

ESRI ANNUAL REPORT AND FINANCIAL STATEMENTS 2019



The Council is the Institute’s overall governing body and acts as its board of directors. In association with the Director and staff, the Council is responsible for the development of the Institute’s research strategy. The Council meets quarterly and is supported by its three sub-committees: Audit and Risk, Business and Operations, and Nominations. Section 6 provides a short biography of Council Members

The Council

MEMBERS AT 31 DECEMBER 2019



***Mr P. McManus,
President and Chairperson***



***Professor A. Barrett,
Director***

MR PADRAIG MCMANUS, President and Chairperson¹

PROFESSOR ALAN BARRETT, Director

MR JOHN BUCKLEY, former Comptroller and Auditor General²

MR PADRAIG DALTON, Director General, Central Statistics Office

MS EMER GILVARRY, Partner, Mason Hayes & Curran

MR JOHN MARTIN, former OECD Director

MR DAVID MOLONEY, Assistant Secretary of the Department of Public Expenditure and Reform

Mr RONAN MURPHY, former PwC, current board member of Davy, ICON PLC and Greencoat Renewables PLC

MR SEAN O’DRISCOLL, Former Chairperson and Chief Executive of the Glen Dimplex Group

PROFESSOR ROWENA PECCHENINO, Maynooth University

DR ORLAIGH QUINN, Secretary General of the Department of Business, Enterprise and Innovation

MR PAT RABBITTE, former Minister and former leader of the Labour Party, and Chairperson of Tusla – Child and Family Agency

PROFESSOR SALLY SHORTALL, Newcastle University

¹ Mr Padraig McManus stepped down as Chairperson in May 2020 and Mr Sean O’Driscoll was elected as the new Chairperson.

² Mr John Buckley’s Council term finished February 2019.

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APPENDIX – FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. INTRODUCTION

The Economic and Social Research Institute (ESRI) aims to produce economic and social research on key issues facing Ireland and to communicate research results to inform public policymaking and civil society. The Council of the ESRI supports this work by setting and overseeing the Institute's strategic objectives, establishing the required quality standards and ensuring that the independent analysis provided by the Institute remains relevant to the economic and social issues facing policymakers in Ireland. While the Council is responsible for internal governance, Council members play no role in preparing or commenting on specific research.

This Introduction sets out the Council's views on how the Institute maintains its reputation as a centre for excellence in independent policy-focused research. It also includes a brief overview of the Institute's governance and its research output in 2019, the first year of its 2019-2023 research strategy.

Independence and funding

The Institute's research strategy reaffirms the importance of the ESRI's commitment to producing research that is independent, objective and of high quality. Independence is assured through the contractual relationships between the Institute and its clients and underpinned by a policy of publishing research, regardless of the findings or source of funding. Quality, objectivity and independence are further supported by a rigorous peer review system, which is examined regularly by the Council, and by peer reviews of the Institute itself.

In recent years, the Institute has focused on building financial sustainability through multi-annual programmes of research funded by a number of government departments and agencies. The Council acknowledges the importance of the continued support from government in the form of the annual grant-in-aid which is provided by the Department of Public Expenditure and Reform. It recognises the significant contribution of many government departments and agencies that funded research programmes in 2019. The other major sources of research funding for the Institute come from competitive funding processes, both in Ireland and in the EU.

The Council also recognises the contributions of individuals and companies that are subscribing ESRI members. These membership subscriptions support the work of the Institute and contribute to ensuring its independence.

Council governance

The Council of the ESRI continues to ensure that its standards of corporate governance operate to the highest level. There is a high level of awareness regarding where potential conflicts of interest can arise and a strong commitment to ensuring that Council membership is appropriately balanced. The Council's Nominations sub-committee monitors the membership to ensure that the Council has the requisite skills, broad sectoral coverage and gender balance.

Normally, Council membership is for a three-year period, with a renewal being common for a further three years. Council members are not paid any fees for their membership of the Council. Members are nominated through a formal process and elected at the Institute's AGM.

In 2019, Pdraig McManus continued his term as Chairperson. John Martin, Rowena Pecchenino and Rónán Murphy served on the Audit and Risk sub-committee; Emer Gilvarry, Sean O'Driscoll, Pat Rabbitte and Alan Barrett served on the Business and Operations sub-committee. Emer Gilvarry, Pdraig McManus and Alan Barrett served on the Nominations sub-committee.

John Buckley retired from the Council in 2019 having reached the end of his second three-year term. We would like to take this opportunity to thank John for his enormous contribution to the Council, including his chairing of the Audit and Risk sub-committee.

Research outputs in 2019

The research output of the Institute remained strong in 2019 and researchers continued to publish in a wide range of outlets. This included 52 articles in peer reviewed journals, 57 reports and nine book chapters, as well as five Research Notes and three Special Articles published with the Quarterly Economic Commentaries. In addition, 18 Research Bulletins were published in which journal article content was presented in a succinct, accessible manner. Work-in-progress was disseminated in 39 Working Papers.

While the research output is too broad to provide a comprehensive overview, we will point to a limited number of important outputs here. Further details are available on our website (www.esri.ie) and in our annual Review of Research.

The *Quarterly Economic Commentary* (QEC) continued to provide analysis of developments in the Irish economy as well as short-term forecasts for key economic indicators. A significant focus of the QEC in 2019 continued to be both the actual and potential impacts of Brexit on the Irish economy, including analysis using the ESRI's macroeconomic model, COSMO. Beyond Brexit, additional analysis over the year included a study of the possible effects of a sudden reduction in corporation tax receipts and how global uncertainty impacts Irish domestic investment.

Climate change received much attention in 2019, partly due to the protests by young people. The ESRI's research in this area contributed to informing the Government's Climate Action Plan. We also undertook analyses of the impacts of removing fossil fuel subsidies, the regional impacts of carbon taxation and distributional impacts of carbon tax revenue recycling.

Healthcare remained an issue of great concern to people in Ireland in 2019. The ESRI continued to develop its HIPPOCRATES projection model for healthcare demand and expenditure. Specifically, the model was expanded to encompass mental health and disability services. The HIPPOCRATES model was also utilised to produce projections of hospital bed capacity needs.

Our work on housing in 2019 focused on regional aspects of the housing market with research published on affordability and price sustainability on a county level basis. The ESRI continued to produce the quarterly rent index for the Residential Tenancies Board through 2019. This hedonic

price index is used by policymakers to determine which Local Electoral Areas are to be designated Rent Pressure Zones (RPZs).

Interest in the work of our Behavioural Research Unit (BRU) continued to grow in 2019. BRU is a team of multidisciplinary scientists who use controlled experiments to investigate decisions and behaviours. Researchers in the team completed two studies on food choice which illustrate both the nature and importance of this work. The first study showed that people order and eat substantially fewer calories when calories are printed on menus, provided the information is shown in the right format. The second study found that people pay more attention to portion size when it is displayed on packaging by a visual cue rather than written text.

Growing Up in Ireland (GUI)

In late 2018, a decision was taken jointly by the ESRI, the Central Statistics Office (CSO) and the Department of Children and Youth Affairs (DCYA) that the *Growing Up in Ireland* study would be transferred to the CSO after 2022. This decision recognised that the study is now of such importance that it should become more embedded in the State's official data collection systems. On foot of this decision, discussions began in 2019 between the three agencies on how the transfer would be managed in such a way that the study's richness was maintained.

Work on the study itself continued in 2019. The cohort which was born in 1998 and first interviewed in 2007/08 when the children were aged nine were re-interviewed in 2019. Now aged 20, the data that were gathered on these young adults allowed for insights to be provided on the transition to adulthood and these insights were set out at the annual GUI conference in November.

People

The Council would like to commend the Institute's staff whose expertise and commitment enables the Institute to continually identify new solutions to policy challenges. The Council would also like to thank the government departments and state agencies who support critical research programmes, ESRI Members who provide valuable ongoing support, and the many stakeholders who engage with the work of the Institute. Such support enables the Institute to work towards realising its vision of it being 'the leading source of independent, high-quality socio-economic research in support of informed policy for a better Ireland'.

Protected Disclosures Act 2014

There were no protected disclosures made to the ESRI in 2019.

Padraig McManus
Chairperson

Alan Barrett
Director

2. SUMMARY OF STRATEGIC ACHIEVEMENTS IN 2019

The implementation of the Institute's research strategy ensures that the Institute contributes evidence to inform policy debate and decision-making.³ The strategy outlines the Institute's priority actions for the period in the context of the Institute's mission, vision, goals and values. These were developed by the Council in agreement with the staff, following a comprehensive strategic process in 2019. Our goals of *research excellence and relevance*, *effective communications* and *policy impact* are being pursued through sets of strategic actions related to: research; funding; dissemination and communications; *Growing Up in Ireland*; human resources; and business processes. These goals and actions help to ensure that the Institute stays focused on its key role as a centre for excellence in policy-focused research in Ireland in the economic and social domains.

