Government 2020 – An Irish perspective

Modernising the Irish public sector for the global economy
IBM Institute for Business Value

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Our worldwide analysis identified six drivers outside the realm of government control - globalisation, technology, demographics, environmental concerns, societal relationships and social stability – that are shaping the future of nations across the world. The impact of these drivers varies by country. A key dimension of an effective Irish Government response will be to enable a new level of broader and deeper collaboration, including expanding the scale and expediting the pace of organisational changes in the public sector, developing more personalised and interactive services, cultivating partnerships, and prioritising education and innovation. In this challenging economic environment, more than ever before, the Irish Government must lead by example.

Introduction
Six inescapable forces are now underway, over which governments and societies have limited control. Because of their virulent and simultaneous nature, we describe them here not just as forces, but as drivers. These six drivers share a striking commonality, in that each will touch virtually all nations in one way or another.

How well Ireland can respond to the positive and negative effects of the six global drivers will determine future economic prosperity. Ireland must develop strategies that address the impact of the six global drivers within the context of its own unique aspirations and constraints. Effective strategies will hinge on leveraging the lessons learned from other countries that have successfully tackled public sector reform.

From our work with governments around the world, the common underlying theme of these strategies is collaboration – in the sense of enhanced communication and connectedness among all the types of organisations that make up our modern world, including governments, agencies, private sector entities and individuals. The Irish Government must determine how to effectively implement and operationa-
lise the appropriate strategy, given existing constraints, in order to achieve these diverse objectives. This will require broader and faster organisational change, making education and innovation a priority, and learning from the experience of other countries.

The Irish public sector needs to expand the scale and expedite the pace of organisational changes to secure productivity and efficiency improvements. While Ireland is tackling organisational and governance changes through modernisation, the full benefits from public sector reform will not be realised without stepping up the extent of collaboration between and within government departments.

While Ireland is ranked 14th globally in the World Bank’s Knowledge Economy Index, its position has remained relatively static since 1995, when it was ranked 15th. Enabling the successful transformation of the Irish economy to a world leading knowledge-based economy will require a comprehensive innovation strategy and a new approach to education, as well as an acceleration of “e-Government” to deliver more personalised interaction and services.

Ireland’s public sector has made progress in delivering personalised interaction and services to its citizens, but continues to lag behind leaders. Achieving more extensive horizontal and vertical connections among government, local government, citizens and stakeholders requires a comprehensive national government strategy.

Barriers to greater partnership and employee engagement in the public sector must be removed to strengthen organisational performance. While partnerships and networking have become more pervasive within the Irish public sector, current attitudinal and structural barriers must be removed to strengthen organisational performance, increase customer satisfaction and promote higher levels of public confidence.

Many governments have already reformed their public sectors – it is now time for Ireland to leverage the valuable lessons learned by others. From the experience of governments worldwide, there are several dimensions of good practice in public sector reform that can bring significant benefits in efficiency and cost effectiveness. Good practices relevant to Ireland include promoting flexibility and mobility between the Civil and Public Service, and implementing measurement systems based on a combination of resources, budgets, outputs and benefits.

Immediate and long-term challenges also create new opportunities to secure win/win scenarios. The Government’s strategic objectives of maintaining frontline services in the context of rapid and widespread public sector reform and extensive expenditure cuts can be achieved if Ireland seizes these new opportunities and takes appropriate policy actions.

Ireland currently faces an opportunity to implement bold changes that can bring significant and measurable benefits. By fully leveraging the valuable advantage of relatively small size to develop and implement innovative and rapid solutions for public sector reform, Ireland can substantially improve the chances of economic success and prosperity. The Irish Government must seize this opportunity now and lead by example.
Six drivers demand customised strategies by the Irish Government

Six inescapable forces are simultaneously underway, and they will touch virtually all nations in one way or another (see Figure 1). The substantial interplay among these six drivers requires governments to deal with each individually, as well as the potential compounding effect that can add complexity to the task of developing solutions.

Ireland, like other nations, must understand the impact and develop appropriate strategies to respond to these drivers. This paper examines the nature of these drivers at a global level, as well as how these forces are affecting Ireland. We then outline the key dimensions of collaboration and public sector reform that are necessary in Ireland to respond effectively.

