

INSTITUTIONAL DESIGN TO SUPPORT AN INTEGRATED ECONOMIC, SKILLS & INNOVATION POLICY AGENDA

DAVID SKILLING

PREPARED FOR THE DEPARTMENT FOR THE ECONOMY, NORTHERN IRELAND

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Introduction

This note draws on the international small advanced economy experience to provide further insights and guidance on institutional and governance questions with respect to developing and implementing an integrated skills, innovation, and economic strategy. The three questions that will be considered are:

- How can the skills strategy best be integrated into the overarching economic strategy on a sustained basis?
- What are the specific institutional design requirements – and features of international good practice – to support strategic coherence in the development and delivery of economic, skills and innovation policy?
- What set of governance arrangements for external stakeholder groups are most appropriate, to ensure high value add?

To provide insight into these three questions, this note will draw on the international small economy experience to highlight the key elements of international good practice, the specific institutional and governance models that have been adopted, as well as highlighting the reasons for these choices. This analysis focuses primarily on four small advanced economy experiences that provide relevant insights into these institutional questions: Ireland, Denmark, Singapore, and New Zealand. It will draw on this experience to develop practical recommendations for Northern Ireland as institutions and processes are developed.

This note will build on the foundation of the report prepared in 2019¹, providing additional institutional detail and insights to extend the general insights that were identified in this report. This previous report identified the general elements of good practice, and identified several instructive international small economy examples. To provide insight into the current set of questions, and to draw out specific implications, a more detailed and focused analysis of these various processes and institutions in selected small advanced economies is required (what did they do, how did they work, what are the key take- aways?). The paper will also identify key issues for further discussion with stakeholders.

¹ Landfall Strategy Group, 'The strategic integration of skills & innovation policy in Northern Ireland: An international small economy perspective', report prepared for the Department for the Economy, July 2019.

This paper is structured as follows. The opening section provides background context on the importance of strategic integration of skills, innovation, and economic strategy. The paper is then organised around the three specified questions. The insights on the first question will focus on the processes and institutional arrangements that support the development of a skills and innovation policy that is integrated into the broader economic strategy. The second question focuses on the institutions that are required to support the ongoing development and implementation of the integrated strategy, including resource allocation decisions. The third question then directly considers good practice with respect to external stakeholder engagement. The final section then outlines some implications and recommendations for consideration in Northern Ireland.

General insights

To provide background context, this opening discussion summarises the general insights from last year's report on developing an integrated skills and innovation policy. This will provide the basis for a consideration of the specific elements of institutional design that are necessary to support an integrated policy agenda.

A central lesson from successful small advanced economies is the importance of effective strategic integration between skills and innovation policy, in the context of a coherent overall economic strategy. Three elements of effective strategic integration of skills and innovation policy are identified from the international small economy experience.

First, a clear statement or understanding of the central role that skills and innovation plays in the overall competitive positioning of the economy – accompanied by a clear sense of the resourcing and policy implications that follow.

Second, the effective integration of skills and innovation policy needs a 'whole of government' policy approach to skills and innovation. Pushing on one element of skills and innovation policy without addressing the broader small economy strategic policy environment is unlikely to lead to better outcomes. High-performing small advanced economies have a deliberate, structured focus on aligning policies to generate the desired outcomes. For example, deliberate use of social insurance, labour market policy, immigration policy, and so on, to support skills and innovation policy.

Third, a common small economy approach to the strategic integration of skills and innovation policy is to organise the policy focus through strategic priority clusters that are seen to be the growth engines of the economy. Because the investments are complementary, small economies need to focus their efforts in a limited number of economic areas. Without these strategic priority areas, the international small economy experience suggests that it is more difficult to sustain high levels of investment in skills and innovation – or to generate returns.

Achieving high quality, effective strategic integration has a series of institutional and governance implications. Although there are a wide range of institutional arrangements across small advanced economies, there are several elements of good practice from across small advanced economies that are associated with good outcomes. Consider the following three elements:

Policy coordination: For a small economy to implement a whole of government approach to a policy area, there needs to be deliberate policy coordination (across the wide range of policy domains that relate to skills and innovation policy). It is important to have alignment behind an overarching economic strategy, with strong leadership from central agencies (or the lead economic agency).

