

# Services FDI and Offshoring into Ireland

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# Ireland's FDI Intensity

	Share of foreign affiliates in manufacturing employment (1998) %	FDI inward stock (USD) per head of population (2000)
Ireland	48	37740
EU15	19	6032

# Reasons for Ireland's Success in FDI

- EU membership and an English-speaking environment
- low corporation tax rate
- the skills and experience of the country's Industrial Development Agency (IDA)
- telecommunications infrastructure, and
- an educational system that is integrated into the country's FDI-oriented development strategy.

# Offshored Services

- computer software
- international financial services
- other business process offshored (BPO) activities

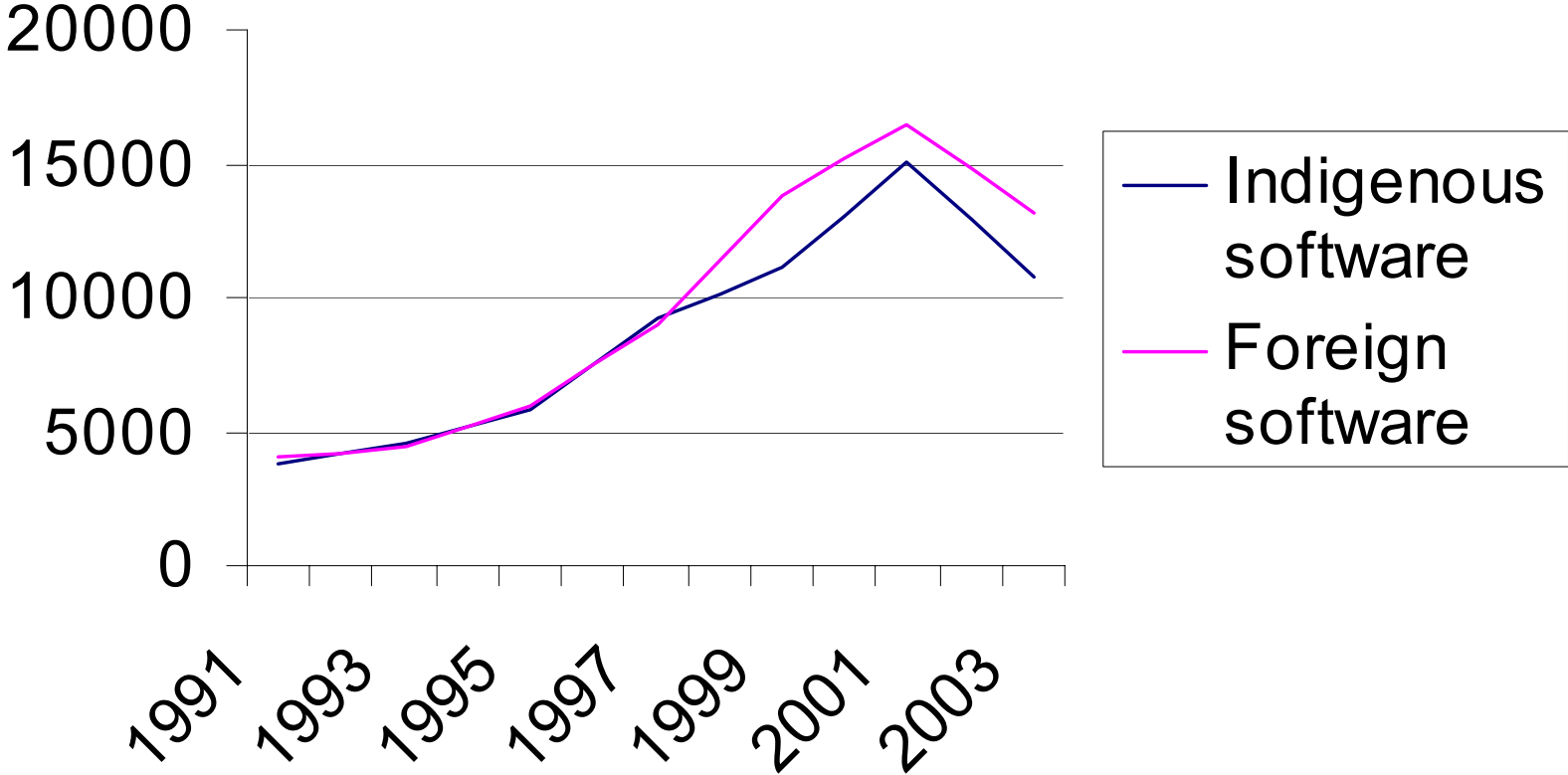
# Number of FDI Projects by Destination Countries, 2002-2003

	Call centres	Shared services	IT services	Regional HQ
EU15	169	38	198	185
Ireland	29 (17%)	19 (50%)	14 (7%)	15 (8%)
UK	43	7	73	64
Germany	20	1	34	22
Netherlands	13	3	16	20

# Computer Software

- Key players in mass-market packaged software arrived in mid-1980s.
- Ireland now said to be the largest exporter of computer software in the world.
- Software employment records its highest share of private-sector employment in the EU15 in Sweden, the UK and Ireland.

