

Competitive Practices and Foreign Direct Investment in Ireland

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Structure of talk

- Quizzing competitiveness
- Context
- Taking and Giving – foreign direct investment in the Irish technology over 6 ‘grim’ months
- Where is innovation?
- Conclusions/Questions/Future work



Competitiveness: An elusive yet key concept.

- Firms compete... Do places?



Do places compete?



- Ireland versus Romania, Italia '90.
- 1990 – Ireland's macroeconomic stabilisation, falling unemployment rates – debt to GDP ratio. Welcomed Dell and Intel within months of each other. By contrast, Romania overthrew communism a year earlier and faced into a decade of economic malaise.





Romania – 2008

- GDP growth rate of 7.7%
- Unemployment rate 5%
- Foreign debt to GDP = 20%
- Exports growth of 24% year on year
- 16% corporate and personal tax
- Average industrial wage of €490 per month

“Look at Romania – a place that we are truly competing against – it has grown from 0 to 1500 employees in 5 years – why? Costs, and the fact that their employees graduated speaking 5 different languages.” (Research Interview, 32b 2009)

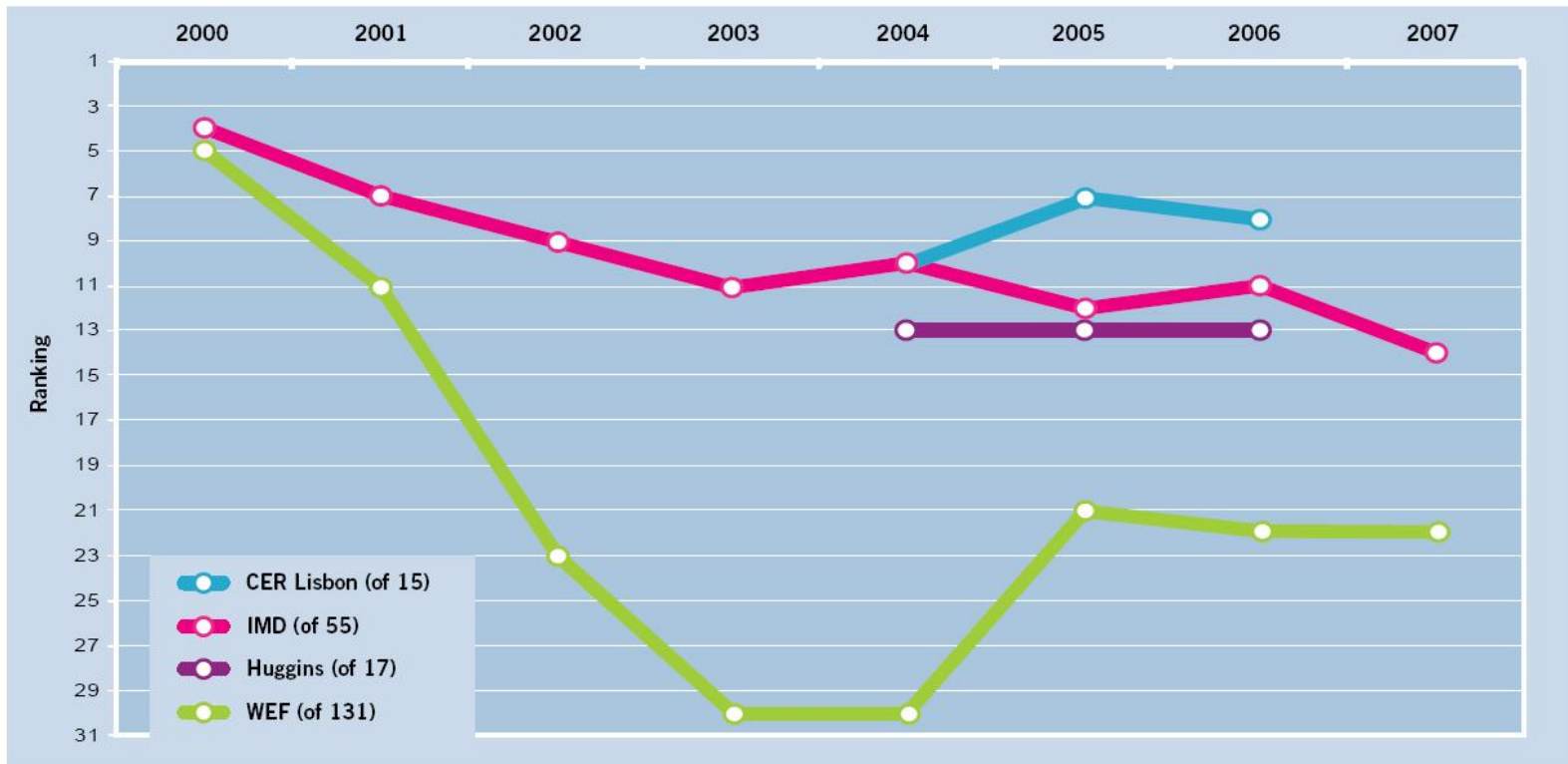


The competitiveness fad

- Competitiveness Policy Council (US)
- World Economic Forum (Geneva)
- Competitiveness Institute (Barcelona)
- Council on Competitiveness (Washington DC)
- National Competitiveness Council (Dublin)
- Two of the main reasons for the notion of competitiveness gaining currency are the increasing international mobility of capital and more open national markets – globalization for short.



Where does Ireland stand?



Source: WEF Global Competitiveness Reports; IMD World Competitiveness Yearbook; Centre for European Reform Lisbon Scorecards; Huggins European Competitiveness Index



Has Ireland been caught up with?

- UNCTAD 2002 – provides evidence of 1,393 cases in which there has been a change in government policy towards Foreign Investments between 1991 and 2001 – over 95% of these were positive.
- ‘Race to the Bottom’ in policy and practice – ‘the treadmill effect’.
- From Limerick to Lodz



Fuzzy concept?

