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Ireland's low learning trap

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It is an honour to be part of this event. I consider the building of the welfare state to probably be the greatest achievement of the twentieth century. While I am sure it seems that you are pretty far from making history in your day-to-day work, it is very important to mark the anniversary of the department as part of this broader movement for social protection and improvement of human welfare.

My main concern in my brief remarks is to lay out for Ireland where the welfare state meets the labour market – in particular, at the lower-wage end of the labour market. I will start with the welfare state, then talk about the jobs at this lower end of the labour market and then return to the implications for the welfare system in the future.

Welfare

Let me start by talking at a high level about the ways in which the Irish welfare system is strong, is weak and is vulnerable. First, its strength is the transfer system. As John McKeon mentioned earlier, income transfers do enormous work within the system. Table 1 shows a selection of countries and the level of inequality within the market, the

level of inequality after taxes and transfers, and the percentage reduction in market inequality by those transfers and taxes (and most of that reduction is due to transfers, especially in Ireland). Ireland is the only country listed in this table that has both high market inequality and a high proportional reduction in that inequality through the transfer system. If you look over time, that pattern has remained fairly consistent across the boom, bust and the recent growth. But our market inequality has remained high and is comparatively quite high. So the income transfer system is doing the work but it has a lot of work to do. And it is not reducing the rate of market inequality over time.

Table 1: Inequality in selected European countries

	<i>Market income inequality (Gini coefficient)</i>	<i>Inequality after transfers and taxes (Gini coefficient)</i>	<i>Inequality reduction effect of transfers and taxes (% reduction in Gini)</i>
UK	0.518	0.356	31.3
Portugal	0.545	0.338	38.0
Netherlands	0.458	0.305	33.4
Poland	0.466	0.298	36.1
Ireland	0.549	0.298	45.7
Austria	0.493	0.274	44.4
Belgium	0.495	0.266	46.3
Denmark	0.444	0.256	42.3

Let us turn then to the weaknesses within the system. This involves broadening out the meaning of the welfare system. It is well known that the Irish welfare system is much stronger on transfers than on services. And in some key areas – child care and so on – the system is really almost entirely private or familial. So there are real challenges around services, and those services are in many ways crucial to tackling the questions of labour market participation but also to reducing market inequality. However, the other side of this is the situation in Ireland, where we have a ‘runaway labour market’ that is pulling away from the lower end of the job market. For example, Ireland is one of the economies in the OECD that has the highest returns to education. This sounds great. However, countries with the highest returns to education are almost always the most unequal countries. So it can be an incentive to have high returns to education, but the problem is that it becomes a driver of inequality – and it is not associated with higher levels of economic growth. It also suggests that there is a problem with

the rewards to non-third-level education in particular. When you look at what has happened to occupations in Ireland, looking at OECD statistics over the last ten to fifteen years, you see more low- and mid-level jobs moving up in terms of wages, skill demands and so on. However, this means that while there is a kind of an overall upgrading of the occupational structure, the barrier to getting into those jobs and the distance to those jobs becomes greater, especially as education levels rise. So if you are on the wrong side of that barrier, the barrier is higher than it used to be.

Finally, the system is potentially quite vulnerable in terms of financing. Because on the one hand you have a transfer-led welfare system that is doing a lot of work in financial terms. But on the other hand it is working off a narrow tax base. To a large extent that has been built into our policies. We try to protect incomes at the lower end by linking tax thresholds to the minimum wage and similar measures. Also, on the employer side, we have a relatively small tax wedge in terms of social security contributions such as PRSI – particularly compared to other small European countries. So we have a system that is doing a huge amount of work in one of the most unequal market economies. But it is likely that we will find the scale of those challenges probably increasing as the labour market runs away from the system to some extent, and there is demand for services that either are not there or are hard to put in place. And all that is sitting on a pretty vulnerable financial and fiscal foundation.

Labour market

There is a challenge, and this, it is important to say, can not only be met from the welfare system side. There is a labour market side to this that is just as important in terms of the sustainability of the welfare system. Therefore, it becomes crucial to ask what is the nature of the labour market that people are moving into? We had excellent presentations this morning that went over the general trends. I will concentrate here on the Irish story, and discuss three key dimensions that affect it.