Ireland: One of the most open and globalised economies in the world

Ireland has the second highest share of capital flows in GDP and the ninth highest share of trade in services as a percentage of GDP globally. However, the increasing pace of globalisation means that Ireland now faces more intense competition for foreign direct investment (FDI), as well as in export markets.

Developing appropriate strategies to stay competitive in this increasingly globalised world will be crucial as the Irish economy continues to reap the benefits from globalisation. For example, rapid and effective implementation of the single point of contact as part of the EU Services Directive will be a crucial enabler of FDI and international trade in services.

With services now accounting for 63 percent of economic activity generated in the Irish economy – as well as two-thirds of total employment and 43 percent of exports – Ireland must enact necessary changes now to be fully prepared for the implementation deadline of December 2009. Organisational change in the public sector will be part of the solution here to establish an “integrated” single point of contact so Ireland is not at a competitive disadvantage within the EU.

Ireland trails global leaders in technological progress

While technological progress is accelerating and transforming the global economy, Ireland ranks 25th out of 70 countries in relation to e-Government strategy and 33rd out of 70 in digital development strategy. Ireland also...
Ireland’s government is faced with improving a wide range of its collaborative capabilities; to do so effectively, it has to stay mindful of the country’s unique set of aspirations and constraints.

performs relatively poorly on ICT infrastructure and connectivity, scoring 7 out of 10 compared to scores of 9 and 8.7 for Hong Kong and Denmark, respectively. The Irish Government has a key role to play in leveraging e-Government to support public sector reform that is central to improving financial information systems and developing effective mechanisms to address cross-cutting policy issues.

This is a challenge in the current economic circumstances where Ireland continues to rely on increases in central or local government spending to improve the quality of service delivery. With many other countries making technological progress a priority, Ireland is in danger of losing the advantages that existing technological levels and capabilities provide. This may not only be detrimental to Ireland’s ability to attract FDI, but can also negatively affect the competitiveness of the Irish economy given the global trend of more intensive use of technology across virtually all sectors and activities.

**Ireland is heading for a demographic explosion**

Ireland’s population, like that of most other developed countries is ageing. By 2015, some 40 percent of Ireland’s workers will be aged 45 or older and those aged 60 or older will increase by 31 percent. Between 2005 and 2020, population growth is also expected to increase drastically by 22 percent, a rate that is similar to the least developed countries. This compares to an increase of just 2 percent for Western Europe over the same period. (see Figure 2).

The nature and scale of these population changes will require the Irish Government to start now to develop effective policy responses in the areas of health, infrastructure, education, labour market and human capital management, in order to prepare for the major impact of these changes both on existing government programmes, and on the wider economy. Reform of the public sector in these key policy areas will be a critical component of successful policy responses to these demographic changes.

**Strong energy dependence adds to the climate change challenge**

Ireland is expected to experience significant unavoidable effects of climate change. For example, in addition to the water supply infrastructure coming under growing pressure due to lack of spare capacity, 80 percent of Irish land area is expected to experience a decrease in water resources.

The biggest challenge for Ireland, however, is related to energy. Innovative solutions are needed that not only allow Ireland to meet the ambitious Kyoto targets on time and without growing penalties, but also address the issue of high per capita energy consumption and imported energy dependency.

Ireland also has the fourth highest energy dependence rate in the EU: 91 percent (see Figure 3). It ranks 32nd of 134 countries globally in terms of energy consumption per
capita. But these challenges could generate new opportunities. Building on existing assets (for example, in ocean energy) to develop world-leading capabilities could bring competitive advantage in the new skills, activities and services required to deal effectively with climate change challenges while reducing energy dependence and consumption.

The Irish Government also has an opportunity to lead by example in green IT and to create new procurement models and strategic sourcing strategies. This “green agenda” could include safety of water and food supplies, transportation and congestion management, as well as energy supply and consumption.