The Council oversees the implementation of the research strategy through twice-yearly reports to the Business and Operations sub-committee. The reports cover the research agenda across the 11 research areas, as well as the implementation of the strategic actions.

This section briefly sets out the progress made in 2019 in delivering on the actions designed to meet our goals.

2.1 Research

In addition to maintaining our long-established programmes of research in areas such as macroeconomics, energy and climate, we are always eager to expand the scope of our work. In 2019, we undertook more extensive work on Northern Ireland than had been the case for us in recent years. Two colleagues produced a report titled *The Political Economy of a Northern Ireland Border Poll*. As described by the researchers,

the objective of the research is to initiate an evidence-based approach to the question of a border poll and to provide an initial indication of the breadth of detail and analysis required for any debate to proceed in a meaningful manner.

We also undertook work for the Department for the Economy in Northern Ireland and for InterTrade Ireland. We hope to maintain this renewed line of study on Northern Ireland.

2.2 Funding

In recent years, we have sought to expand our portfolio of multi-annual research programmes with government departments and agencies. These funding streams provide a greater degree of financial certainty when compared to one-off consultancy projects and thereby allow us to plan our work and resourcing in a more strategic way. In addition, the research programme model facilitates ongoing engagement with policymakers, which in turn helps to enhance the policy-relevance of our work. In 2019, we signed new agreements with the Department of Rural and Community Development and

³ A copy of the ESRI's *Research Strategy 2019-2023* can be downloaded at <https://www.esri.ie/publications/esri-research-strategy-2019-2023>

the National Disability Authority. We also expanded the scope of our existing programme with the Department of Housing, Planning and Local Government.

2.3 Dissemination and communications

We experimented with new video features when releasing reports in 2019. In 2018, we began this process with the *Quarterly Economic Commentary* when we recorded the press briefing and posted the video on our website and to LinkedIn and Twitter. In 2019 we moved to posting short segments from the press briefings and purpose-made short videos in an interview style. We also produced a new type of video for a report on *Diverse Communities* in which we used stock imagery overlaid with text to explain the key findings in the report. Our social media presence increased through 2019, as evidenced through the rise in the number of followers (over 10,000 on Twitter at the time of writing).

2.4 Growing Up in Ireland (GUI)

A key goal for the Institute in relation to GUI has been the more intensive use of the enormously rich data which are collected through this survey with the support of the Department of Children and Youth Affairs (DCYA). In 2019, the DCYA signed a joint research agreement with the Institute which will see this goal achieved to a much greater degree in the coming years. While this research programme will aim to cover a wide range of issues, child poverty will be a core theme. Work using the GUI data was also commissioned by the Health Services Executive and the Arts Council in 2019 so the usage of the data has expanded.

2.5 Human resources

In the strategy, actions under human resources were broken up into five areas, one of which was wellbeing. Under this action, we have undertaken the following activities, amongst others: organised talks on emotional resilience for staff; marked National Workplace Wellbeing Day with events and activities including fresh fruit and a lunchtime walk; made Pilates available for staff onsite; and launched a Dignity at Work policy, supported by training for management and staff.

2.6 Business processes

Among our business processes which have been enhanced during 2019, we can include risk management, procurement processes and project management. We also continued to run data protection workshops for staff, thereby continuing our efforts to ensure that our staff are acutely conscious of the responsibilities with regard to data protection.

3. RESEARCH IN 2019

This section provides an overview of our research activities and findings for 2019, with brief summaries of research across the 11 research areas. Further details on the research and the researchers involved are available on the ESRI website.

3.1 Behavioural Economics

Research area coordinator: Pete Lunn

Others working in this area include: Deirdre Robertson, Shane Timmons, Cameron Belton, Hannah Julienne, Laura Gormley, Ciarán Lavin and Martina Barjaková.

RESEARCH HIGHLIGHTS:

- People order and eat fewer calories for lunch when the number of calories in each item on the menu is presented immediately after the price, at the same size and in the same font. This study was a pre-test of planned legislation on calorie posting.
- The importance people place on pollution depends not only on how concerned for the environment they are but also on how the idea of pollution is framed. People respond differently to descriptions that stress causing harm over descriptions that emphasise dirtying the environment.

The Behavioural Research Unit (BRU) is a team of multidisciplinary scientists who use controlled experiments to investigate decisions and behaviours. The BRU has recently broadened its focus beyond consumer behaviour to investigate health and environmental behaviours.

The BRU completed two studies on food choice, both of which were funded by the **Department of Health**. The first showed that people order and eat substantially fewer calories when calories are printed on menus, provided the information is shown in the right format. The second study found that people pay more attention to portion size when it is displayed on packaging by a visual cue rather than written text.

An international review was completed for **Sport Ireland** on behavioural interventions designed to increase physical activity in socially disadvantaged areas. Two randomised controlled trials were undertaken to test interventions designed to increase activity. Results will be published in 2020.

The first step in a Horizon2020 project funded by the **European Commission** was undertaken in collaboration with the **Geological Survey of Ireland**. The BRU investigated how people assess environmental risks associated with mining exploration.

An experiment funded by the **Environmental Protection Agency** showed that, in making decisions, how much weight people give to the effects of pollution depends on how the idea of pollution is framed, e.g. as harm to other people, or as damage to the purity of the environment.

An experiment funded by the **OECD** in collaboration with the Water Industry Commission for Scotland looked at households' priorities for investment in the industry. The study found strong variation in households' priorities for service improvements versus environmental benefits.

The BRU also completed an experiment on consumers' responses to personalised pricing and associated disclosures, also for the **OECD**. The experiment is to be repeated in Chile in 2020.

A statistical model was developed for the **Department of Agriculture, Food and the Marine (DAFM)** to identify farms most at risk of breaching EU Nitrates regulations. The model is being used to target

behavioural interventions designed to reduce emissions. The BRU started two other research programmes with **DAFM**: one to assist farmer behaviour with respect to preventing the spread of bovine tuberculosis; the other to study antibiotic use by farmers and vets.

Late 2019 saw the start of three new research programmes. A study designed to test for a link between understanding of climate change and willingness to take and support pro-climate action is being funded by **AIB**. A new research programme with the **Competition and Consumer Protection Commission** will design and test an intervention to increase saving. And the BRU is working with the **Health Insurance Authority** to investigate how consumers choose among complex health insurance products.

3.2 Competitiveness, Trade and FDI

Research area coordinator: Iulia Siedschlag

Others working in this area include: Mattia Di Ubaldo, Martina Lawless, Maria Martinez-Cillero, Stefano Meneto, Manuel Tong Koecklin and Weijie Yan

RESEARCH HIGHLIGHTS:

- Full compliance with the Single Market – in the sense of a correct and timely transposition of the Single Market legislation into national law – could be a driver of productivity growth and welfare in the long term. These gains would come about through increased specialisation and greater intra-EU production linkages.
- Leaving the EU is likely to make the UK less attractive as a location to foreign direct investment. This effect will come about through slower economic growth and reduced access to the EU Single Market.

ESRI research in this area focuses primarily on structural and microeconomic factors and policies underlying competitiveness and economic growth in Ireland and other European countries in the context of international economic integration. In 2019 research in this area addressed the following themes: the impact of the EU Single Market on trade, competition and productivity, the impact of Brexit on foreign direct investment, cross-border trade, and environmental policy and enterprise competitiveness.

A study funded by the **European Commission** found that compliance with the Single Market legislation has been associated with increased trade, enhanced competition and productivity gains in EU countries. Further research results indicated that the quality of the Single Market legal framework was a source of comparative advantage and export specialisation in EU countries. The study concluded that full compliance with the Single Market – in the sense of a correct and timely transposition of the Single Market legislation into national law – could be a driver of productivity growth and welfare in the long term. These gains would come about through increased specialisation and greater intra-EU production linkages.

Research funded by the **Department for the Economy in Northern Ireland** found that Brexit will reduce the attractiveness of the UK as a location to foreign direct investment. This effect will come

about through slower economic growth and reduced access to the EU Single Market. Further research indicated that Northern Ireland would become more attractive to foreign direct investment if it would remain in the EU Single Market for goods and services and the rest of the UK would leave the EU Single Market. Additional research estimated that the number of FDI-related new jobs in Northern Ireland over two years after the referendum was lower by 31 per cent than it would have been without the Brexit uncertainty.