- World Economic Forum defines competitiveness as: *'The set of factors, policies and institutions that determine the level of productivity of a country. The level of productivity, in turn, sets the sustainable level of prosperity that can be earned by an economy.'* By this definition, competitiveness is linked closely to productivity and living standards, rather than solely exporting sectors (in the Krugman sense).
- Comparative versus Competitive advantage (from Ricardo to Porter)



Context

- Information and Communication Technologies
- Increasingly globalised world
- Changing organisational nature of the firm
 - The unbundling of value chains through vertical disintegration and the increased global sourcing of functions that have become separable from the core areas of activities of MNCs. Modular production networks, which are less 'locked into' specific places, products or customer relationships (Sturgeon, 2003).
 - The geography of these networks are reconfigured on an ongoing basis, in ways that combine scale economies of centralisation with the flexibility of decentralisation (Ernst, 1997).
- Competitiveness – Evolutionary/Institutionalist EG
- (Martin, Boschma, Malecki, Saxenian)



They giveth and they taketh away

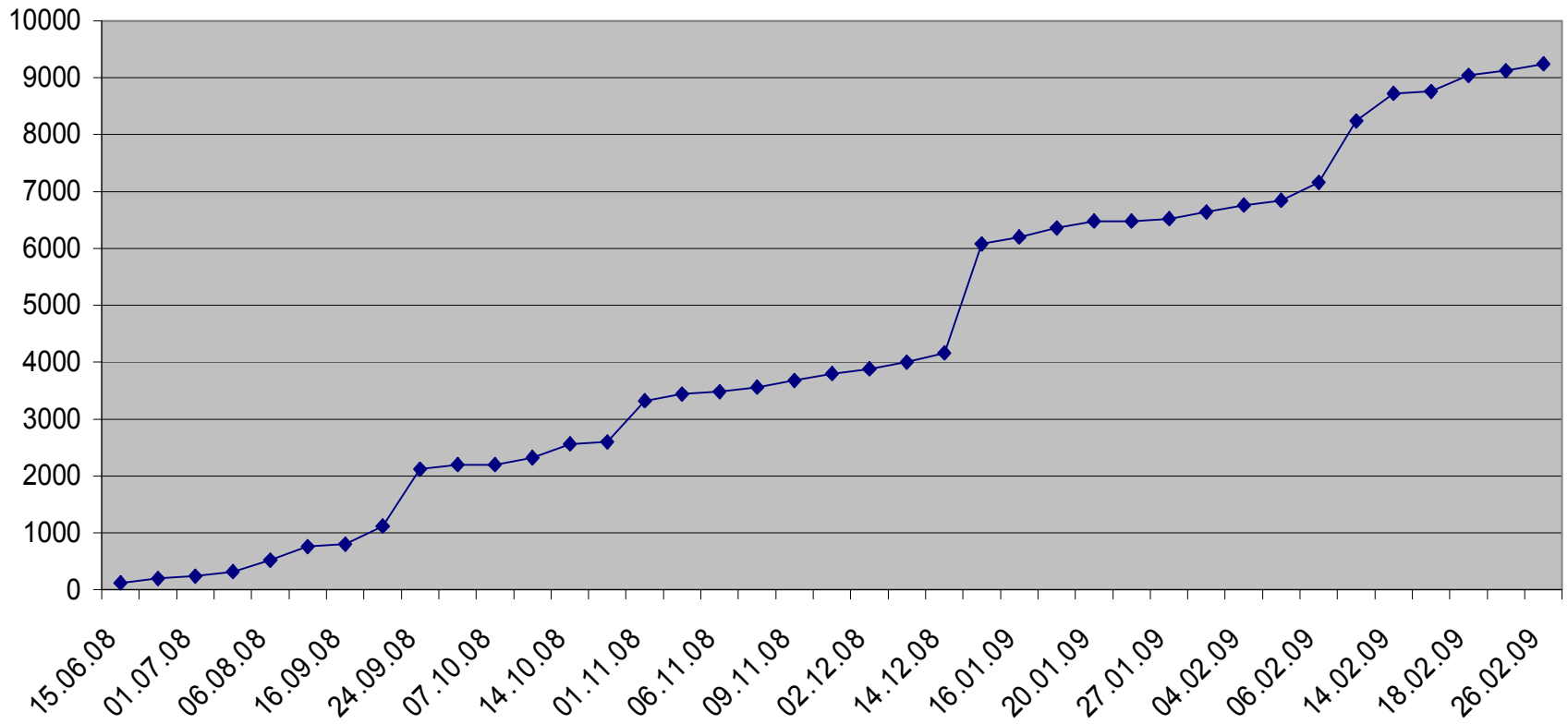
- Inspired by announcements by major MNCs located in Ireland over the past 6 months (Secondary and Primary)
- Technology sector
- Part of the global downturn, and reflective of the process of global restructuring and the competitiveness of regions.
- Closures v Relocations.