Rapidly evolving societal relationships are pressuring the Irish government

Ireland’s society has experienced tremendous changes in recent years, ranging from the role of Church and State, family structures and the increased participation of women in the labour force, and the cultural and linguistic profile of the population. Citizens and businesses now expect government services to stay ahead of their continually evolving expectations in order to be considered of value and consumer and citizen expectations are constantly rising.

The Irish government needs dynamic policy responses that meet this rising bar while responding to societal changes. Developing all-inclusive government services, improving the quality of services, implementing new collaborative approaches and seamlessly integrating the delivery of services will all be key components of the solution to this challenge. It is also essential to develop effective policies now to prevent further widening in the “digital divide,” to verify that all citizens are empowered and enabled to participate in this new way of interacting with government.

Ireland cannot insulate itself from threats to social stability and order

While enjoying a relatively low threat from terrorism, Ireland cannot insulate itself from the growing risks arising from armed conflict elsewhere in the world, or from pandemics and natural disasters. For example, experts have predicted that there would be significant illness and mortality from a flu pandemic in Ireland; while the Government ranks highly among EU countries in terms of the amount of the antiviral drugs it has ordered, increased collaboration is needed among government and businesses to develop action plans that reduce the economic impact. This will also
require the Irish Government to incorporate a cross-government, cross-country and cross-sector approach to fight against pandemics and similar events.

**Broader and deeper collaboration: Ireland’s only effective response**

How well Ireland can respond to the positive and negative effects of the six global drivers will determine its future economic prosperity. Ireland must develop strategies that address the impact of the six global drivers within the context of its own unique aspirations and constraints (see Figure 4).

From our work with governments around the world, the common underlying theme to all these strategies will be collaboration – collaboration in the sense of enhanced communication and connectedness among all the types of organisations that make up our modern world, including governments, agencies, private sector entities and individuals (see Figure 5).

Ireland’s aspirations set out in the National Development Plan 2007-2013 include providing the physical infrastructure to support progress, providing value for taxpayers’ money and investment in education, science, technology and innovation to meet Ireland’s growing social and environmental challenges. However, Ireland also faces numerous constraints: in particular, the planned package of expenditure cuts aimed at saving €800 million this year and €1.3 billion in 2009, to be achieved without jeopardising the maintenance of front-line services in an environment of slower economic growth nationally and internationally.

**Expand the scale and pace of organisational change in the Irish public sector**

While Ireland is tackling organisational and governance changes through public sector modernisation, the full benefits cannot be realised without stepping up the extent of collaboration among and within govern-
Among Ireland’s most vital responses to current trends: Organisational change needs to happen faster and on a greater scale, and priority must be placed on both education policy and innovation strategy. The Irish Government and the recent OECD Public Management Review acknowledge that public service must modernise faster.

Accomplishing this will require changes to the current silo structure of everything from departmental committees to budgetary structures. Enacting shared services in back-office functions such as finance, human resources, IT, legal services, facilities management, travel services, marketing, and communications is a typical approach to secure such a win/win. Technology will be a key enabler of changes required across the public sector.

However, the reform process demands targets, clearly specifying the programmes of change required to achieve these changes, and the measurable benefits to accrue from these changes. Increased collaboration among key stakeholders will not only be of critical importance to the Irish economy going forward, but will also enable the Irish Government to meet its strategic objectives in a more rapid and less costly manner.

**Prioritise education and innovation to become a global knowledge economy leader**

Ireland's knowledge creation and sharing performance still lags behind other developed economies. For example, Ireland’s R&D expenditure as a percentage of GDP – its R&D intensity – is 1.56 percent, considerably behind the levels of both the EU-25 and the OECD (see Figure 6).

In addition to a comprehensive innovation strategy, enabling the successful transformation to a world-leading knowledge-based economy will also require a new approach to education. Ireland’s knowledge and education strategies need to be connected, as well as reoriented to become more holistic, rather than concentrated on a single aspect of the education and knowledge system.

Current policy overemphasises the third-level sector to the neglect of lower levels. This is reflected in our relatively poor performance in the OECD for scientific literacy at second level, which fell from 16th in 2003 to 20th in 2006. The current approach, if sustained, will have a negative impact on the success of policies aimed at third level and means the government is getting poor value for money from overall spending on education initiatives.