Research funded by **InterTradeIreland** examined the shock absorption capacity of firms in Ireland and Northern Ireland. This was done by examining the distribution of firms by growth performance and profit margins of firms, in order to distinguish between those performing strongly and those that are most likely to be vulnerable to any negative shock to their demand or cost base. The findings of the report imply that small, largely locally orientated firms with some cross-border trade are likely to be most exposed to any changes in trade costs.

Environmental Protection Agency-funded research found that environmental regulations, in-house research and development activity, and acquisition of capital assets were major drivers of the propensity of Ireland's enterprises to introduce innovations with environmental benefits. Further research found that spending on environment protection was more likely in large enterprises, enterprises engaged in international markets, enterprises with a higher fuel consumption intensity and enterprises which were subject to the EU Emissions Trading System. Additional research found that spending on environment protection reduced the intensity of fuel consumption and increased output and labour productivity.

3.3 Education

Research area coordinators: Selina McCoy, Emer Smyth

Others working in this area include: Merike Darmody, Georgiana Mihuit.

RESEARCH HIGHLIGHTS:

- Young people with special educational needs (SEN) are more likely to experience a negative transition to second-level education. Students with general learning disabilities and intellectual disabilities are three times more likely to experience a poor transition compared to young people without SEN.
- A lack of clear policy guidance has meant that students' experience of technology at school varies widely, and public discourse has been device-focused, rather than content-focused.

ESRI Education research area covers all levels of the Irish educational system, including early childhood education, primary, second level, and further and higher education. Research in 2019 focused on the role and impact of digital technologies in the lives of children, how schools might respond in an era of digital learning, the use of digital cameras in teacher education, the impact of changes to the Leaving Certificate grading scheme, the Youthreach programme, research on the experiences of persons with disabilities and a number of projects for the European Commission.

In collaboration with researchers in the Communications research area and as part of a programme funded by the **Department of Communications, Climate Action and Environment**, research investigated the impact of digital technologies within and outside school on academic skills development and psycho-social wellbeing among children and young people. The education team, in collaboration with researchers from the University of Limerick, also examined how schools might respond in an era of digital learning. Funded by **Hibernia College**, researchers examined how digital cameras can support student teachers during their school placement, undertaken as part of their teacher education.

The number of Educate Together second-level schools has expanded rapidly. Given the scale of growth, and the distinct ethos and climate of Educate Together schools, new research funded by **Educate Together** is examining how students attending these schools experience diverse aspects of their school life.

A study examining the early impact of the revised Leaving Certificate grading scheme was published. It was overseen by the Transitions Reform Steering Group and funded by the **NCCA**. The study found that the changes led to an increase in uptake in higher-level subjects, but this increase was less pronounced in DEIS schools and smaller schools. Also, for the **NCCA**, findings from the senior cycle review consultation showed a strong appetite among students, parents and teachers for changing senior cycle education.

A review of the Youthreach programme, undertaken on behalf of **SOLAS**, was published in 2019, showing the value of the programme in supporting entry into education, training and employment. Key findings from the evaluation were highlighted in the *Yearbook of Education 2019/2020*.

Work commenced on a new research programme with the **National Disability Authority** examining the experiences of persons with disabilities across a range of key policy areas, including education.

Education researchers continued to be involved in work for the European Commission, including the **Directorate General for Education and Culture's** Network of Independent Experts in Education and Training and its Expert Group on Graduate Tracking.

3.4 Energy, Environment and Infrastructure

Research area coordinators: Seán Lyons and John Curtis

Others working in this area include: Achim Ahrens, William Brazil, Philip Carthy, Kelly De Bruin, Desta Fitiwi, Ankita Gaur, Gianluca Grilli, Jason Harold, Dana Kirchem, Muireann Á. Lynch, Ciarán Mac Domhnaill, Anne Nolan, Marianna Russo, Petr Spodniak, Miguel Tovar Reanos, Aykut Mert Yakut, Shiyu Yan and Tong Zhu.

RESEARCH HIGHLIGHTS:

- Fossil fuel subsidies, mostly excise exemptions, are six times the magnitude of carbon tax revenue. Abolition of these subsidies, excluding household fuel allowances, would have a modest economic impact but lead to substantial reduction in CO₂ emissions.

- Early mobile phone ownership among children is associated with better performance in reading and maths. Across both domains, children who already reported owning a phone by the age of nine fared less well in terms of their academic development at age 13 compared to those who got phones later than age nine.

Research in this area is funded through a number of multi-annual research programmes. Energy and climate research is funded by the **Department of Communications, Climate Action and Environment (DCCAE), ESB, Ervia, Gas Networks Ireland, EirGrid, SSE Ireland, Viridian, Commission for Regulation of Utilities, Science Foundation Ireland (SFI), and the Sustainable Energy Authority of Ireland.** Research related to the environment, including fisheries, is funded by the **Environmental Protection Agency, the Department of Housing, Planning and Local Government, and Inland Fisheries Ireland.** Research on electronic communications networks and services is funded by the **Commission for Communications Regulation (ComReg) and DCCAE.**

The energy research programme spans market design and regulation, energy services, energy infrastructure, and the interface with society and the environment. Research in 2019 found that renewable energy subsidies for wind power generation are beneficial not just to wind farm owners, but owners of other technologies such as ‘power-to-gas’.

The development of an LNG import facility or an underground gas storage facility would yield lower energy costs for consumers in the case of an LNG import facility, whereas development of gas storage capacity would enhance natural gas and power system flexibility. The European experience in biogas development has lessons for Irish policy ambitions to increase biogas/biomethane production, highlighting need for clear strategic vision for the sector, as well as supply chain risks surrounding secure and consistent quality feedstocks.

The ESRI’s Research Programme on Climate, Energy and the Economy focused on informing the government’s Climate Action Plan including analyses on impacts of removing fossil fuel subsidies, the regional impacts of carbon taxation, as well as distributional impacts of carbon tax revenue recycling.

The Environment Research Programme published research this year showing that that Ireland has experienced a substantial loss of non-urban land in recent decades. Furthermore, a significant share of urban land use has been extended to remote areas, thereby exacerbating sprawl. A wide-ranging EPA report was also published based on research under the programme *Research on Aspects of Ireland’s Environment, Consumer Behaviour and Health.* Behavioural studies underway in this programme include a field trial of measures to increase radon remediation in at-risk households and methods to improve communications of environmental information more generally.

A new three-year communications research programme was agreed with DCCAE and ComReg. In 2019, journal articles were published on the effects of broadband on productivity of service sector firms and on employment levels among firms generally. Another publication examined the relationship between early mobile phone ownership among children in Ireland and their academic performance.

A new research theme supporting river basin management planning was initiated in 2019 commencing with a review of methods and approaches to encourage pro-environmental behaviours. Fisheries research focused on quantifying the nature and economic impact of angling activity.

3.5 *Growing Up in Ireland*

Research area coordinators: Dorothy Watson and Emer Smyth

Others working in this area include: Aisling Murray, Desmond O’Mahony, Eoin McNamara, Caoimhe O’Reilly, Amanda Quail, Eoin Keogh, Aoife Murphy, Elizabeth Burke, Andrew Moore, Brigid Francis-Devine, Hannah Frankis, Caroline Goodwin, Fionnuala Waters, Marina Profir, Bernadette Ryan, Sarah Purcell, Mary Kirwan, Stefan Engemann, Anne Johnston and Owen Ryan.

RESEARCH HIGHLIGHTS:

- Relationships between parents and their five-year-olds are generally positive but some early inequalities in child outcomes were already detectable in health, learning and wellbeing. Children from the highest-income families were significantly more likely to be described as ‘very healthy’ than children in the bottom two income groups.
- Most 20-year-olds were still living at home; most were still engaged in education or training and family support was very important in funding post-school education and training.

Growing Up in Ireland is the national longitudinal study of children in Ireland. It is funded by the Department of Children and Youth Affairs (DCYA), with a contribution from The Atlantic Philanthropies. The research is conducted by a consortium of independent researchers at the Economic and Social Research Institute (ESRI) and Trinity College Dublin.

The study follows almost 20,000 children throughout Ireland as they grow up. The objective is to provide evidence to inform the development of effective policies and services for children, young people and families. In order to do this, the study monitors the physical, cognitive and socio-emotional development of children and identifies factors that help or hinder their wellbeing. As well as collecting data on family structure and background, information is collected on health and physical development; socio-emotional development; cognitive and educational development; and the choices and activities of children and young people themselves.