Role for the private sector, and other stakeholders: There is a need to ensure that there is an active, ongoing role for non-government parties, with a degree of institutional structure around this engagement. In some jurisdictions, formal tripartite arrangements are an important aspect of this stakeholder engagement (Nordics, Singapore, Ireland). In other cases, structured engagement with industry groups and others is important. There are also examples of episodic engagement on emerging demands on the skills and innovation system.

Focus on outcomes and accountability: There should be regular reporting against the key goals, as well as meaningful accountability on Ministers and agencies (and other stakeholders as appropriate) for progress towards the objectives. Ireland's Action Plan for Jobs is often cited as a good example of institutions structured around skills policy, anchored in a broader economic strategy.

The international small economy experience shows clearly that high quality institutions are central to effective strategic integration of skills and innovation policy into economic strategy. Strong institutions are required to deliver sustained alignment and coherence across multiple policy areas without a structured set of institutions. Otherwise the risk is that the outcome is a fragmented set of bottom-up initiatives.

Northern Ireland has made a solid start, with skills and innovation explicitly referenced in the draft Industrial Strategy. And the integration of skills policy within the Department for the Economy is a positive move in terms of supporting greater policy coordination. But there are some weaknesses and challenges in Northern Ireland's institutional design. Institutions need to be developed in order to support effective strategic integration, and to support a move from strategy to execution. This is complicated by the high level of fragmentation in terms of initiatives and actions in the skills and innovation system involving multiple stakeholders – as well as the challenges of operating in a sub-national context. The absence of an Executive has compromised the ability to develop a clear, widely understood strategy (which has contributed to fragmentation).

This note describes institutional arrangements that would give effect to the objective of strategic integration in Northern Ireland – which build on its starting point and address some of the key challenges.

In the previous report, I recommended the development of a standing economic institution, led by senior Ministers, with oversight, decision-making rights, and accountability across the economic policy domain – including skills and innovation. One less formal version of this is to create a ‘Team NI’ approach: a structured platform with the different economic policy and delivery agencies coming together on a regular basis to discuss various policy and operational issues. This report will develop these recommendations in further detail, drawing on specific elements of good practice in high-performing small advanced economies.

i. Integrating skills policy into broader economic strategy

How can the skills strategy best be integrated into the overarching economic strategy on a sustained basis?

High-performing small advanced economies have an effective integration of skills and innovation policy with broader economic strategy. A positive element in Northern Ireland is that there is a well-focused draft Industrial Strategy, with an appropriate focus on skills and innovation. If this is approved by the incoming Executive, this will provide a useful basis for building high quality institutional and governance arrangements.

However, as in other small economies, these strategies will be formally updated and revised from time to time. There are some insights for Northern Ireland from other small economies in terms of how to integrate skills policy into overarching economic strategy.

Ireland and Singapore in particular provide specific insights into how to build institutions to support skills and innovation policy in a way that is deeply integrated into a broader economic strategy. I will start by describing some of the specific elements of these institutional arrangements that are instructive for Northern Ireland, followed by some of the key institutional learnings from these economies.

Singapore

The ‘Committee for the Future Economy’ (CFE) is an interesting example, both in terms of the time-limited process itself – as well as in the ongoing institutions that were established to implement and adapt the economic strategy.² Singapore has had previous versions of this type of process, such as the Economic Strategies Committee that was established in 2009 after the global financial crisis and the Economic Review Committee established in 2003 after SARS. This discussion will focus on the CFE process, because it is the more recent version – and it currently being implemented.

² <https://www.mti.gov.sg/Resources/publications/Report-of-the-Committee-on-the-Future-Economy>

The CFE was a time-limited process, established by the government in 2016. It was chaired by the Minister of Finance, and had most senior Ministers involved (including those responsible for portfolios relating to skills and innovation). It was staffed by officials from the lead economic agency (Ministry of Trade & Industry) and also drew on officials from other Ministries. It was a resource intensive process, drawing on scores of people; and ran for about a year from January 2016 until early 2017.

The Committee commissioned research and analysis from within government, and from external sources, and engaged with a wide range of external stakeholders that were divided into several work streams. Participants on the Committee came from academia, business, unions, among others. As in Denmark, Singapore operates a tripartite system involving business, unions, and government – albeit with a distinctive ‘Singapore Inc’ approach. This process generated a very detailed set of recommendations and initiatives, as well as a clear narrative on an updated strategic economic direction for Singapore.