Let me start with the important debates around each of these dimensions. The first is around technology and particularly automation, as Hans-Horst mentioned, which entail all kinds of issues. There is the question of how much work there will be – and I suspect there will be plenty of work, especially since employment levels have as much to do with the growth of sectors like healthcare as they do

with technology. But for my purposes, the key thing to recognise is that technology will, at a minimum, significantly restructure work – not just the level of employment but the kinds of work done and how they are done. Then there is a second major debate around the nature of employment. There is this pervasive sense of insecurity that people experience, but at the same time a lot of the headline figures do not show a huge increase in the conventional measures of precarious employment. So we have to dig a little deeper into what the meaning of precarity is for different workers in different situations. Finally, the third theme is how work itself has been reorganised, not just in the technology used or in the nature of the employment relationship, but in how the work itself is being done. People are working through personal networks, they are working in networks of firms and supply chains, and so on. Even workers who are in permanent, long-term jobs are often working in different kinds of settings. They are working through systems of work that involve various forms of flexibility.

To look at that, I have used the European Working Conditions Survey. Thank you very much to the European Foundation, which provides this very valuable source of data on how work actually gets done. We have looked at this from 1995 to 2015 as part of a broader project that we have been doing at Maynooth University called *New Deals in the New Economy*, generously funded by the European Research Council. The other strand within the project is a comparison of Denmark and Ireland but the analysis I present today is from the statistical analysis of workplaces in the EU15, carried out in collaboration with Dr Amy Healy.

I will start by briefly reviewing the forms of work. You can think about the kinds of ways in which work is done and what new forms are emerging. We can think about two dimensions to that. One is learning – whether there is an opportunity for learning and whether the job involves complex tasks. Second is autonomy – how much scope people have at work to make decisions about their own work and how it is done. Where there is little complexity and little autonomy, the scholars Lorenz and Valeyre called these simple tasks, simple jobs, simple organisation of work – at least relative to other forms of work. Where there is a lot of learning but relatively low autonomy, you get the now classic model of lean production that has been much debated in recent decades, with the influence of Japanese production methods in particular. That involves a lot of pressure pulled through the system, with complex tasks but relatively little autonomy. Typically, we find much of it is in large-scale services and manufacturing. Then a

learning system is where the workers have a lot of complexity to face, but also a lot of autonomy.

For each of those, if you find tight control at work you get a pressurised version of the work, and if you get people working extended and inflexible hours around that pressurised work, we call that the extreme category. Table 2 outlines these nine kinds of work (we also include a tenth kind, Taylorism, which is in many respects a mix of extreme, simple and lean work organisation). The table also shows the change in the proportion of EU15 workers working in each of these forms of work from 1995 to 2015.

Table 2: Forms of work organisation and growth and decline in the EU15, 1995–2015

Simple (-1.3%)	Lean (+0.8%)	Learn (-3.9%)
Simple Pressure (-1.8%)	Lean Pressure (+2.2%)	Learn Pressure (+2.4%)
Simple Extreme (+0.4%)	Lean Extreme (+2.2%)	Learn Extreme (-0.3%)
Taylor (-0.7%)		

The simple and Taylorist regimes are most common in Mediterranean economies. The learning forms of work are strongest in the Nordics, and lean is generally strongest in the UK, Ireland and continental countries such as Germany, France, Austria and so on. What we see overall then is a shift where there is a growth in pressurised work, but also a growth in its complexity. So work is often more interesting, but also more demanding.

So how does this relate to new technology? One possibility is that when people work with new technology their work becomes deskilled, which is a classic pattern or argument in the sociology of work. But actually what you find, as shown in Table 3, is that people who do not use a computer very much at all in their jobs tend to be in these kinds of simple job organisation. They do not have access to either technology use or learning in the workplace. As you move up through higher levels of computer use it is associated with more learning at work. So that is one aspect – you see that greater technology use is in fact attached to more complex, more interesting work. But the other aspect is that when you look within the forms of work – within simple, within lean, within learn – the more that you are using computers, the more pressurised you are. Greater technology use is associated with being in the pressure or extreme categories. So again we find this important tension between upgrading work with more complexity and, at the same time, significant pressures and the challenges of flexibility.