Information is collected from children, young people, their caregivers, principals and teachers by face-to-face interviews, self-complete questionnaires and postal questionnaires. *Growing Up in Ireland* emphasises direct participation in the study by children themselves from as early an age as possible, to ensure that it captures the voice of the child – in line with the UN Convention on the Rights of the Child. From the age of three, children complete cognitive tests. As the children grow older, they record their views in detail, using age-appropriate methods and questionnaires.

There are two cohorts in the study:

- Cohort ‘98 (most of whom were born in 1998, formerly called the ‘Child Cohort’) consists of 8,500 children and their families first approached in 2007/08 when the study children were

9 years old. They were re-interviewed at ages 13, 17 and 20 (in 2011/12, 2015/16 and 2018/19).

- Cohort '08 (most of whom were born in 2008, formerly called the 'Infant Cohort') were recruited when the children were 9 months old in 2008/09. The families were re-interviewed when the Study Children were 3, 5 and 9 years old (in 2010/11, 2013 and 2017/18). There was also a postal survey with the main caregiver in 2015/16 when the children were 7/8 years old. In 2019, an agreement was reached with the DCYA to extend the study for a further three years until 2022, during which data would be collected from the younger cohort at age 13.

The availability of in-depth information on two cohorts of children born a decade apart, and covering the period from 2007 to the present, makes it possible to address important questions about the consequences of economic recession and recovery on outcomes for children and young people at different ages. Identifying the factors that promote resilience and protect children from the effects of adverse circumstances provides important insights for policy on children and families.

During 2019, home-based interviews were completed with almost 5,200 twenty-year-olds and their parents in the project's older Cohort '98. The response by the young people and their parents was very positive: questionnaires were completed by 66 per cent of the young people whose details were issued to interviewers and who were still eligible (i.e. living in Ireland).

A report launched by Minister Dr Katherine Zappone in February examined the circumstances of the younger Cohort '08 children at five years old. Most children were doing well at home and in school but some early inequalities in child outcomes were already detectable in health, learning and wellbeing.

Minister Zappone also launched a set of *Key Findings* on the lives of 20-year-olds at the 2019 Annual Conference in November, covering their main activity and living circumstances, physical health, socio-emotional and behavioural wellbeing, and their education, training and work experience. The results showed a very high rate of participation in post-school education and training but revealed inequalities in this respect by social background and by attainment in the Leaving Cert.

ESRI researchers presented papers on a wide range of topics at the annual conference, including clusters of health behaviour among young adults; health effects of inadequate home heating; impact of bullying on mathematical achievement at age 9; work-family conflict and outcomes for young children; school social mix and junior cycle performance; technology use among young children; and anti-social behaviour in Irish youth. A special session described the data collected using time-use diaries in *Growing Up in Ireland* and illustrated the use of these data to examine gender inequalities in the time children spent on housework, and the association between obesity and time spent on physical activity and sedentary behaviour.

Growing Up in Ireland is funded by the Irish government, with a contribution in Phase 2 from The Atlantic Philanthropies.

3.6 Health and Quality of Life

Research area coordinators: Anne Nolan, Helen Russell and Maev-Ann Wren

Others working in this area include: Aoife Brick, Sheelah Connolly, Nora Donnelly, Aoife Fitzpatrick, Conor Keegan, Elish Kelly, Pete Lunn, Bertrand Maître, Frances McGinnity, Greta Mohan, Aisling Murray, Sanna Nivakoski, Amanda Quail, Brendan Walsh, Dorothy Watson, Richard Whyte, Seán Lyons and Emer Smyth

RESEARCH HIGHLIGHTS:

- Ireland may need an extra 3,200 public hospital beds by 2030, based on assumptions that investment in and improved access to primary and social care will help to reduce the level of need for additional public hospital beds. These findings suggest that the Irish Government's National Development Plan commitment to increase public acute bed capacity by 2,600 in the years to 2027 may not be sufficient to meet demand out to 2030.
- The geographic profile of health and social care supply across Ireland is inequitable and the supply of home and residential care services is associated with shorter length of stay in acute hospitals.

Health research focussed on a range of themes in the areas of health service reform and public health during 2019. In the ESRI Research Programme on Healthcare Reform, funded by the **Department of Health**, the ESRI's HIPPOCRATES projection model for healthcare demand and expenditure was expanded to encompass mental health and disability services. The HIPPOCRATES model was also utilised to produce projections of hospital bed capacity needs. Further research found that the expansion of free GP care to children under six years old did not reduce overall emergency department utilisation.

This year, a report on the cost implications of reforming dental services in was published, funded by the **Department of Health**

A three-year (2018-2020) project, funded by the **Health Research Board (HRB)**, continued to examine the potential cost, outcomes and challenges of alternative approaches to achieving universal healthcare. This year the project focused on the role of private health insurance (PHI) in Ireland and examined the relationship between PHI and the uptake of screening services, as well as the association between PHI and waiting times.

A major HRB-funded project ended with the publication of reports which showed that the geographic profile of health and social care supply across Ireland is inequitable and demonstrated that the supply of home and residential care services is associated with shorter length of stay in acute hospitals. HRB projects on mortality in Ireland and on costing post-stroke cognitive impairment continued during the year.

The research programme on environmental economics, funded by the **Environmental Protection Agency (EPA)**, continued to investigate the links between the environment and health, and also began research on environmental citizen scientists. A project funded by the EPA **project**

NOISE-HEALTH began studying associations between urban transport noise and cognitive health among older people.

Older workers were the focus of a study completed as part of the programme of research with the **Health and Safety Authority**. The study profiled the ageing workforce and examined how working conditions influence health and the ability to work longer. Population ageing means retaining older workers is increasingly important. Almost one-in-five of those who left employment between the ages of 55 and 59 did so because of illness and disability. Older women were five times more likely than men to have left early for care reasons. Flexible working and part-time hours facilitate longer working as does protecting workers' health and safety across the life course.

Research funded by the **GAA** and the **Gaelic Players Association (GPA)** focused on sporting participation and player welfare. A project funded by the **Health Service Executive** on financial security in the older population finished in 2019 and, as part of this, a paper was published showing a negative association between widowhood duration and socio-economic status. A research project funded by the **Irish Cancer Society** started in November 2019. The project is examining the challenges and barriers that people diagnosed with cancer experience when working in paid employment.

3.7 Labour Markets and Skills

Research area coordinator: Seamus McGuinness

Others working in this area include: Adele Bergin, Merike Darmody, Judith Delaney, Claire Keane, Elish Kelly, Bertrand Maître, Selina McCoy, Paul Redmond, Helen Russell, Emer Smyth and Adele Whelan

RESEARCH HIGHLIGHTS:

- Analysis of the 2016 minimum wage increase supports the view that increases in the minimum wage decrease levels of wage inequality in the labour market.
- As a result of the 2018 minimum wage increase, the number of hours worked by minimum wage workers fell in the Dublin and West regions and in the manufacturing sector nationally. However, the changes did not persist into the second half of 2018, suggesting any impacts were likely to have been temporary.

ESRI research on Labour Markets and Skills examines how workers are faring in the labour market and what skills workers need to meet the needs of an evolving economy. Research topics in 2019 include the gender pension gap, labour market activation processes and the impact of minimum wage changes. Researchers continued to provide regular reports on Ireland's labour market progress to the European Commission's European and Employment Policy Observatory (EEPO). A study examining skill imbalances in Ireland was completed as part of this work.

Two reports were funded by the **Low Pay Commission**. One examined the impact of minimum wage changes on the distribution of hourly wages and household incomes. The other analysed labour market transitions of changes to the minimum wage across regions and sectors.

Research funded by the **Department of Employment Affairs and Social Protection** evaluated the new Intreo service and sought to establish if the reforms undertaken to Ireland Public Employment Services, under Intreo, had resulted in any improvements in the labour market outcomes of jobseekers. The study found no consistent evidence that the Intreo reforms had any substantive impact on exits from unemployment to employment or education for jobseekers. Some modest improvements were observed. However, it was concluded that these are likely to have been driven by efficiency gains under Intreo, resulting in the early identification of invalid unemployment claims.

In a study on the gender pension gap, funded by the **Pensions Council**, the ESRI measured the gender pension gap in Ireland and explored causes for any observed differences. A total raw gender pension gap of 35 per cent was discerned. This was mostly attributable to differences in incomes from private and occupational pensions, which were much more prevalent among males. For occupational and private pensions, the raw gender differential was 43 per cent, of which 7 per cent can be attributed to differences in observable characteristics. Policy measures can address the gender pension gap and reduce the observed differences in occupational and private pension coverage across genders. Raising female employment levels and ensuring increased continuity in employment were indicated as effective policy options.