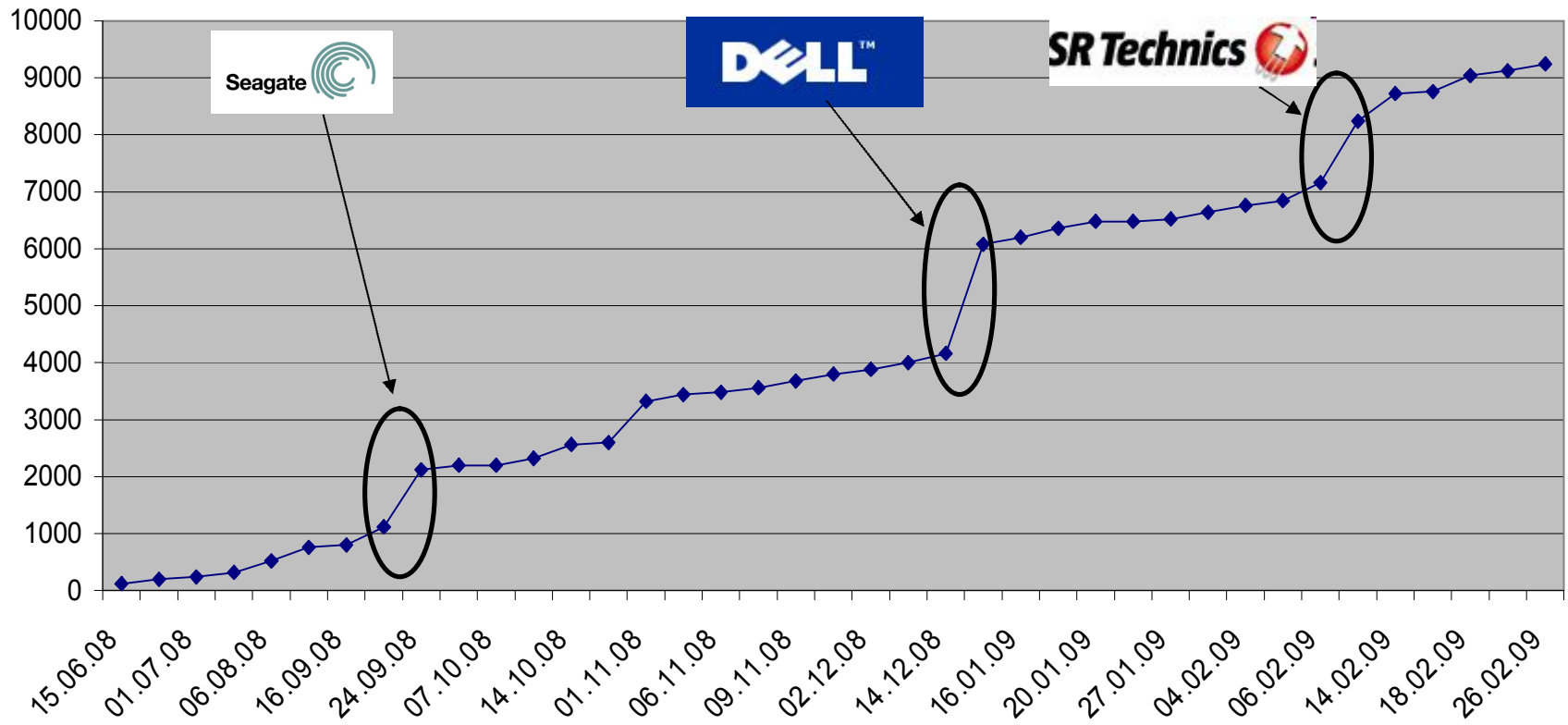
Limerick fears jobs disaster as Dell lays off 1,900 staff



