research (Nolan *et al*, 2004), Ireland is 'stuck' in a low-tax stance that precludes countering relative poverty. Policies to address relative poverty would be costly. Ireland could match Denmark in combating poverty: all that would be required is an increase in income tax rates of ten per cent. In the absence of such a fiscal shift there is always FÁS and its soft-money model. Having plugged the gap for so long will FÁS continue doing so? For the current government certainly, and given the unwillingness of the 'Mullingar Accord' alternative to raise taxes, this also seems to apply to the opposition too.¹⁹⁷

The fact that FÁS often appears to be the only effective tool available points to a weakness in the repertoire of tools the Irish state has available. 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 inclusion. FÁS has a good grasp of the exogenous forces affecting the labour market but not of the endogenously-driven spillovers: FÁS can create CE 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

¹⁹⁷ The October 2004 Mullingar Accord is an agreement between Fine Gael and the Irish Labour Party regarding contesting the next election as an alternative governing coalition. There is no common programme as yet, but indications suggest that the Labour Party will disavow the raising of income tax.

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.

7.2 Policy and institutional lessons

What lessons might policy actors draw from these findings?¹⁹⁸ What sort of lessons can be learned from the sort of institutionalist analysis presented in this paper? This analysis does not provide a review of program effectiveness or policy outcomes. However, it does provide an analysis of the politics of policymaking and what drives policy.

- 1 Policy is not just driven by the extent of policy problems, the quality of data measuring problems, the existence or elegance of policy solutions, or the political will to forge a solution. Problems trigger searches for solutions but the outcomes of these searches are often driven by where there is institutional capacity to respond: viable, if sub-optimal, solutions. Problems often appear intractable. An institution such as FÁS provides traction, a means of getting something done, in a way that a civil service department or other agencies cannot. Political leaders facing problems often do not want for ideas. The want is for tools, and multifunctional tools are of particular usefulness. It is not just parish graveyard committees that have become dependent on FÁS: the Irish state too needs its Swiss army knife.
- 2 FÁS's model of governance was an inductively devised creature of circumstance. The Irish political economy combines an ambitious, interventionist model of social and economic development (as ambitious as any Scandinavian model) with a low-tax fiscal regime: a Swedish appetite for intervention and a Texan willingness to pay for it. Accomplishing ambitious goals on a shoestring is something that the FÁS model of governance does by leveraging other actors, gaining their consent, or at least their cooperation, without being

¹⁹⁸ As one of the findings is that policy is frequently not research-driven the author is especially disinclined to offer specific policy recommendations. .

captured by these interests. Full service provider models may be better, and globalization and competitiveness indices repeatedly show that the high tax/large public service sector regime is perfectly compatible with competitiveness.¹⁹⁹ However, if that path is politically unviable, then the FÁS model is available

- 3 One of the conventional wisdoms of Irish politics is that elected politicians are overwhelmingly concerned with constituent service not policymaking. This research suggests that the role of elected politicians in devising and supporting policy is much underestimated. Their importance arises not just from the political legitimacy they provide for policy. Politicians have their own understanding and analyses of problems. It is not 'mere' politics, but clean clientelism as positive policy intelligence. In some areas of policy – for example planning permission for housing – the anti-elitist nature of Irish politics arguably gives rise to deeply dysfunctional outcomes. However, with regard to active labour market policy and FÁS, elected politicians can and do provide experientially derived knowledge about what works and doesn't work at ground level.
- 4 Policies and institutions create their own legacy over time. However, the problem is how to consolidate positive legacies. The Irish state has shown a remarkable capacity for precocious policy reform: from social partnership in 1987 to SBA on 1994 to the smoking ban in 2004. But the loosely couple nature of the Irish state means that such innovations stand isolated, juxtaposed with policy areas of stasis. Loose coupling means that precocity is not stifled, but neither is it generalised and consolidated. Neither the Irish State nor social partnership provides this coordination, a regulative intelligence or joined-up government. Reforming institutions may accomplish this. On the other hand it

¹⁹⁹ The most recent global surveys of competitiveness is the World Economic Forum Survey, reported in the *Financial Times* October 14, 2004. Such surveys repeatedly show Finland, Sweden, Denmark and Norway at the top of the competitiveness table, whilst maintaining large public service sectors (supported by tax takes of over 50 per cent of GDP).

might just asphyxiate precocity. More importantly perhaps, such reform is hard to accomplish. There has been a history of flagellating reports on the dysfunctionality of the Irish state (for example, the Devlin and Culliton reports) and persistent interest in ‘reshaping Irish institutions’. However, if a dramatic retooling of the Irish state, let alone a shift to a Scandinavian-style tightly coupled state, is not possible then maybe making more expansive use of institutions such as FÁS may offer a viable future prospect.

What would such an expansive augmentation look like?

- (1) Converting CE into a multi-tiered system (incorporating the Rural Social Scheme), part of which provides for semi-permanent sheltered employment.
- (2) Reconstituting a comprehensive in-firm training policy, including *Skillnets* and the training functions ceded to Enterprise Ireland, within a FÁS-led model.

Such changes would involve a radical reorientation of FÁS that breaks the narrow labour market orientation and incorporates both community development and business services provider models that FÁS has long sought to fend off – it would also reopen the issue of whether all of these functions should be undertaken by one agency. It would privilege FÁS’s capacity to leverage social capital above its mission to encourage investment in human capital. As the twentieth anniversary of the first time the idea of creating an entity such as FÁS approaches, the Irish state is probably more in need of the capacity than the Irish economy is in need of the mission.

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