Other projects finalised during the year included a study of the income smoothing into retirement, funded by the **Pensions Authority**, and the impact of one parent family reforms, which was funded by the **Department of Employment Affairs and Social Protection**. A study measuring the impacts of local development policies was also released. This was funded by the **Department of Regional and Community Development** and managed by **Pobal**.

3.8 Macroeconomics

Research area coordinators: Martina Lawless and Kieran McQuinn

Others working in this area include: Matthew Allen-Coghlan, Adele Bergin, Kelly De Bruin, Abian Garcia Rodriguez, Elish Kelly, Ilias Kostarakos, Maria Martinez-Cillero, Conor O'Toole, Iulia Siedschlag, Rachel Slaymaker, Mattia Di Ubaldo, Petros Varathalitis, Dorothy Watson, Aykut Mert Yakut and Cathal Coffey

RESEARCH HIGHLIGHTS:

- The introduction of rent pressure zones (RPZ) with limits on the rate of increase in rents was shown to have moderated the pace of rent inflation across the country.
- Brexit continued to generate uncertainty over the course of 2019 and work continued in the ESRI to estimate the impacts under different scenarios. Using the ESRI macroeconomic model COSMO, one study concluded that a disorderly No-Deal Brexit could reduce GDP by 5 per cent.

The macroeconomic research programme in the ESRI covers a wide range of issues that impact on the overall performance of the Irish economy. The programme assesses the domestic macroeconomic outlook on a regular basis while also conducting in-depth research on issues such as public finances, the housing market and drivers of economic growth.

The joint research programme with the **Department of Finance and the Revenue Commissioners** and the ESRI produced research on topics related to macroeconomic, taxation and banking issues. With the possibility of a No-Deal Brexit generating considerable concern for Irish policymakers throughout the year, a major assessment of its economic implications for Ireland was undertaken as part of the joint research programme. Using the ESRI macroeconomic model, COSMO, this work found that the long-run impact on real output in the Irish economy could be a reduction of 5 per cent in a disorderly No-Deal scenario. The eventual deal scenario was also examined and found to have a smaller, but still reasonably substantial, impact on Ireland reducing output by 2.6 per cent.

The joint research programme with the **Department of Housing, Planning and Local Government** entered its third year in 2019. The programme has latterly focused on regional aspects of the housing market with research published on affordability and price sustainability on a county level basis. The ESRI continued to produce the quarterly rent index for the Residential Tenancies Board through 2019. This hedonic price index is used by policymakers to determine which Local Electoral Areas are to be designated Rent Pressure Zones (RPZs). Research conducted for the RTB assessed the impact of RPZs on rent price inflation. This found that rent inflation has moderated in areas classified as RPZs but in many cases tenants still face rent increases above the regulation level.

Other work published this year as part of the programme included new estimates of fiscal multipliers, assessment of the impact of an increase in carbon tax and a profiling of households in mortgage arrears. The assessment of changes in the carbon tax found that incremental increases that reach €80 per tonne by 2030 will help reduce economy-wide emissions by approximately 15 per cent. However, it will lead to increased prices and a small reduction in GDP and household disposable income. Recycling the carbon tax revenue to decrease other taxes was found to reduce the negative impacts on households.

The *Quarterly Economic Commentary* (QEC) continues to provide analysis of recent economic developments in the Irish economy as well as short term forecasts for key economic indicators. A significant focus of the QEC in 2019 was on both the actual and potential impact of Brexit on the Irish economy. Beyond Brexit, additional analysis over the year included a study on the effect a sudden reduction in corporation tax receipts would have on the domestic economy and how global uncertainty impacts Irish domestic investment.

3.9 Migration, Integration and Demography

Research area coordinators: Frances McGinnity and Emma Quinn

Others working in this area include: Helen Russell, Éamonn Fahey, Samantha Arnold, Sarah Groarke, Frank McNamara, Ivan Privalko and Shannen Enright.

RESEARCH HIGHLIGHTS:

- Migrants are not concentrated in areas of disadvantage and are relatively evenly distributed across neighbourhoods in Ireland. Compared to the United States and other Western European nations, migrants in Ireland have a low level of residential segregation.

- There was an increase in integration-related activities and public funding available in recent years, notably Ireland’s first Migrant Integration Strategy. Like the majority of EU Member States, Ireland pursues a policy of mainstreaming service provision in the area of integration. Targeted initiatives meet specific needs, therefore service-providing departments and agencies play a key role.

Research in the area of Migration, Integration and Demography is conducted under several strands. The first strand relates to the ESRI being Ireland’s National Contact Point (NCP) for the European Migration Network (EMN) and the related funding which is provided by the **European Commission** and the **Department of Justice and Equality**.

One EMN Ireland study found that the number of non-EEA higher education students in Ireland grew by 45 per cent between 2013 and 2017. However, difficulties with immigration registration delays, employment and accommodation were identified as challenges. A study - *Policy and Practice Targeting the Labour Market Integration of Non-EU Nationals in Ireland*, was also published, in addition to reports on visa liberalisation agreements and beneficiaries of international protection. The *Annual Report on Migration and Asylum 2018: Ireland* provided a review of asylum and migration policy developments. Like all EMN Ireland outputs, these studies fed into EU-wide analyses.

A second strand of research in the area falls under the research programme on Integration and Equality, funded by the **Department of Justice and Equality**. A report which mapped the availability of quantitative data on immigrant integration in Ireland from both survey and administrative sources found notable gaps. These included an absence of resident permit data on non-EEA children, national-level data on unaccompanied minors, as well as very limited data on both the growing second generation and ethnic minorities in Ireland.

Researchers also participated in an international COST network, funded by the **Horizon 2020 Framework Programme of the European Union**, which is compiling surveys of immigrants and ethnic minorities in Europe and evaluating indicators of migrant integration.

3.10 Social Inclusion and Equality

Research area coordinators: Bertrand Maître and Frances McGinnity

Others working in this area include: Dorothy Watson, Ivan Privalko, Helen Russell, Éamonn Fahey, Doireann O’Brien, Shannen Enright.

RESEARCH HIGHLIGHTS:

- Women in Ireland spend twice as much time on unpaid work, such as housework and caring, as men. People in Ireland record the third-highest amount of unpaid work time across Europe (EU28), which is likely to be linked to policies here.
- Ireland has the second-highest level of unmet need for home care across 11 EU countries. Households with unmet need for home care are twice as likely as those whose care needs

are met to experience material deprivation. In Ireland the main reason for unmet need for home care is a lack of such services.

ESRI research in this area investigates factors influencing access to the material and other resources required to participate in economic and social life and the processes that lead to inequalities in opportunities and outcomes. Two reports were published under the programme of research with **the Irish Human Rights and Equality Commission**. One of these reports mapped data available on attitudes to equality and human rights issues in Ireland collected in European surveys over the period 2000 to 2018. A journal article published as part of this programme found that Irish attitudes towards Muslim immigrants were more negative than attitudes towards White immigrants, and that an international terrorist attack during fieldwork had a negative effect on attitudes to Muslim immigrants.

Within this programme of research, work commenced on the development of the Socio-Economic Rights Monitoring Framework (SERMF) with decent work and housing being the first two topics. This framework combines equality and human rights approaches and included a consultation event on decent work in September. Research from this programme of research also informed a presentation on Racial Discrimination in Ireland to the Royal College of Surgeons.

Two reports funded by the **Department of Employment Affairs and Social Protection (DEASP)**, published in February and September, examined the association between social inclusion and access to childcare and home care for people with physical or mental ill-health conditions. The first report, focusing on Ireland, found high level of unmet childcare needs among lower-social class families, households in poverty, lone-parent families and families with an adult who has a disability. This was mostly due to unaffordability and constituted a barrier to mothers' labour market participation. The second report compared Ireland's access and unmet need to childcare and home care services with ten other European countries.

Work commenced on a new research programme with the **National Disability Authority**, examining the experiences of persons with disabilities across a range of key policy areas, including an analysis of services to support community living for persons with disabilities such as personal assistance.

ESRI researchers contributed to several international initiatives in this area, including participation on the advisory board of an LSE-based project funded by the **Nuffield Foundation**.

3.11 Taxation, Welfare and Pensions

Research area coordinator: Claire Keane

Others working in this area include: Karina Doorley, Barra Roantree, Dora Tuda, Mark Regan and Alyvia McTague

RESEARCH HIGHLIGHTS:

- In a major modelling development, a labour supply model was built to be used in conjunction with SWITCH, the ESRI tax and benefit model.