The CFE made skills and innovation a central feature of Singapore’s economic strategy, with a particular focus on positioning Singapore firms and workers for the emergence of disruptive technologies and the nature of the future of work (need for ongoing learning, providing opportunities to learn new skills, and so on). It also identified 23 sectors for which ‘Industry Transformation Maps’ would be produced, in order to support improved productivity and growth performance in these sectors (with many initiatives identified relating to skills and innovation).

Singapore’s CFE process generated strong alignment across relevant Ministers and agencies in terms of the objectives and policy direction. The Committee worked because it had a clear mandate, access to the appropriate decision-making levers, a broad group of experts and stakeholders involved, and the right analytic capability.

Ireland

Ireland has had a clear economic strategy, organised around attracting FDI, which has been sustained with some success for decades. And over the past decade since the global financial crisis, it has become much more structured around institutional arrangements with respect to its economic strategy. Part of this increased structure was due to the crisis measures, such as those in the Action Plan for Jobs (from 2012), with the long list of initiatives, explicit KPIs, and accountability measures.

This has now moved onto broader economic strategy. For example, the Enterprise Plan 2025 was an overall statement of economic strategy, together with several other accompanying and supporting strategy documents.³ Enterprise 2025 specified strategic priority clusters, and is linked to both the skills strategy as well as innovation policy. This involved all of the key Ministers and agencies, and was also able to respond to changing circumstances with regular updates.

In 2019, Future Jobs Ireland was released, a medium term economic agenda that puts skills and innovation at its core.⁴ There was direct involvement and accountability by senior Ministers and officials in the development of this strategy, as well as explicit recognition of the other strategy documents. There is a high level of consistency in approach across policy domains.

The key feature in the relative strength of the strategic integration in Ireland is the existence of a Ministerial-led process, with a strong commitment to skills and innovation policy being a core part of the overall economic strategy. There was also structured external stakeholder engagement around the design of this strategy, through high-level stakeholder summits.⁵

Institutional requirements

The international small economy experience (extending beyond Ireland and Singapore) highlights some institutional insights with respect to integrating skills policy into broader economic strategy.

First, institutional design is not a substitute for political leadership. Where there is not political clarity on the end objective with respect to economic, skills, and innovation policy, any institutional design will not create it – institutional design can provide support for achieving political goals in a structured, disciplined, effective way. One of the important (and cautionary) insights from these experiences is that a shared understanding of what is important is critical to success (and this needs to be developed over time). Without these underlying ‘soft characteristics’, the policies, funding, institutions would not be nearly as effective in terms of generating high quality outcomes. Institutional arrangements do not drive change, but they are vital in converting political intent into outcomes.

3 www.dbei.gov.ie/en/Publications/Enterprise-2025.html

4 <https://dbei.gov.ie/en/What-We-Do/Business-Sectoral-Initiatives/Future-Jobs/>

5 <https://dbei.gov.ie/en/What-We-Do/Business-Sectoral-Initiatives/Future-Jobs/Future-Jobs-Ireland-Summit/Future-Jobs-Ireland-Summit-2019.html>

Second, this leadership needs to come from the top. Senior Ministers and officials need to drive whole of government processes (to integrate skills, innovation, and economic policy) with direct accountability. For example, in Singapore, senior Ministers are directly engaged in the innovation and economic policy agenda. The National Research Foundation sits in the Prime Minister's Office, and the Research, Innovation & Enterprise Council is chaired by the Prime Minister (and the Board of the Council includes other senior Ministers as well as senior business and academic leaders). This structure allows for the direct integration of innovation policy with economic policy, as well as rapid responses to changing dynamics in the research and innovation space. There is a deep understanding among senior Ministers of the importance of innovation for Singapore's competitive advantage.

Third, and relatedly, to be effective, this leadership needs to be enduring and bipartisan so that there are not reversals of the broad economic strategic direction. Skills and innovation need to remain central to the economic strategy through changes in government. There needs to be a strong measure of alignment and consensus as to the strategic direction of policy; senior Ministers need to be committed to the direction, particularly in a coalition style government. Finland and Singapore provide good examples of this sustained direction. An explicit economic strategy can be helpful, but the shared narrative is more important. A coherent strategy (and a shared understanding) is even more important in coalition arrangement situations (such as Denmark, Finland), which is instructive in the Northern Ireland political context.

ii. Specific institutional design requirements to support integration

The discussion of the first question focused more on the extent of policy integration in the initial development of the economic strategy. The discussion in this section considers the institutions that support delivery and implementation of the integrated strategy, as well as the way in which ongoing adaptation can best be delivered.