# Software Employment



# Computer Software

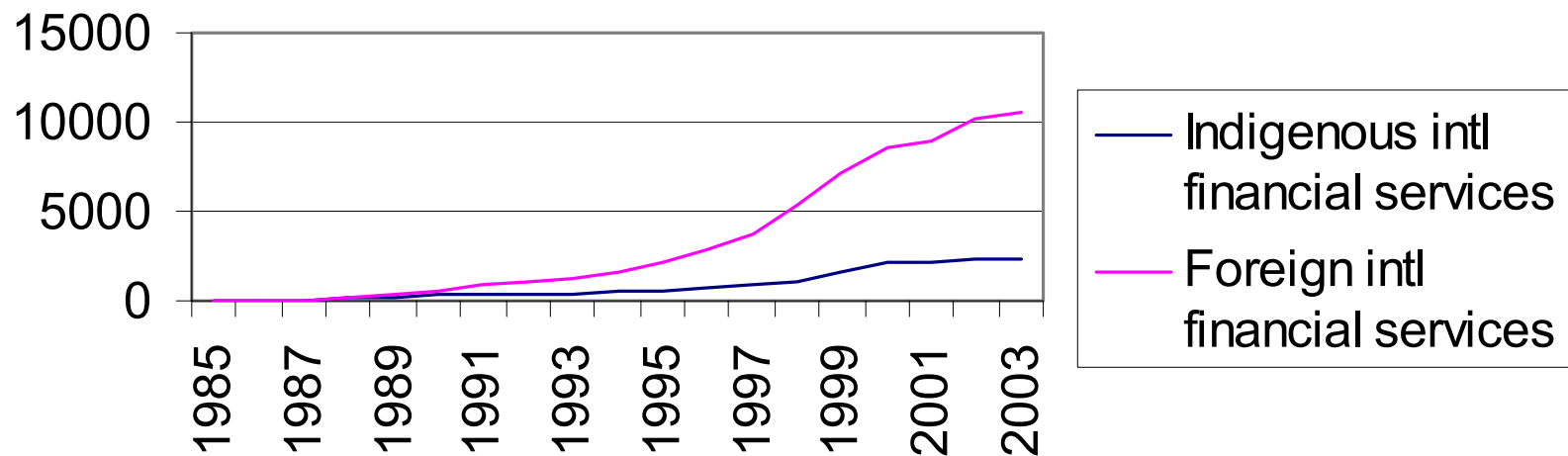
- Half of foreign-sector software employment is in manufacturing, localisation and distribution for firms such as Microsoft, Lotus, Oracle etc.
- The other half is in software development for hardware and software ICT firms.
- Indigenous firms are as export-oriented as foreign-owned software firms.

# International Financial Services

- International Financial Services Centre established in 1987

Emergence of electronic marketplace and global deregulation at the time created opportunity for IFSC, given Ireland's advantages in terms of language, location, education and technology

## International Financial Services Centre Employment



# IFSC

Now one of the leading offshore financial services centres in Europe, with employment levels close to those in the Channel Islands and Luxembourg.