- Research provided new microeconomic and macroeconomic evidence relevant to the design and implementation of the auto-enrolment pension scheme.

This research area examines the design of the tax, welfare and pensions system, with a focus on the effect it has on redistribution and incentives to work. Much of this work uses SWITCH – the ESRI tax and benefit model – to simulate the impact of reforms on households. Research in this area was supported by funding from the **Departments of Employment Affairs and Social Protection, Health, Children and Youth Affairs and Finance**, as well as through the grant-in-aid provided by the **Department of Public Expenditure and Reform**.

In a major modelling development, a labour supply model was built to be used in conjunction with SWITCH. This model will allow the examination of behavioural responses to tax-benefit policy changes in future policy work. Lone mothers were found to be particularly responsive to income changes, an important new finding for Ireland where less than half of lone mothers are in paid work.

Research launched at the ESRI's annual Budget Perspectives conference found that a carbon tax rise would disproportionately affect lower-income households, although such households could be effectively compensated by using the revenues raised to increase certain welfare payments. Other research launched at the conference investigated the effect of indexing social welfare rates, along with tax credits and bands, in line with price or wage inflation.

The annual post-budget analysis showed that Budget 2020 would result in most households paying more tax as a result of freezes to the main tax credits and bands. However, households were also set to gain from higher spending on public services, investment and pay in 2020.

In the area of pensions, research provided both microeconomic and macroeconomic evidence relevant to the design and impact of the proposed pension auto-enrolment scheme. Research showed that demographic change in Europe, primarily population ageing, is likely to increase income inequality by 2030. Further research investigated the link between retirement and divorce.

Other research examined the impact of changes to the One Parent Family Payment on female employment. An investigation of how childcare costs, childcare subsidies, Medical and GP Visit Cards and the Housing Assistance Payment affect financial incentives to work was also carried out. Research highlighted how Medical Cards affect the health status and financial stress of those eligible for the scheme. The partial individualisation of the Irish income tax system in the early noughties was investigated and found to have substantially increased the employment rate of married women. Research also examined the effect of employee and employer social security contributions on labour cost and hours of work.

Building on gender budgeting work carried out in 2018, the ability of the tax-benefit system in a cross-section of European countries to cushion gender earnings inequality was also examined.

4. RESEARCH AREA COORDINATORS AT 31 DECEMBER 2019

- **Macroeconomics** (Professor Kieran McQuinn and Professor Martina Lawless)



- **Competitiveness, Trade and FDI** (Professor Iulia Siedschlag)



- **Energy, Environment and Infrastructure** (Professor John Curtis and Professor Seán Lyons)



- **Labour Markets and Skills** (Professor Seamus McGuinness)



- **Migration, Integration and Demography** (Professor Frances McGinnity and Dr Emma Quinn)



- **Education** (Professor Emer Smyth and Professor Selina McCoy)



- **Taxation, Welfare and Pensions** (Dr Claire Keane)



- **Social Inclusion and Equality** (Professor Frances McGinnity and Bertrand Maître)



- **Health and Quality of Life** (Dr Anne Nolan, Dr Maev-Ann Wren and Professor Helen Russell)



- **Growing Up in Ireland** (Professor Dorothy Watson and Professor Emer Smyth)



- **Behavioural Science** (Dr Pete Lunn)



5. STAFF AT 31 DECEMBER 2019

Director

Alan Barrett

Economic Analysis

Matthew Allen-Coghlan
Keelan Beirne
Adele Bergin
Cathal Coffey
John Curtis
Kelly De Bruin
Judith Delaney
Desta Fitiwi
Abian Garcia Rodriguez
Ankita Gaur
Gianluca Grilli
Elish Kelly
Dana Kirchem
Ilias Kostarakos
Martina Lawless
Muireann Á. Lynch
Seán Lyons
Ciarán Mac Domhnaill
Maria Martinez-Cillero
Seamus McGuinness
Kieran McQuinn (Head of Division)
Stefano Meneto
Eoin Monaghan
Conor O'Toole
Paul Redmond
Iulia Siedschlag
Rachel Slaymaker
Manuel Tong Koecklin
Miguel Tovar Reanos
Petros Varthalitis
Adele Whelan
Shiyu Yan
Weijie Yan
Aykut Mert Yakut
Tong Zhu

Social Research

Martina Barjaková
Cameron Belton
Aoife Brick
Elaine Byrne
Sheelah Connolly
Merike Darmody
Nora Donnelly
Karina Doorley
Sarah Groarke
Edward Henry
Hannah Julienne
Claire Keane
Conor Keegan
Ciarán Lavin
Pete Lunn
Bertrand Maître
Selina McCoy
Frances McGinnity
Alyvia McTague
Georgiana Mihut
Gretta Mohan
Anne Nolan
Ivan Privalko
Emma Quinn
Mark Regan
Deirdre Robertson
Barra Roantree
Helen Russell
Anne Sheridan
Emer Smyth (Head of Division)
Shane Timmons
Dora Tuda
Brendan Walsh
Maev-Ann Wren

Growing Up in Ireland

Elizabeth Burke
Shannen Enright
Hannah Frankis
Caroline Goodwin

Lisa Kelly

Eoin Keogh
Eoin McNamara
Aoife Murphy
Aisling Murray
Desmond O'Mahony
Caoimhe O'Reilly
Marina Profir
Amanda Quail
Bernadette Ryan
Fionnuala Waters
Dorothy Watson (Head of Division)

Corporate Resources

Eleanor Bannerton
(Operations and Strategy Manager)
Jamie Browne
Claire Buckley (HR Manager)
Sarah Burns
Paul Carroll
Bernice Clancy
Liz Coyle
Lliana D'Emidio
Maria Fitzgerald
Louise Gallagher
Elaine Goode
Dave Gorman
Adrienne Jinks
Rachel Joyce
Mark Magee
Francis McEvoy
Linda Murray
Clare O'Neill
Charlie O'Regan (Head of Finance)
Stephen Sammon
Livia Turzo
Kevin Worrall

6. ESRI COUNCIL – BIOGRAPHICAL INFORMATION

Padraig McManus, President and Chairperson⁴

Padraig McManus became Chairperson of the Economic and Social Research Institute in January 2016. In 2017, he also chaired the Governance and Nominations sub-committee. Mr McManus has been a member of the ESRI Council since July 2012. Previously, he was Chairman of eir from 2012-2017, and Chief Executive and member of the Board of the ESB from July 2002 until 2012. He joined the ESB in 1973 and spent 15 years in the company's international businesses, later becoming Managing Director of ESB International and Commercial Director of ESB. Mr McManus is a Global Counsellor of the Conference Board of the United States. He is Chair of the Curragh Racecourse Company.

Alan Barrett, Director

Alan Barrett first joined the ESRI in 1994 and became Director of the Institute in July 2015, at which point he joined the Council. During his time with the Institute he was seconded to the Department of Finance (2001-2003) and to The Irish Longitudinal Study on Ageing (TILDA) at Trinity College Dublin (2011-2013). He was a member of the Irish Fiscal Advisory Council from 2011 to 2015. He is a Member of the Royal Irish Academy, a Research Fellow with IZA (Institute for Labor Economics) in Bonn, Germany and an Honorary Fellow of the Society of Actuaries in Ireland. He is also a member (ex officio) of the Climate Change Advisory Council.

John Buckley, former Comptroller and Auditor General⁵

John Buckley joined the Council in February 2013 and chaired the Audit and Risk sub-committee in 2016. He is an accountant (ACCA) and a barrister. He has a degree in psychology and an MSc in strategic management. He previously served as Comptroller and Auditor General.

Pádraig Dalton, Director General, Central Statistics Office

Pádraig Dalton joined the Council in July 2012. He is a career statistician who joined the Central Statistics Office in November 1991, taking up the position of Director General in May 2012. He is a member of the European Statistical System Committee (ESSC), which provides professional guidance to the European Statistical System (ESS) for developing, producing and disseminating European statistics. He is also Chair of the United Nations Economic Commission for Europe (UNECE) High Level Group on the Modernisation of Official Statistics and is an ex-officio member of the National Statistics Board (NSB).

Emer Gilvarry, Partner, Mason Hayes & Curran

Emer Gilvarry joined the Council in February 2014. She is the chairperson of Mason Hayes & Curran and a partner in the dispute resolution team. Emer is experienced in a broad range of commercial and financial services litigation. Emer specialises in project management and investigatory work and acts as a legal advisor to corporates and boards on corporate safeguards and compliance procedures. Ms Gilvarry is a member of the advisory board at UCD Michael Smurfit Graduate

⁴Mr Padraig McManus stepped down as Chairperson in May 2020.