This discussion will start with a consideration of the institutional experiences of Singapore, New Zealand, and Denmark; and will then consider some institutional implications from this experience.

Singapore

The time-limited CFE process that was discussed above allowed for the integration of skills and innovation policy with economic policy. But thought has also gone into the institutional design requirements to deliver an effective implementation of an integrated policy agenda.

Singapore Government has established a Future Economy Council to provide ongoing advice with respect to the implementation of the CFE recommendations.⁶ This Council is chaired by the Minister of Finance (and Deputy Prime Minister) and includes senior business, union, and academic leaders. This process allows for ongoing adaptation of the focus of the economic strategy; as well as for ongoing external stakeholder engagement and implementing decisions.

Because relevant Ministers were all involved in this collaborative strategic CFE process, there is a high measure of alignment in how this integrated agenda is delivered. For example, the work of several institutions in the skills, research, and innovation space are guided by the strategic priorities established out of the CFE process. For example, the Research, Innovation, & Enterprise Council, chaired by the Prime Minister, which allocates research and innovation funding to strategic priority clusters.

Organisations like A-STAR, which operates at the intersection of public, private, and research sectors, are also shaped by governance arrangements that include senior officials and Ministers.

Similarly, strategic initiatives identified in the CFE process have led to the establishment of new organisations to implement and drive (such as SmartNation, SG Innovate, various digital initiatives).

Lastly, note the 23 Industry Transformation Maps (arranged into 6 clusters) that were identified as priorities in the CFE.⁷ Roadmaps are being prepared for each of these 23 sectors to improve productivity, with a strong focus on skills and innovation. The preparation of these Maps will involve substantial collaboration with industry and others, and this process is being overseen by various sub- groups of the Future Economy Council.

New Zealand

As noted in last year's report, New Zealand does not have an explicit economic strategy with identified strategic priority areas. But every government has its own priorities, and has different approaches to organising the public sector machinery to deliver against these priorities. As one recent example of this, the previous Government had a Business Growth Agenda: this included targets around exports, innovation, skills, and investment.⁸

6 <https://www.mti.gov.sg/FutureEconomy/TheFutureEconomyCouncil>

7 <https://www.mti.gov.sg/ITMs/Overview>

8 <https://www.beehive.govt.nz/release/bga-refresh-sustain-growth>

To support this agenda, groups of Ministers and senior officials were established around each of the target areas; with an overall group of Ministers and senior officials to oversee progress on the Agenda. These were colloquially termed ‘NZ Inc’ Ministers or officials. The role of these groups was to remove constraints on progress or identify additional actions that needed to be taken – and were meant to operate in a ‘whole of government’ manner rather than as representatives of their own agency. This approach was relatively successful in driving collaboration across an integrated policy agenda.

Denmark

Denmark is at the informal end of the spectrum in terms of an explicit economic strategy. But Denmark has sustained a relatively consistent policy direction despite frequent coalition governments, including an emphasis on skills and innovation – central to its economic strategy is investment in skills and innovation.

Indeed, Denmark’s institutional design is good – but not perfect. A recently commissioned review of the Danish innovation system (carried out by external experts engaged by the European Commission, at the request of the Danish Government) identified institutional fragmentation and a lack of strategic intent as major problems.⁹

The review identified an ‘insufficiently systemic approach to innovation. There is no sufficiently clear, deliberate, overarching strategic direction of the Danish innovation system. The innovation policy system appears fragmented, despite high openness to dialogue and discussion, with no obvious central platform to discuss and take strategic, system-wide decisions’. ‘Responsibilities for policies shaping the performance of the Danish innovation system are distributed across different ministries and levels of government’. In response, the review recommended ‘defining a stronger strategic ambition for Denmark, providing a more coherent structure for aligning individual actions and policies towards a common goal’.

The specific institutional recommendations from this recent expert review are worth considering in the Northern Ireland context.