Education policy also needs to be complemented by a coherent immigration policy across Government Departments. These changes cannot be achieved without broad and deep collaboration among government and the key stakeholders in the education sector.

**FIGURE 6. R&D as percent of GDP.**

Accelerate e-Government to deliver more personalised interaction and services

Ireland’s public sector has made progress in delivering personalised interaction and services, rising from 23rd place in 2005 to 17th place in 2007 in the UN Global e-Government rankings. However, it continues to lag behind leaders in providing more personalised and interactive services to citizens (see Figure 7).

The lack of more “transactional” and “connected” e-Government will also present significant challenges for implementing the EU Services Directive in Ireland. Achieving more extensive horizontal and vertical connections among central government, local government, citizens and stakeholders requires a comprehensive national government strategy for the public sector; the current e-Government strategy has not been updated since 2002.

Remove barriers to greater partnership and employee engagement

Partnerships and networking have become more pervasive within the Irish public sector. The National Centre of Partnership, founded in 2001, has played an important role in promoting this extension of partnership. The National Workplace Strategy, launched in October 2007, covers the public and private sector and focuses on stimulating workplace change and innovation, and recognises the critical role that partnership can play in this process.

Case study evidence indicates that the use of partnership as part of modernising the Department of Family and Social Affairs enhanced communications in the organisation and improved organisational performance.

Similar case study evidence from the Courts service shows that partnership improved problem-solving capacity, increased employee voice and involvement, and resulted in an improved industrial relations environment; however, there is considerable work needed to embed partnership within the organisation.

Existing attitudinal and structural barriers to greater employee engagement and partnership must be removed in order to strengthen organisational performance, increase customer satisfaction and promote higher levels of public confidence.

Many governments have already reformed – Ireland can now learn from them

From the experience of governments worldwide, we see that several dimensions of good practice in public sector reform can bring significant benefits in efficiency and cost effectiveness that are relevant to Ireland, including:

• Programmes of senior management development, and the promotion of flexibility and mobility between the Civil and Public Service

• Measurement systems based on a combination of resources, budgets, outputs and benefits, allowing the performance audits to be based on benefits

• More emphasis on projects to deliver specific results with national benefits – with clear targets on completion dates, budgets and benefits.
The Irish Government now needs to lead by example

The immediate and long-term challenges that Ireland faces also create new opportunities to secure win/win scenarios. The Government’s strategic objectives of maintaining frontline services in the context of rapid and widespread public sector reform, and extensive expenditure cuts can be achieved if these new opportunities are seized and appropriate policy actions are taken.

For example, developing shared services creates an opportunity to realise cost savings and efficiency improvements while improving the quality of customer service delivery. Similarly, increased collaboration within government creates an opportunity to deliver more integrated structures to enable more effective delivery of government services. If public sector reform is sufficiently wide-ranging, properly designed and implemented, it will allow the government to deliver better services to citizens and businesses and, at the same time, build a more efficient and cost effective public sector.

Ireland has faced more significant challenges than these in the past; in the midst of the challenging economic environment that Ireland currently faces, it is easy to forget that Ireland is in a much better position now to tackle these challenges. As a nation, Ireland has already demonstrated that collaboration can make a massive difference by facilitating the implementation of wide-ranging policies that deliver benefits for the entire nation. Many countries have been eager to learn the lessons from Ireland’s transformation experience.

Ireland is once again faced with an opportunity to implement bold changes that can bring significant and measurable benefits to the country. Ireland has a valuable advantage of relatively small size that provides high levels of agility and flexibility. By fully leveraging this size advantage for the development and implementation of innovative and rapid solutions for public sector reform, Ireland can substantially improve the chances of economic success and prosperity. The Irish Government must seize this opportunity now and once again lead by example.
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References


7. Ibid.


11. The energy dependence rate is defined as net imports divided by gross consumption, expressed as a percentage. Gross consumption is equal to gross inland consumption plus the fuel (oil) supplied to international marine bunkers. A negative dependency rate indicates a net exporter of energy.


Ibid.