⁵ Mr John Buckley's Council term finished in February 2019.

Business School and a member of the Ireland Funds Board. In 2014, she was ranked in the Financial Services 50 and the Global 100 by *Business & Finance*. Ms Gilvarry is also a qualified mediator.

John Martin, former Director for Employment, Labour and Social Affairs, OECD

John Martin joined the Council in February 2015. He was Director for Employment, Labour and Social Affairs at the OECD from 2000 to early 2013. From 2005 to 2017, he was a member of the French Prime Minister's Employment Policy Council. He is a member of the National Statistics Board of Ireland and Chair of the Labour Market Advisory Council. His other professional roles include the following: Adjunct Research Fellow, UCD Geary Institute for Public Policy; IZA Research Fellow; Policy Associate of the Leverhulme Centre for Research on Globalisation and Economic Policy at the University of Nottingham. In 2013, he was awarded the Presidential Distinguished Service Award for the Irish Abroad by the President of Ireland, Michael D. Higgins.

David Moloney, Assistant Secretary, Department of Public Expenditure and Reform

David Moloney joined the Council in November 2010. He is Assistant Secretary at the Department of Public Expenditure and Reform and Head of its labour market and enterprise division. His responsibilities include the Irish Government Economic and Evaluation Service (IGEES)

Rónán Murphy, former Senior Partner, PwC and current board member, Davy, ICON PLC and Greencoat Renewables PLC

Rónán Murphy joined the Council in February 2017. He is a non-executive director of Davy and ICON PLC and Chair of Greencoat Renewables PLC. He is also Chairperson of Business in the Community Ireland. Mr Murphy was previously Senior Partner of PwC Ireland, a position he was elected to in 2007 and was re-elected to for a further four-year term in July 2011. He joined PwC in 1980 and was admitted to the partnership in 1992. In 1995, he joined the firm's Leadership Team and held a number of operational leadership roles, prior to being appointed as Partner in Charge of the firm's Assurance practice in 2003, a position he held for four years. Mr Murphy was a member of the PwC EMEA Leadership Board from 2010 to 2015. He completed a Bachelor of Commerce and Master's in Business Studies at University College Dublin before qualifying as a Chartered Accountant in 1982. He is a founding member of the British Irish Chamber of Commerce.

Sean O'Driscoll, former Chairman and Chief Executive of the Glen Dimplex Group⁶

Sean O'Driscoll joined the Council in February 2017. He is a Bachelor of Commerce Graduate from University College Cork (UCC) and a Chartered Accountant. On graduating from UCC in 1979, he joined KPMG and was elected a Partner in 1989. He joined Glen Dimplex as Group Financial Director in 1990, was appointed Deputy Chief Executive in 1994, Group Chief Executive Officer in 1998, and Chairman from 2011-2016. He is a member of the Trilateral Commission. He is a former non-executive Director of Allied Irish Banks, former member of the National Competitiveness Council of Ireland and a number of other Government appointed groups. Mr O'Driscoll is the recipient of an OBE and a Légion d'honneur Award.

⁶ Mr Sean O'Driscoll was elected as Chairperson in May 2020

Rowena Pecchenino, Professor of Economics, Maynooth University

Rowena Pecchenino joined the Council in February 2017. She is Professor of Economics at Maynooth University. After earning her PhD from the University of Wisconsin she joined the Department of Economics at Michigan State University, where she went on to be Professor and Department Chair. At Maynooth University she has served as Head of the Department of Economics, Finance and Accounting and Dean of the Faculty of Social Sciences. She has been a member of the Irish Research Council, the Department of Health and Children Expert Group on Resource Allocation and Financing in the Health Sector, has just stepped down as President of the Irish Economic Association, and is Section Chair of Scholars at Risk Network – Ireland. She has published and continues to conduct research in a number of distinct fields in economics, from defence economics to Irish economic history to the conjunction of economics and theology. She has published widely in journals such as the *American Economic Review*, the *Economic Journal*, and the *Journal of Public Economics*.

Orlaigh Quinn, Secretary General of the Department of Business, Enterprise and Innovation

As Secretary General of the Department of Business, Enterprise and Innovation in Ireland, Dr Orlaigh Quinn advises Government and leads the Department and its 16 offices and agencies in promoting the creation of high-quality and sustainable full employment; by championing enterprise, supporting and incentivising a competitive and innovative research and enterprise base, negotiating international trade agreements and promoting fair and competitive employment and markets. A career civil servant, she has held leadership positions across several public bodies; spearheading reform of Ireland's public and civil service at the Department of Public Expenditure and Reform and as Head of Corporate and Head of National Pensions in the Department of Employment Affairs and Social Protection. She has also led on EU and International Affairs and served as an expert adviser on employment and social policy at the European Commission. She is a former Visiting Research Fellow of Trinity College Dublin and holds a Masters in Public Management and a Doctorate in Governance from Queen's University Belfast. She is the author of two books on public policy topics.

Patrick Rabbitte, former Minister and former leader of the Labour Party, Chairperson of Tusla – Child and Family Agency

Patrick Rabbitte joined the Council in February 2017. He is a former Irish Labour Party politician who served as Minister for Communications, Energy and Natural Resources from 2011 to 2014. He was Leader of the Labour Party from 2002 to 2007 and Minister of State for Commerce, Science and Technology from 1994 to 1997. He is Chairperson of Tusla – Child and Family Agency.

Sally Shortall, Professor, Duke of Northumberland Chair of Rural Economy, Newcastle University

Sally Shortall joined the Council in May 2015. She is the Duke of Northumberland Chair of Rural Economy, Newcastle University. She has served as an expert advisor to the UK Food Standard Agency, the European Parliament, the European Commission and the OECD. She was recently Principal Investigator on a report on women in agriculture in Scotland for the Scottish Government, who have set up a Task Force to consider implementation of the recommendations of this report. Ms Shortall served two terms as President of the European Society for Rural Sociology (2015-2019), and is currently the First Deputy Vice President of the International Rural Sociology Association. Her research interests include rural women, rural development theory and practice, community and stakeholder engagement in policy practice and how evidence is used to inform policy.

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE
(A Company limited by Guarantee and not having a Share Capital)

**FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2019**

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THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

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COUNCIL MEMBERS AND OTHER INFORMATION

COUNCIL MEMBERS As at 31st December 2019

| | |
|---|---------------------------------------|
| Padraig McManus (President and Chair to May 2020) | |
| Alan Barrett | Sean O’Driscoll (Chair from May 2020) |
| Padraig Dalton | Rowena Pecchenino* |
| Emer Gilvarry | Pat Rabbitte |
| John Martin* | Orlaigh Quinn |
| David Moloney | Sally Shortall |
| Ronan Murphy* | |

Council Members are the Directors of the ESRI.

*Audit Committee Members

The ESRI Audit Committee is made up of three non-executive council members.

AUDITORS The Comptroller and Auditor General
3A Mayor Street Upper
Dublin 1

BANKERS Bank of Ireland
Lower Baggot Street
Dublin 2

Havbell
2 Grand Canal Square
Grand Canal Harbour
Dublin 2

SOLICITORS Hayes Solicitors
Lavery House
Earlsfort Terrace
Dublin 2

SECRETARY and
REGISTERED OFFICE Charles O’Regan
Whitaker Square
Sir John Rogerson’s Quay
Dublin 2

The ESRI is a not for profit organisation and registered as a charity under registration number CHY5335

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

(A Company limited by Guarantee and not having a Share Capital)

COUNCIL MEMBERS' REPORT 2019

The Council members present their report and the financial statements for the year ended 31 December 2019.

Principal activities

The Economic and Social Research Institute (ESRI) undertakes research designed to provide knowledge relevant to solving the major economic and social issues in Ireland.

Financial Review

The Institute aims to raise sufficient funding to ensure it covers its costs and deliver its research agenda. This was achieved in 2019 with an operating surplus of €66,488. The long-term strategy is to build financial sustainability through multi-annual programmes of research funded by government departments and agencies. These funding streams provide a greater degree of financial certainty when compared to one-off consultancy projects. Progress with this continued in 2019 with new funding agreements with the Department of Rural and Community Development and the National Disability Authority being signed. In 2019 the Institute discontinued the Economic Sentiment Monitor due to lack of funding.