There has also been some institutional innovation in Denmark, such as the Production Council. This Council was established in 2014 by the government to provide insights and advice on disruptive technologies such as automation, 3D printing. The Production Council was comprised of a range of stakeholders (business, unions, officials, academics, and others), with a mandate to strengthen the environment for production in Denmark.¹⁰ It reported in 2015. It identified issues with weak investment in productive processes, the need for strengthened R&D in advanced industries, and more skilled employees in production (both advanced qualifications as well as vocational training).

9 European Commission Directorate-General for Research and Innovation, *Peer Review of the Danish R&I System: Ten steps, and a leap forward: taking Danish innovation to the next level*, September 2019

10 Production Council, *‘Good Jobs - The Production Council’s recommendations to the Danish Government for strengthening production in Denmark’*, April 2015. <https://www.evm.dk/english/publications/2015/15-05-27-production-councils-summary> 11 The Danish Government, *‘Prepared for the future of work: Follow up on the Danish Disruption Council’*, February 2019

This process then led to the establishment of the Disruption Council, again comprised of a broad set of experts and stakeholders, to consider issues relating to skills and innovation in the context of a disruptively changing technological environment. It has recently reported.¹¹

The secretariat for these two Councils was the lead economic ministry, and the Council included several government Ministers. But it was intended to be an independent platform for expert advice. Consistent with the Nordic tripartite model, it included leaders from industry, unions, government, as well as academics and other stakeholders.

In terms of the operating style, these Councils commissioned papers, discussed key issues at roundtables, ran conferences with the OECD, and engaged with Ministers on recommendations. It was explicitly a time-limited process with key focus and deliverables, and for which there was strong Ministerial demand. This is a more flexible model than investing in a full economic strategy: it can focus on important, topical issues, with structured stakeholder engagement.

Institutional requirements

These selected small economy case studies demonstrate that there is no single archetype of good institutional practice. Rather, there are a range of models that vary in their formality and strategic content. But there are some elements that can be taken from each of these experiences (and others) that are instructive. Consider the following:

- Establishing Minister-led processes, with oversight of actions to achieve priorities and with direct accountability. This is similar to the Singapore model, with a highly structured set of institutions to drive the implementation of the CFE recommendations.
- Ongoing models of inter-agency coordination allow for frequent interaction and problem-solving in order to make progress on priority areas (as in New Zealand). These can be operational in nature, rather than deeply strategic, but can serve a valuable role in coordinating policy and resourcing efforts across government.
- Time limited processes (like the Production Council and the Disruption Council) allow for focused work on specific issues as they emerge, and are a useful complement to formal strategy development exercises.

¹¹ <https://www.pmbac.co.nz/>

iii. External stakeholder engagement

To define terms, I take external stakeholder engagement to mean structured engagement with people and institution in the skills and innovation sectors to get their expert input into the focus and implementation of skills and/or innovation policy – including at the intersection with economic policy.

Of course, there will be ongoing engagement with industry and others on specific course design and resourcing issues, such as the numbers of places in various courses. This engagement is an important part of the process of ensuring alignment of demand and supply, and to ensure that the skills system in particular is responsive to the current and emerging demands from industry at both the national and regional/local level. This will frequently be specific in nature, organised around concrete decisions. Indeed, this sort of engagement will likely need to be done in an increasingly intensive way given the emerging disruptive challenges to the skills and innovation sectors.

But this discussion focuses on stakeholder engagement with respect to strategic issues: the design, implementation, and adaptation of the skills and innovation strategy – and its integration with economic strategy. This will also include engagement on policy and resource allocation choices relating to strategic sectors/clusters.

This discussion will start by identifying design principles for both good and poor stakeholder engagement, drawing from the international experience. I will then illustrate this with the specific experiences of a few instructive small advanced economies. This will provide the basis for recommendations for strategic external stakeholder engagement in Northern Ireland.

The public sector does not have a monopoly on wisdom, and it is important to reach out beyond the government to get perspectives and insight. Governments that do not engage are likely to encounter problems in terms of poorly-designed policy. But there is also a risk of over-investment in stakeholder engagement – or perhaps more accurately, over-engagement with stakeholders in which these processes take too much time from too many people and institutions and do not use the inputs gained to inform policy in a meaningful way. This means that the engagement is effectively wasted, and there is a risk of stakeholder disengagement.