Job Loss in the Irish Tech Sector August 08 to February 09

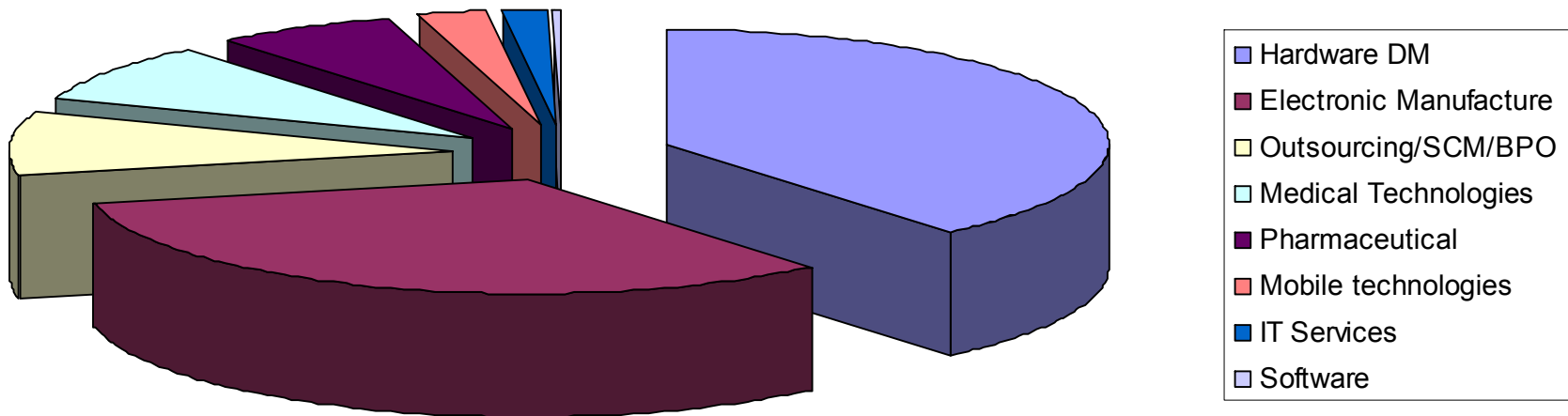


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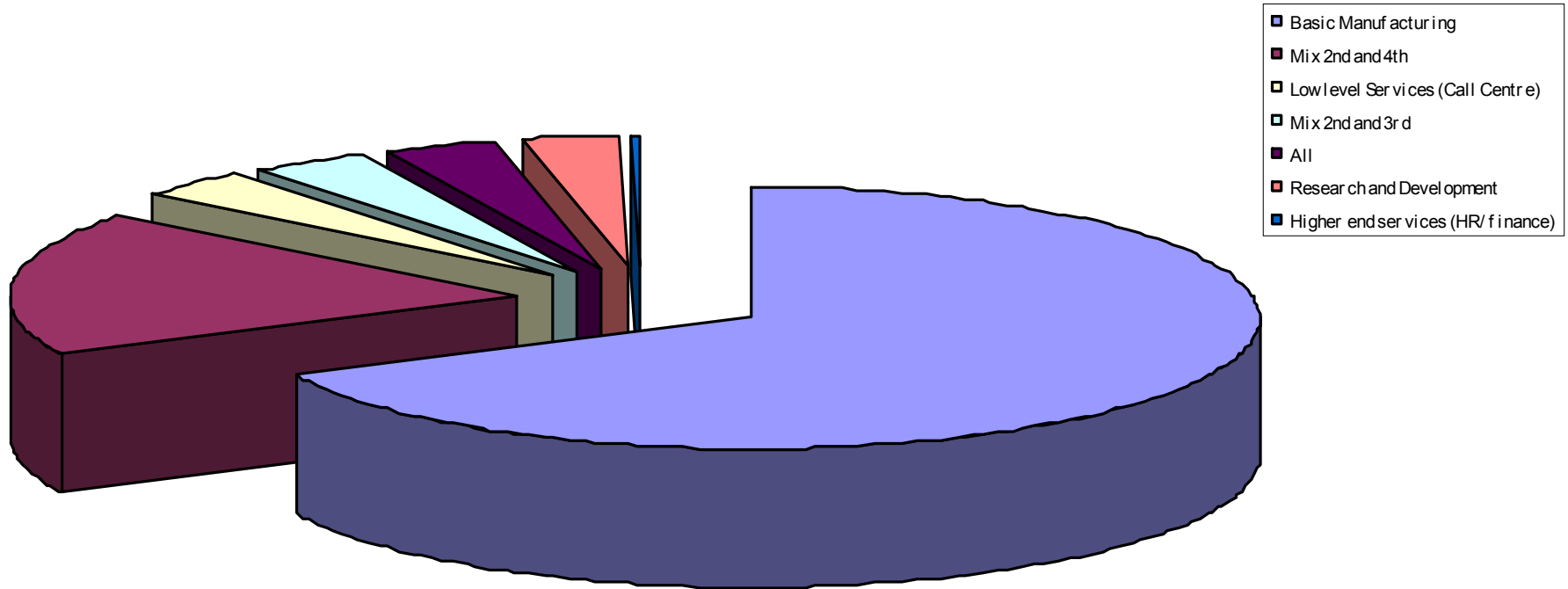
What subsectors?

Jobs lost by subsector

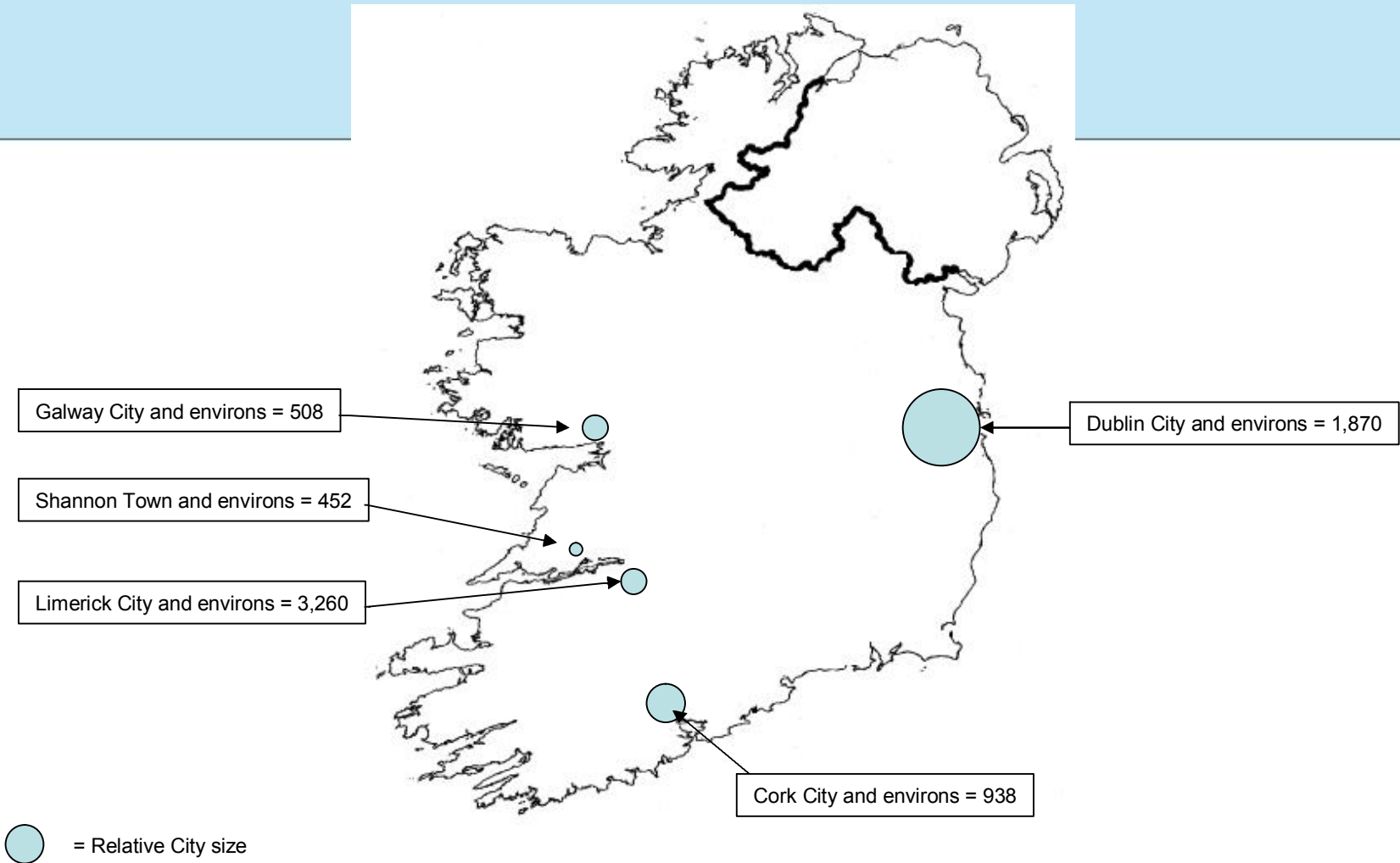


What types of jobs are being lost?