# IFSC

## Employment Allocation:

Funds/Asset Admin

42 percent

Banking

37 percent

Insurance

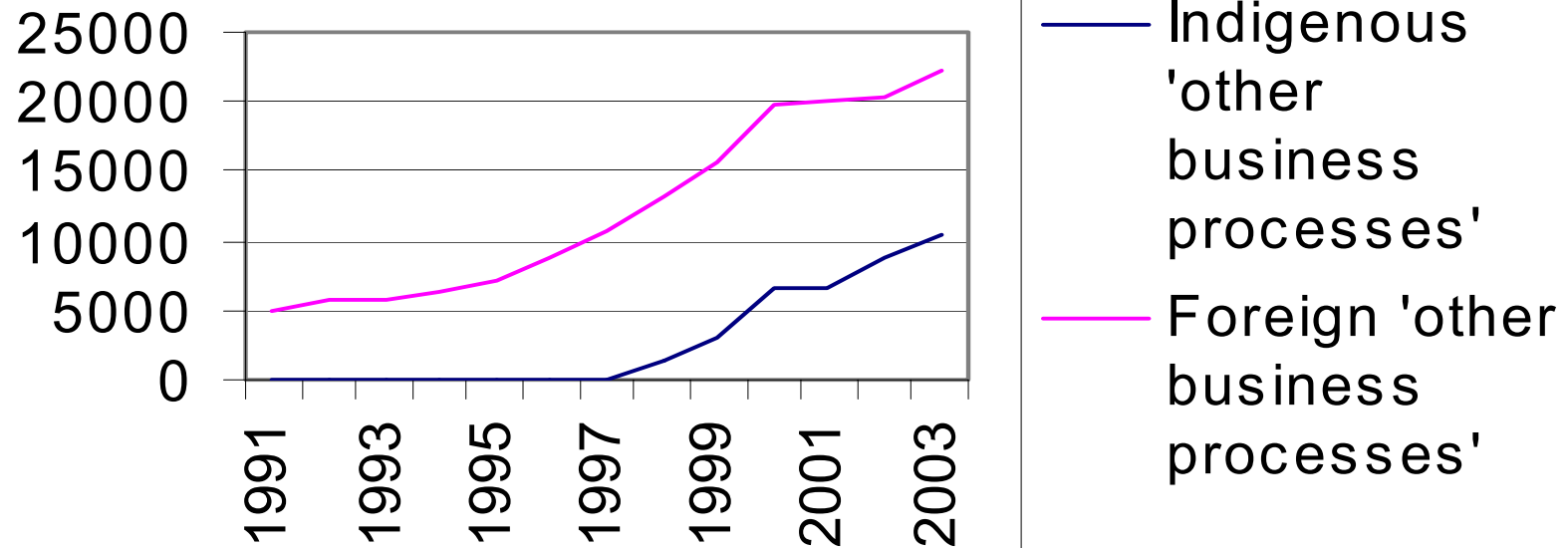
21 percent

- In Fund Admin, Ireland now rivals Luxembourg
- EU regulatory changes in life insurance in 1990s: Ireland overtook Luxembourg in 2001 and more recently has overtaken Isle of Man.

# Other Business Process Activities

- IDA began to target the sector in 1992.
- Strategy has been to use call centres to promote upgrading to shared services.

## Employment in Other Business Processes



# Other Business Process Activities

- Ireland has the highest proportion of call centre staff as a proportion of working population in the EU
- The leading location for shared service centres among developed countries.

# Why are educational attainment levels in these sectors important?

- No classification of services sectors equivalent to the OECD low-tech/high-tech classification of manufacturing sectors
- Ireland as a regional economy (i.e. with very open labour market). No guarantee that simply producing educated labour will cause the sectors in which it will be employed to locate in Ireland.

## Proportion of the workforce, by sector, in possession of third-level educational qualifications

	Percentage with sub-degree tertiary	Percentage with tertiary degree and above
Manufacturing Industries	13.4	15.5
.....Chemical, rubber and plastic products	14.9	23.9
Insurance, Finance and Business Services	17.5	39.7
Total at Work in all Industries	12.7	20.7

# Relative educational attainment within software sector

	Percentage with sub-degree tertiary	Percentage with tertiary degree and above
Manufacturing Industries	13.4	15.5
Insurance, Finance and Business Services	17.5	39.7
Total at Work in all Industries	12.7	20.7
<b>Recent Software Sector Recruitments – direct from education plus those with experience</b>	<b>19</b>	<b>71</b>

## Comparison of educational attainment in broad financial services and IFSC

- IFSC prefers more experienced workers
- Of those hired direct from education, broad sector took 22% from second-level while IFSC took only 11%.
- Of those hired direct from third-level, ratio of degrees to sub-degrees is the same in each case.
- **Implication: IFSC more high-skill than overall financial services sector.**

## Comparison of educational attainment (proportion of workforce with third-level qualifications) in IFSC and software MNCs

### *Median Size Classes*

	IFSC		Software	
<b>Firm Size</b>	<b>&lt;70%</b>	<b>70%+</b>	<b>&lt;70%</b>	<b>70%+</b>
1-10 employees	10.5	32.6		
> 50 employees			20.4	49

# Educational Levels in Call-Centre Sector in Ireland

- UK call-centre sector is less skilled than the average sector in Ireland.
- However, Irish sector more high-skill than that of the UK, because:
  - substantial element of technical and software support in the Irish sector, and
  - relatively high ratio of team leaders to agents, suggesting a focus on quality and more complex (less scripted) contact-centre functions.

# Minimum educational entry-level requirements in tele-business segments

Educational Requirements	Computer Segment	Financial Services Segment	Professional Services Segment	Reservations Segment
Secondary (Leaving Cert)	30	100	17	44
FÁS (pre-tertiary)	4	0	33	11
Tertiary (degree or sub-degree)	66	0	50	44

# Sectoral breakdown of firms in the Irish call centre and shared services sector

<b>Sector</b>	<b>Percentage</b>
Technology	35
Travel & tourism	16
Financial services	12
Outsourcing bureaux	12
Other	25
<b><i>Total</i></b>	<b><i>100</i></b>