It is easy to use people's time inefficiently if stakeholder engagement is not aligned with a clear decision-making process. Governments and officials sometimes use these exercises as 'process devices' to provide a measure of cover; they can always say that they have consulted and engaged with external stakeholders, even if substantive input was not the primary objective.

The international small economy experience provides specific insights into how best to use external stakeholder groups to provide ongoing input into the development and implementation of a skills strategy. Some of the key success factors relate to clear objectives for the process (time-limited advisory groups often work well), clear demand from decision-makers for external input, and alignment of expectations from the group.

More specifically, formal engagement (through advisory bodies or similar) work best if there is a specific decision-making process or a specific project on which specific advice is required. More open-ended advisory processes tend not to work well. If the engagement is not linked to a specific decision or resource allocation (or unless there is strong Ministerial demand) these can drift despite significant commitment of time and energy.

In other words, less can be more in terms of external stakeholder engagement: less engagement, but more structured and focused on core strategic issues. Formal advisory boards or external stakeholder engagement should be restricted to action-oriented strategic questions (i.e. where a decision is needed, on which external input is useful) and where there is strong high-level demand (e.g. from Ministers, senior officials).

The international experience suggests several characteristics of external stakeholder engagement that are associated with strong outcomes.

- Specificity of the purpose for which stakeholder engagement is being undertaken: what are the specific questions or issues on which stakeholder engagement is wanted?
- The engagement level of Ministers and senior officials: what do they want the stakeholder engagement to deliver; what is their demand for new ideas, their risk appetite?
- Aligning expectations of the participants around how their inputs will be used
- Creating a ‘public good’ culture in which participants offer their insights rather than lobbying on behalf of their institutions

In sum, there should be structure around the objectives of the engagement process, the people and institutions with whom it wants to engage, the nature of the advice/insights it is seeking, and how these will be used, and a clear view on how the insights will be applied.

It is not always necessary to build formal institutions to undertake this external stakeholder engagement. Governments should develop a culture of external engagement and networking to get expert perspectives and advice on an ongoing basis in a less formal way. This can broaden the net in terms of the number of people and institutions that can be engaged with to develop insights on relevant dynamics and issues (particularly when the issue or question is not yet tightly framed).

Lastly, consider institutional design around the design – and particularly the implementation – of the strategy with respect to strategic priority clusters. To design and implement an approach based around strategic priority clusters at the level of research funding, or skills initiatives, a greater level of precision is required. For example, identifying the ‘digital and creative’ cluster does not provide sufficient sharpness around the focus of policy and resourcing attention: what are the 2-3 specific domains in which a competitive position can be developed – for example, cyber-security, data analytics, and so on?

Developing this sharpness will require close engagement with the private sector, research institutions, and other relevant stakeholders. Institutions will need to be developed for this purpose, so that this is an ongoing process of engagement rather than episodic. This will also help to ensure that the agenda is owned by both the government, but also by the private sector and other social partners. Singapore and Ireland (e.g. Science Foundation Ireland) both do this well, engaging with industry as well as maintaining appropriate independence and avoiding capture.

There also needs to be a structured process that supports ongoing adaptation of these choices to changes in the competitive context – as well as in the performance of these priority clusters. The international experience around successful industry policy suggests that the issue is often not with problems in the governments picking winners but in ‘killing losers’ (clusters or sectors that do not generate strong growth performance). There should be a structured, disciplined process for reviewing the portfolio on an ongoing basis, supported by appropriate data and analysis, rather than periodically as the strategy document is formally updated every several years.

Case studies

To make these principles more concrete, consider the experiences with respect to stakeholder engagement of some selected small advanced economies.

Singapore

As described above, Singapore has a highly structured approach to the development of its economic strategy documents – which frequently involves external stakeholders (such as the CFE process). In addition to these set-piece processes, Singapore also operates a broader approach to external stakeholder engagement.

Singapore has many advisory councils on a wide range of economic issues. For example, around the RIEC, A-STAR, and high-level advisory boards that engage with senior Ministers on the university and research sector.

In a less formal way, Singapore has a wide range of sounding boards (leaders from the MNCs that invest in Singapore, advisory boards to its sovereign wealth funds, and a wide range of experts and academics that are invited to Singapore). It has a culture of reaching out and talking to experts to understand global dynamics, business needs. For example, the Singapore Summit of global CEOs that is run in conjunction with the Formula 1 race.