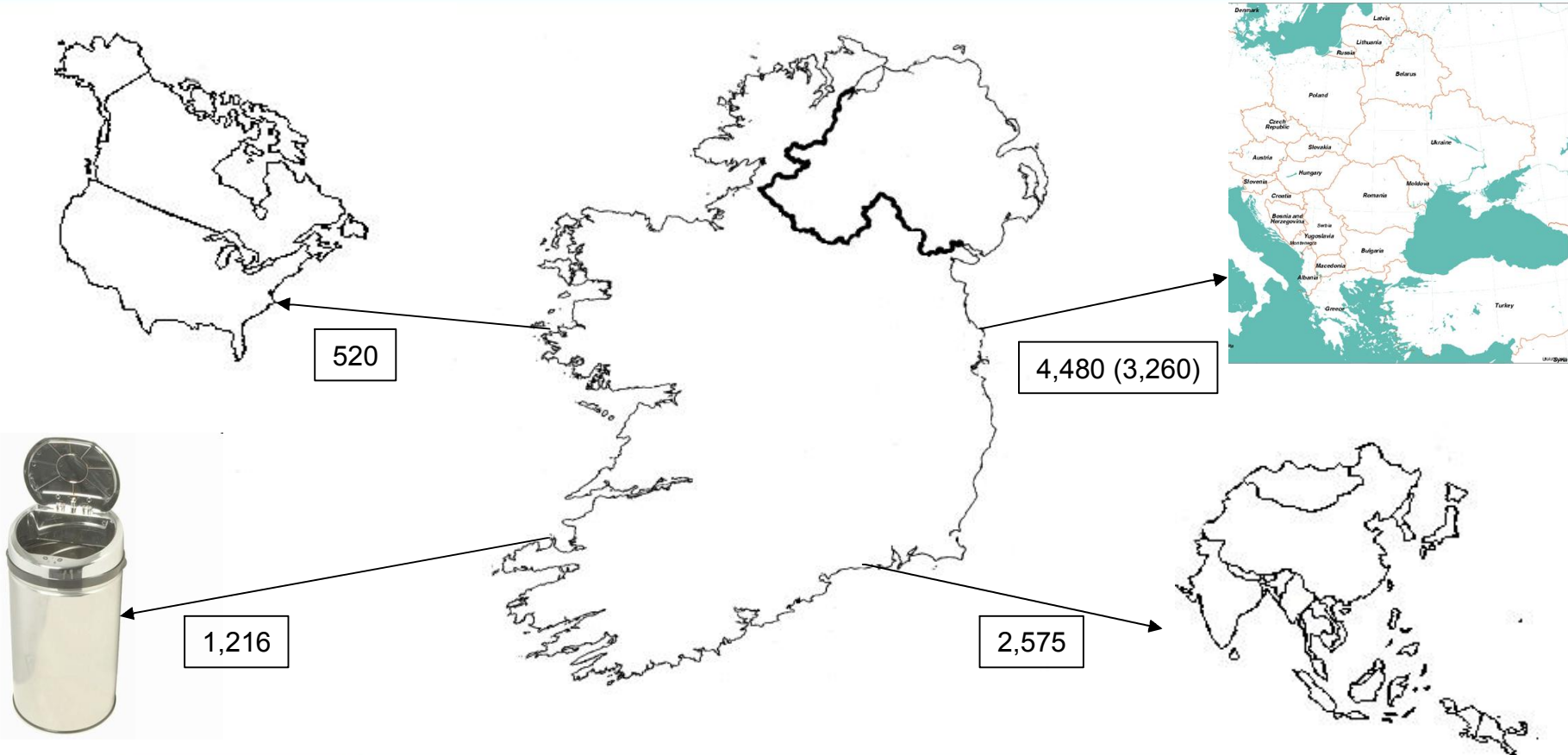
Job loss by type



Geography of Irish Job Loss



Where are the jobs going?