Table 3: Computer use and form of organisation of work

	<i>Computer use (%)</i>			<i>Total</i>
	<i>High</i>	<i>Moderate</i>	<i>Low</i>	
Simple: all types	12.00	25.40	44.70	25.30
Simple	2.20	0.70	12.50	5.40
Simple pressure	5.70	6.00	6.60	6.00
Simple extreme	1.40	15.70	19.80	10.10
Taylor	2.70	3.00	5.80	3.80
Lean: all types	50.00	50.00	33.00	44.30
Lean	10.30	23.90	11.30	13.00
Lean pressure	28.10	11.20	8.90	18.70
Lean extreme	11.60	14.90	12.80	12.60
Learn: all types	38.10	24.70	22.20	30.40
Learn	12.70	14.20	14.00	13.40
Learn pressure	17.30	9.00	5.10	11.70
Learn extreme	8.10	1.50	3.10	5.30

The third dimension is labour market precarity. We could talk a long time about this, but let me just bring up a number of key points. There is an interesting measure in the European Working Conditions Survey, which includes various kinds of employment contract status. Where you have a contract and it is of indefinite duration, it is a permanent contract. Then the options are whether you have a fixed-term temporary contract, whether you are working for an agency, or whether you are working without a contract. It is a bit tricky to figure out exactly what ‘no contract’ means, but Ireland consistently has high levels of people working with no contract, running to 12.8 per cent in 2015. In fact, this shows up in the European Social Survey as well. In that survey the proportion of people saying they are working without a contract is even higher than in the European Working Conditions Survey, but the key point is that rates are much higher in Ireland than elsewhere in Europe. The only countries with similar levels are the UK and Mediterranean economies like Greece, Spain and Portugal. However, one of the things that is interesting in the Irish case is that, if you dig into that data, a lot of the people think of themselves as permanent, but they are working without a contract. And that is quite different than the nature of precarity in France or Denmark, for example. Furthermore, when you look over the last ten years at those working without a contract in Ireland, they are young workers, people working in service or production jobs, people working in these

relatively simple forms of work organisation that do not give you access to learning and autonomy, people working short hours, and so on. They are also more likely to be working in really small firms of under ten employees. So while some expect the 'no contract' workers to be freelance portfolio workers, the primary group are workers that we would think of as typically at risk in the labour market.

When you put these trends together you get a picture of the kind of labour market that is facing people coming straight off welfare in Ireland. In terms of technology, it involves relatively weak access to computer use. In terms of work organisation, you are more likely to be in modes of work that give you less access to decision-making and less access to learning. In employment you are more exposed to different forms of precarious employment. David Soskice spoke thirty years ago about the UK having a low skill equilibrium. In Ireland today, even as the overall labour market is upgrading in many respects, this part of the labour market is caught in a low learning trap. So people are coming into that labour market with gaps in education, networks, experience and so on – but the labour market itself is not enabling them to bridge those gaps, and is in fact reinforcing them.

Welfare's future

Let me end by coming briefly back to the welfare system. It is important to note that, over the last twenty-five to thirty years, we have come to a policy accommodation around how labour market and welfare intersect. We have more or less said that we are not going to do a huge amount about the market inequality. But what we are going to do is try and make the lower end of that labour market work. We do that with transfers, and with the tax system. We try and pitch the tax thresholds around the minimum wage. We also do it in terms of small employers by trying not to impose too many costs on them, especially with a low social security tax wedge and other measures. These arrangements work, at least in the sense that they achieve the kinds of reductions of inequality I outlined at the beginning, where we carry out a huge amount of work to achieve a medium level of inequality. But they leave us with significant challenges that could bring significant financing pressures also. While it is a strong system, there are also weaknesses within it, and vulnerabilities. These can leave us in a variety of vicious cycles. You may be pushing people into the labour market with welfare policies, but it is a labour market that does not

provide a ladder to learning and sustainable work. Or you may be chasing market inequality with transfers all the time.

Therefore, it becomes crucial to think about enhancing services – and this should serve to upgrade labour, if you like, to boost learning, education, care and so on. However, this should also boost employers. There is a part of this on the employer and small-firm level which is about integrating the services on the labour side with services from local enterprise offices and similar agencies. In fact, enterprise policy, and especially the non-glamorous end of enterprise policy, is a significant and important element of enabling welfare policy. Ideally, as you upgrade and support development in that part of the labour market, for both the firms and the workers, you also enhance the tax base by giving scope for increased social insurance and a wider income tax base.