In general people and firms are happy to be involved and to commit time and insights to these government-led processes because the government is committed, they listen to advice, and are wanting to make decisions. And because senior leaders participate, there is a learning aspect as well in which participants in these various platforms can learn from their peers.

New Zealand

In general, New Zealand's external engagement on skills, innovation, and economic strategy is not very structured. This partly reflects the low levels of innovation, as well as New Zealand's economic geography (spread out, with the capital located away from economic activity). New Zealand also has a large number of smaller firms, which complicates engagement efforts (it is easier to engage with MNCs than with SMEs). But the bigger problem is the lack of a coherent economic strategy that can be used as an organising device for this engagement.

There are various high-level business groups that have been convened by successive governments over the year. Few have been successful and impactful, because of the absence of genuine Ministerial demand – and because they were organised around general not specific questions. The current version is the Prime Minister's Business Advisory Council, comprising business leaders.¹² This has made some useful analytical contributions, but there has not been much Ministerial engagement. It has mainly been a platform to communicate general ideas from the business community and a platform for business cooperation on some government priority areas.

There are some limited exceptions, such as around infrastructure investment (e.g. PPPs), where external stakeholder engagement has been more effective: this is likely because it has been organised around more specific questions.

The New Zealand Productivity Commission is also an interesting engagement model, with a range of valuable characteristics: strong analytic capability, editorial independence, good public communications model, as well as a mandate for stakeholder engagement. It undertakes specific Inquiries on topics commissioned by the government, normally over a 12-18 month period. The impact of this engagement model depends on the extent to which there is senior political demand for insights and advice (and whether the inquiries that are commissioned are appropriately framed). The Productivity Commission has done useful work on the education sector and on the future of work.

Denmark

The Productivity Council and Disruption Council (discussed above) also provide a useful model of external stakeholder engagement; this illustrates some of the key features of strong external stakeholder engagement – it is focused on key issues, it is time-limited with clear set of goals/deliverables, and there is strong Ministerial demand. This makes it more likely that it will be effective in delivering high-quality policy advice. In addition, this was a topic on which industry and labour wanted progress, so there was a willingness to contribute.

Recommendations for Northern Ireland

The central message from the small economy experience is the need for strategic integration between skills, innovation, and economic policy. This is even more so in Northern Ireland given the relatively limited fiscal resources and other policy constraints; the policy and resourcing commitment needs to be tightly focused and coordinated in order to deliver strong returns.

Some of this is already in progress, through the existing strategy documents (such as Economy 2030). But supporting institutions are required to enable a move from strategy to effective execution. Skills and innovation policy needs to be embedded into supporting economic institutions to allow for alignment across agencies, appropriate resource allocation decisions, and to ensure accountability. Institutions are required to make strategic integration come alive.

On the basis of the discussion and analysis above, this section outlines recommendations for consideration in Northern Ireland. These recommendations are structured around the three questions, but they should be seen as a whole because the recommendations overlap and are mutually reinforcing. Note also that these are draft recommendations, intended to provide a platform for discussion and problem-solving with key stakeholders.

Integrating skills into broader economic strategy

Northern Ireland has made a good start in terms of integrating skills and innovation policy into broader economic strategy (the draft Industrial Strategy). However, this strategy process will need to be developed in the future as well, and the insights from institutions in other small advanced economies are instructive in terms of how to do this.

A scaled-down version of Singapore's resource intensive CFE process is a useful institutional model for developing an integrated economic strategy, which brings skills, innovation, and economic policy together. This platform brings relevant Ministers, agencies, and officials together with relevant experts and stakeholders in a structured way to develop a coherent platform. This would also allow for skills and innovation to be explicitly integrated into the overall economic strategy.

Developing the strategy in a cross-agency way, and with structured external input from an advisory board of experts and stakeholders, would add value in producing a coherent strategic approach.

This approach however rests on the political context. Senior political commitment is required to make the development and implementation of an integrated economic, skills, and innovation strategy effective. If senior Ministers and officials are not committed to a high-quality economic document, then a new institutional approach will not deliver very much. The institutional implication is that Ministers need to be directly involved in the process, and committed to the outcome.