Media

- Job losses
- Factory Closures
- Lost Competitiveness
- Irish problem

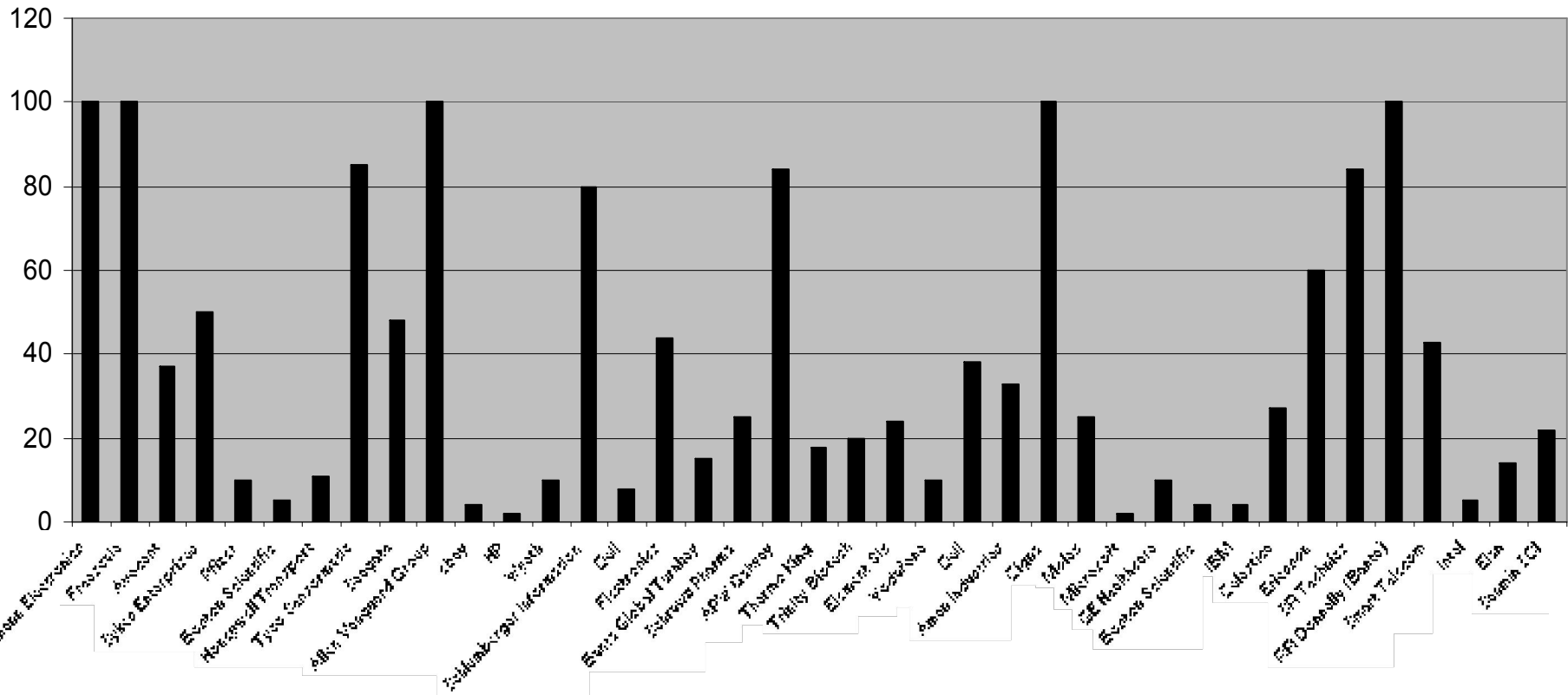


Disabled and unskilled men 'hardest hit' by recession

The image shows a newspaper clipping with a headline "Disabled and unskilled men 'hardest hit' by recession". Below the headline, there is a photograph of a group of people. The text of the article is mostly illegible.