Specific institutional requirements to support integration

The institutional design recommendations made in last year's report to support the ongoing integration of skills and innovation policy into broader economic strategy included:

- The creation of a structured decision-making body to implement and update the economic strategy, led by senior Ministers (with decision-making rights, and clear accountability).
- An ability to link the economic strategy (and other strategies, such as the skills strategy) to resource allocation
- Regular reporting against target outcomes.
- An ability to engage with external stakeholders in a structured way

These institutional recommendations still feel appropriate. A standing institution will also allow for ongoing change and adaptation to aspects of the strategy as the context changes: writing these strategies every several years is inadequate given the likely pace of change. Formal reprioritisation should be infrequent, but the pace of change means that a standing institution is useful to support ongoing adaptation.

There are various versions of this. A formal version would build on the institutional arrangements developed to implement Singapore's Committee for the Future Economy. This involves Ministers, officials, together with external experts and stakeholders. This blends accountability for outcomes together with a capability to respond to emerging issues (because of the external expertise).

Within government, another institutional solution is to create a 'Team NI' approach: a structured platform with the different economic policy and delivery agencies coming together on a regular basis to discuss various policy and operational issues – to support greater coordination and alignment across agencies and policy instruments in the context of an economic strategy. The 'NZ Inc' group of Ministers and officials is an example of how this could work, with a focus on accountability on achieving targets as well as for addressing various constraints and issues that are preventing progress being made.

The Strategic Oversight Group for Skills is a good initiative to bring together the multiple agencies involved in skills policy and delivery. But a group that has oversight of the implementation of the full economic strategy (including skills and innovation) is also needed. This group should comprise senior officials from the relevant agencies, and have a Ministerial mandate (including reporting to Ministers). This cross-agency steering group should have ongoing accountability for delivering and developing the strategy (including adapting it as conditions evolve, and making specific resource allocation decisions).

One other specific idea is to develop a model for some discrete processes around emerging challenges and opportunities regarding skills and innovation. There are some international small economy lessons in terms of these types of processes to contribute to the development of skills and innovation policy: for example, the Disruption Council in Denmark and the Productivity Commission work in New Zealand.

These processes can support the development of the substantive content of skills and innovation policy (and the relationship with economic strategy); and can also be flexible to respond quickly to emerging issues.

External stakeholder engagement

My sense is that there is a significant amount of stakeholder engagement in Northern Ireland at both strategic and operational levels, but which are seen not to deliver changes in policies or outcomes. And as a consequence, there is a measure of frustration among key stakeholders at the time invested.

The priority is to provide structure and discipline around external stakeholder engagement. Protocols should be established before formal stakeholder engagement is undertaken (such as establishing advisory boards, etc). There should be clarity around the goals, the time commitment, the reasons for engagement, and the nature of the desired contribution. In most instances, this engagement should be a time limited process. The engagement should be linked to a specific question or decision, and Ministers or senior officials should also be committed.

In addition to engagement in this structured way, increased investment could be made in ongoing informal (but deliberate) engagement. Ministers and officials should be building networks and platforms to allow them to access expertise and insight on an ongoing basis (as in Singapore).

About the author

Dr David Skilling is the founding Director of Landfall Strategy Group, which was established in 2011. David advises governments, companies, and financial institutions in several small countries, and writes regularly on global economic and political trends from a small country perspective. Previously, David was an Associate Principal with McKinsey & Company in Singapore, as well as being a Senior Fellow with the McKinsey Global Institute. Before joining McKinsey, David was the founding Chief Executive of the New Zealand Institute, a privately-funded, non-partisan think-tank. Until 2003, David was a Principal Advisor at the New Zealand Treasury. David has a Ph.D. in Public Policy, and a Master in Public Policy degree, from Harvard University, as well as a Master of Commerce degree in Economics from the University of Auckland. David was named as a Young Global Leader by the World Economic Forum in 2008.

About Landfall Strategy Group

Landfall Strategy Group is a Netherlands-based research and advisory firm that provides advice on strategic issues to governments, firms, and financial institutions, particularly in small advanced economies. We provide distinctive perspectives on emerging global trends, working with decision-makers to understand key global changes and how governments, firms, and institutions should respond and position themselves in the emerging global economic and political environment.

contact@landfallstrategy.com

www.landfallstrategy.com

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Further Information:

Tel: 028 9041 6987

Email: skills.strategy@economy-ni.gov.uk

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