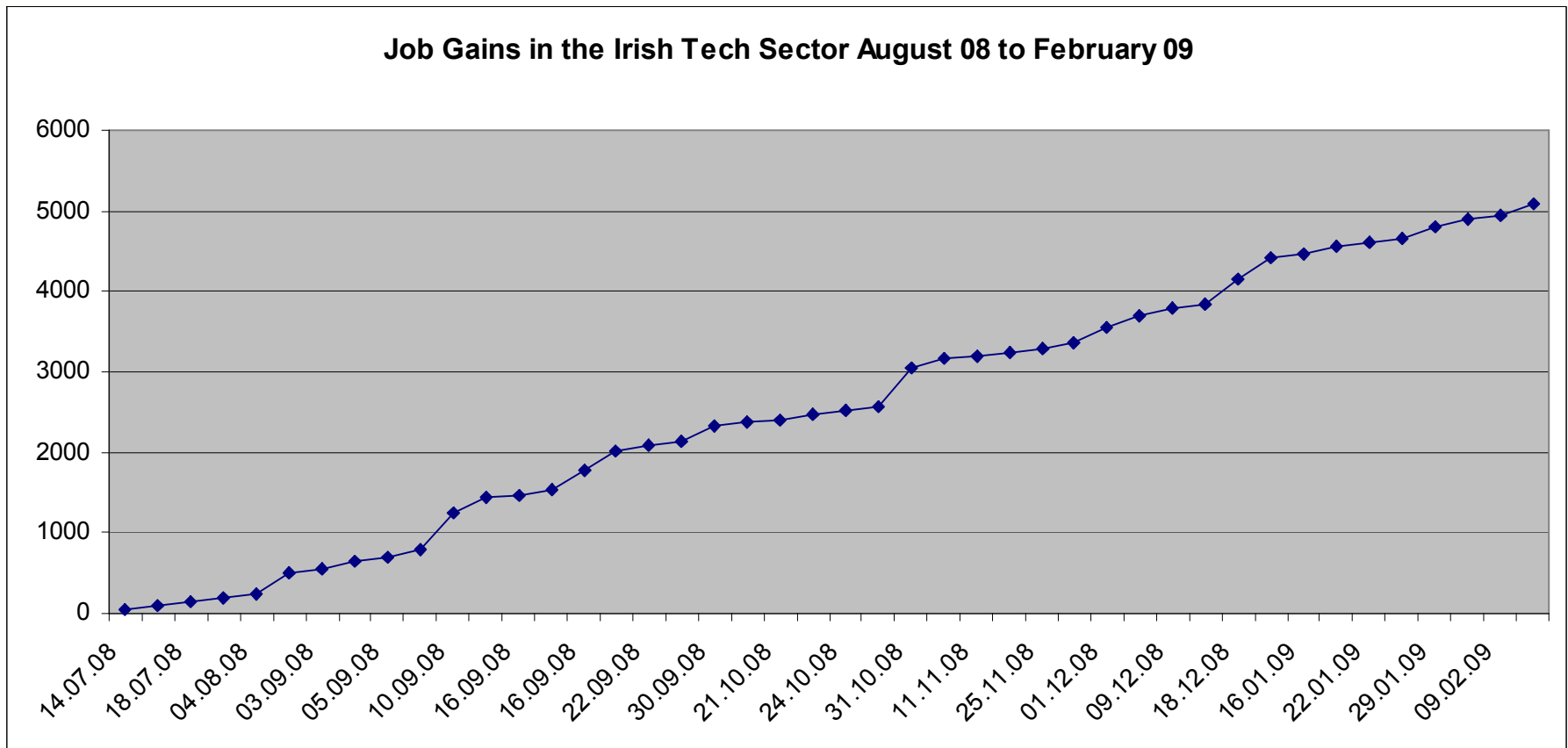


Losses as percentage of total workforce in firms - Average 38.7%

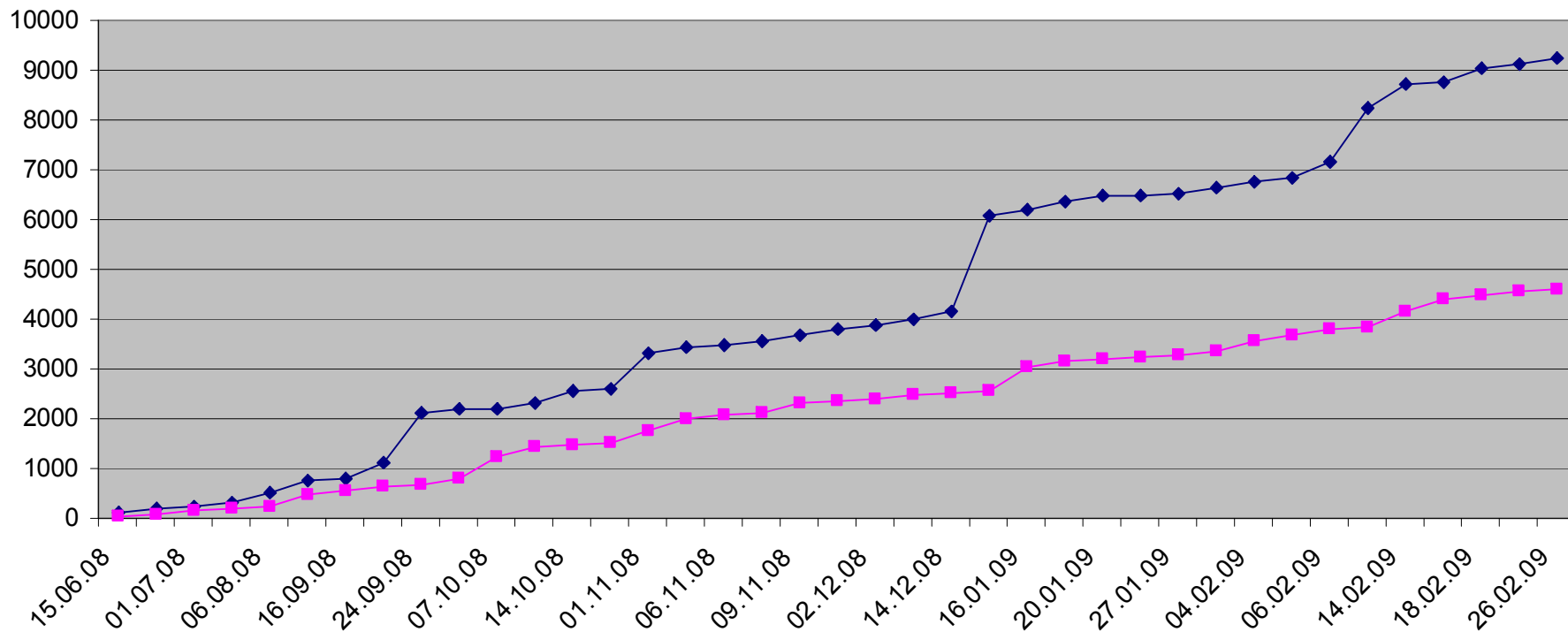


Lest us forget!

Job Gains in the Irish Tech Sector August 08 to February 09

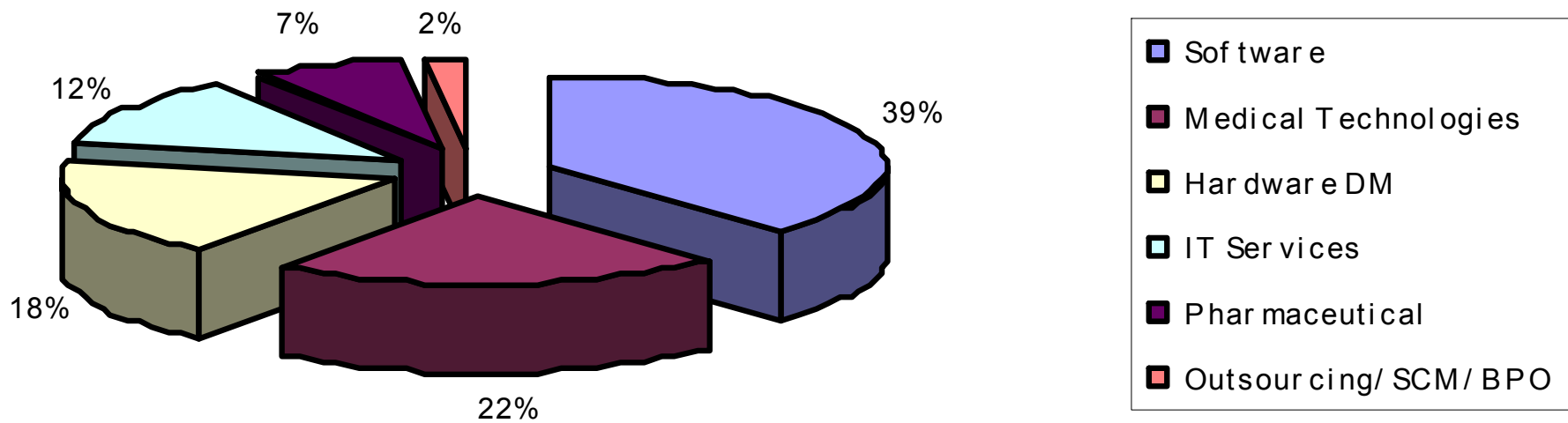


Losses and Gains in the Irish Tech Sector August 08 to February 09



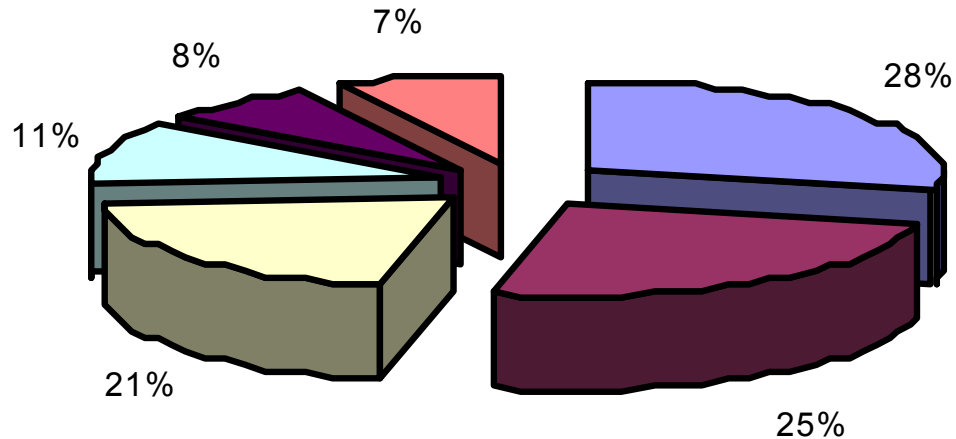
What Subsectors?

Job Gains by subsector



What types of jobs are being gained?

Types of jobs gained



- Higher end services (HR/finance)
- Research and Development
- R&D + Manufacturing
- Low level Services (Call Centre)
- Basic Manufacturing
- R&D + Services

Giving and Taking

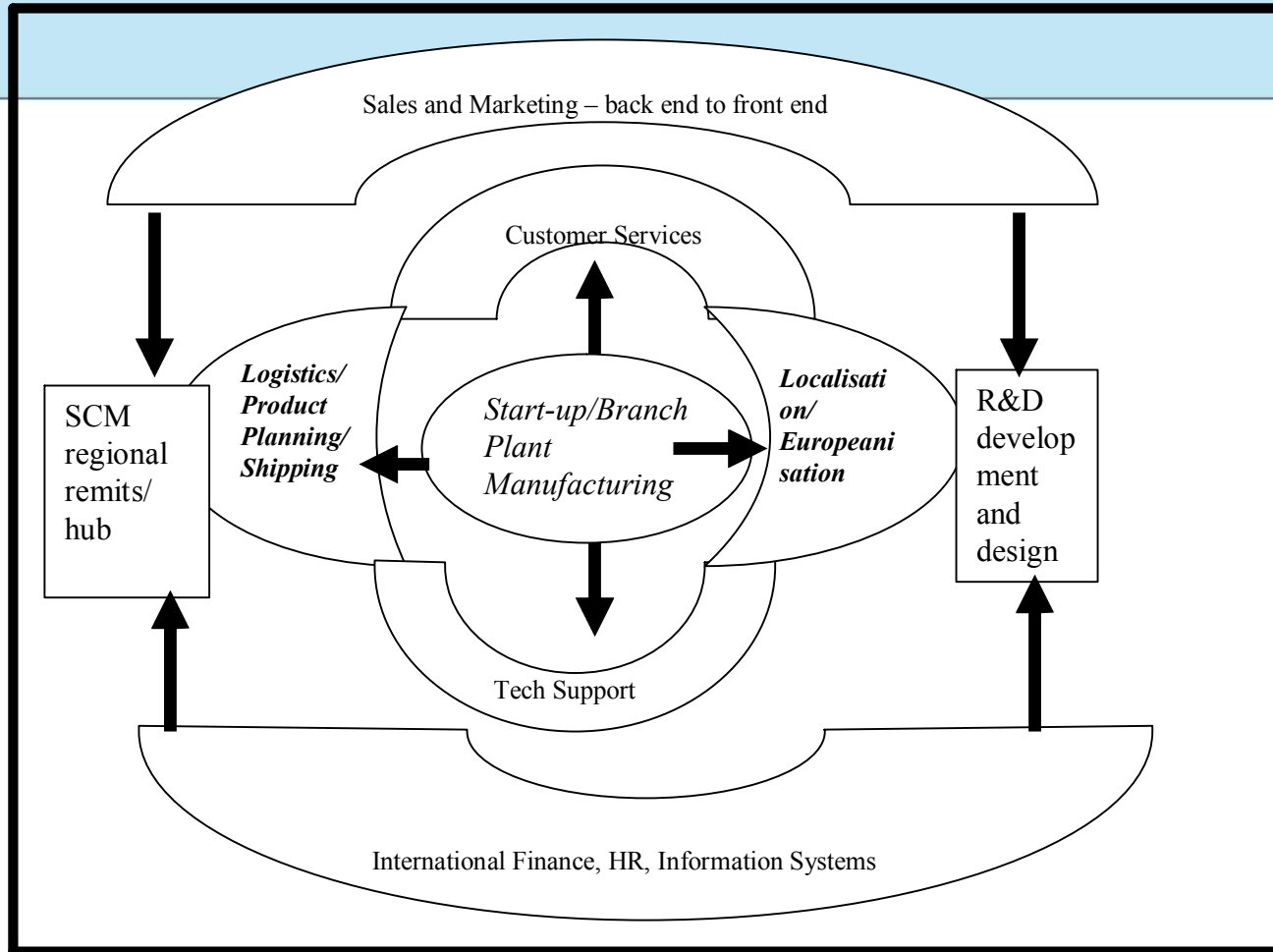
Giveth

Taketh

Higher end services (HR/finance)	1415	Basic Manufacturing	6275
Research and Development	1249	Mix 2nd and 4th	1641
R&D + Manfr	1040	Low level Services (Call Centre)	350
Low level Services (Call Centre)	538	Mix 2nd and 3rd	348
Basic Manufacturing	381	All	326
R&D +Services	370	Research and Development	300
		Higher end services (HR/finance)	17



Increasing Nodal Significance



Is this innovative?

- R&D stats paint their own picture
- “R&D is as footloose as manufacturing, the main issue is control. I want a model where I have control of the R&D standards in this case – I have control over how the services are managed, delivered and access to the market – but I can subcontract other places” [Bangalore]
“We do a lot of the production planning from here. Status production would be done in our home facility in the Philippines Manila or in some of our sub contract houses. We outsource a good deal our final assembly and tests – but we keep the control here.”



New way of measuring innovation

- Intrapreneurialism
- “We set out very overtly to become part of the value chain - we recognised that if tax/profit was ever to change - we would have become redundant.”
- “If my boss knew what I was doing...”



Conclusions

- Evolving trajectories – organisational change/ICT and the coinciding evolution of the Irish workforce and business landscape.
- Increasing competition versus simple geography.
- Policy view versus the more complex reality.
- Re-thinking competition – beyond the hard factors and into the soft.
- What is ‘Irish’ about Irish Policy?



Future work



The rise of creativity
The role of culture in place promotion
Competitive location attractors
Complementarities in smart economy perspectives



Thank you!



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Working Papers:

“Ireland’s foreign-owned technology sector: evolving towards sustainability?”

“Dualistic policy approaches to Ireland’s technology sector”



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