Principal Risks

The *Growing Up in Ireland* study is the Institute's largest research project (€2.2m). A decision was taken jointly by the ESRI, the Central Statistics Office (CSO) and the Department of Children and Youth Affairs (DCYA) that the study would be transferred to the CSO after 2022. This decision recognised that the study is now of such importance that it should become more embedded in the State's official data collection systems. On foot of this decision, discussions began in 2019 between the three agencies on how the transfer would be managed. This will have a significant financial impact on the Institute after 2022. Replacement sources of income are being examined including the possibility of letting office space that will be available after the transfer.

Legal Status

The ESRI is a company limited by guarantee, incorporated in 1960 under the Companies Acts 1908-1959 and registered in Ireland under registration number 18269. The registered office is Whitaker Square, Sir John Rogerson's Quay, Dublin 2.

While the ESRI is a limited liability company it is exempted from the obligation to use the word "limited" as part of its name. It is a not for profit organisation and registered as a charity under registration number CHY5335.

Health & Safety

The ESRI is committed to the implementation of the requirements of the Safety, Health and Welfare at Work Act, 2005 to ensure the health and safety of all employees and visitors to the Institute. A written safety statement has been prepared and is being implemented in accordance with the Act.

Equality

The ESRI is an equal opportunities employer.

Auditors

Under Section 5 of the Comptroller and Auditor General (Amendment) Act, 1993 it is the responsibility of the Comptroller and Auditor General to audit the financial statements of the Institute. In the opinion of the Council members there is no relevant audit information of which the company's auditors are unaware.

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

(A Company limited by Guarantee and not having a Share Capital)

Financial position and Events since the Reporting Date

In March 2020 in response to the Covid-19 pandemic the Institute closed its premises and staff are working remotely. This has not had a significant effect on the financial position of the Institute. In the opinion of the Council members, the financial position of the company is satisfactory and there had been no material change since the reporting date. See note 21 to the financial statements.

Governance

The ESRI enjoys full academic independence and is answerable ultimately to its subscribing members, currently over 300 companies and individuals. The Council is the effective board of directors of the Institute. Council meetings are attended by the Company Secretary and two representatives of the Management Committee in a non-voting capacity. Apart from the Director of the Institute, who is an ex-officio member, ESRI Council members are not remunerated.

The regular day-to-day management, control and direction of the ESRI are the responsibility of the Director and the senior management team. The Director and the senior management team must follow the broad strategic direction set by the Council and must ensure that all Council members have a clear understanding of the key activities and decisions related to the entity, and of any significant risks that may arise. The Director acts as a direct liaison between the Council and management of the ESRI.

The ESRI is subject to the rules that apply to state organisations in relation to prompt payments, disclosure, risk management and tax clearance. The ESRI also comes under the remits of the Office of the Ombudsman and the Ombudsman for Children.

Council Responsibilities

The role and responsibilities of the Council are set out in the ESRI's Articles of Association.

The following key matters are reserved for Council decision:

- Approval of the organisation's long-term objectives and operational strategy.
- Approval of significant acquisitions and investments.
- Approval of major contracts.
- Approval of the annual operating and capital expenditure budgets.
- Approval of the Annual Report and Financial statements.
- Appointment and remuneration of the Director.

The Council members are required to prepare financial statements which give a true and fair view of the financial position of the company and of the surplus or deficit of the company for the year. In preparing those financial statements, the council members are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- disclose and explain any material departures from applicable accounting standards.

The Council members confirm that they have complied with the above requirements. The Council members are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2014. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps to prevent fraud and other irregularities.

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The Council is responsible for approving the annual plan. An evaluation of the performance of the ESRI by reference to the annual plan was carried out on 25 February 2020.

To ensure that adequate accounting records are kept in accordance with Sections 281 to 285 of the Companies Act 2014, the company has employed appropriately qualified personnel and has maintained appropriate computerised accounting systems. The accounting records are located at the company's registered office at Whitaker Square, Sir John Rogersons Quay, Dublin 2.

The Council considers that the financial statements of the ESRI give a true and fair view of the financial performance and the financial position of the ESRI at 31 December 2019.

The Council carried out a self-assessment review of its effectiveness in January 2020. It is planned to do an external review every three years. The Audit and Risk Committee and the Business and Operations Committee have carried out a review of their performance and reported to Council.

Council Structure

The Council currently consists of a Chairperson and twelve other members. Members of the Council appointed since 2015 are appointed for an initial period of 3 years. The Council met 4 times in 2019. The table below details the appointment period for current members:

| Council Member | Role | Date Appointed | Current Term End |
|-----------------------------|-------------|----------------|------------------|
| Mr Pdraig McManus | Chairperson | 11/07/2012 | Retired May 2020 |
| Mr David Moloney | Member | 23/11/2010 | 23/11/2022 |
| Ms Emer Gilvarry | Member | 18/02/2014 | Retired May 2020 |
| Mr John Martin | Member | 24/02/2015 | 24/02/2021 |
| Mr Pdraig Dalton | Member | 24/02/2015 | 24/02/2021 |
| Professor Sally Shortall | Member | 26/05/2015 | 26/06/2021 |
| Professor Alan Barrett | Member | 01/07/2015 | 01/07/2025 |
| Mr Ronan Murphy | Member | 28/02/2017 | 28/02/2023 |
| Mr Sean O'Driscoll | Member | 28/02/2017 | 28/02/2023 |
| Professor Rowena Pecchenino | Member | 28/02/2017 | 28/02/2023 |
| Mr Pat Rabbitte | Member | 28/02/2017 | 28/02/2023 |
| Dr Orlaigh Quinn | Member | 22/05/2018 | 22/05/2021 |

Note: Mr Alan Barrett is the current Director of the ESRI and sits on the Council for the duration of his term as Director.

The Council has established three committees, as follows:

- 1- Audit and Risk Committee:** comprises four Council members. The role of the Audit and Risk Committee (ARC) is to support the Council in relation to its responsibilities for issues of risk, control and governance and associated assurance. The ARC is independent from the financial management of the organisation. In particular, the Committee ensures the internal control systems including audit activities are monitored actively and independently. The ARC reports to the Council after each meeting.

The members of the Audit and Risk Committee are: Mr Ronan Murphy (Chairperson), Mr John Martin and Professor Rowena Pecchenino. Professor Alan Barrett attends the ARC in his capacity as Director of the Institute. There were three meetings of the ARC in 2019. The Chairperson of the Council is satisfied that the ARC discharged its role with fewer than four meetings in the year.

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- 2- Business and Operations Committee:** comprises four Council Members. The members of this committee are: Ms Emer Gilvarry (Chairperson), Mr Sean O’Driscoll, Mr Pat Rabbitte and Mr Alan Barrett. There were four meetings of this committee in 2019.
- 3- Nominations committee:** comprises three Council Members. The members of this committee are: Mr Pdraig McManus (Chairperson), Professor Alan Barrett and Ms Emer Gilvarry. There were no meetings of this Committee in 2019.

Schedule of Attendance, Fees and Expenses

A schedule of attendance at the Council and Committee meetings for 2019 is set out below:

| | Council | Audit and Risk Committee | Business and Operations Committee | Fees | Expenses |
|--------------------|---------|--------------------------|-----------------------------------|------|----------|
| Number of Meetings | 4 | 3 | 4 | | |
| Attendance | | | | | |
| Alan Barrett | 4 | 3 | 4 | - | - |
| Pdraig Dalton | 0 | - | - | - | - |
| Emer Gilvarry | 4 | - | 3 | - | - |
| John Martin | 2 | 1 | - | - | €1,248 |
| Pdraig McManus | 4 | - | - | - | - |
| David Maloney | 2 | - | - | - | - |
| Ronan Murphy | 4 | 3 | | - | - |
| Sean O’Driscoll | 4 | - | 3 | - | - |
| Rowena Pecchenino | 4 | 3 | - | - | €124 |
| Orlaigh Quinn | 3 | - | - | - | - |
| Pat Rabbitte | 4 | - | 3 | - | - |
| Sally Shortall | 2 | - | - | - | €488 |

Council Members do not receive a fee. Members are repaid expenses incurred in attending Council and other Committee meetings. No expenses were paid on behalf of any Council members.

Key Personnel Changes

Mr. John Buckley resigned from the Council on 26 February 2019 on completion of his term of appointment.

Pdraig McManus and Emer Gilvarry retired in May 2020.

Sean O’Driscoll was appointed as Chairperson in May 2020.

Disclosures required by the Code of Practice for the Governance of State bodies (2016)

The Council is responsible for ensuring that the ESRI has complied with the requirements of the Code of Practice for the Governance of State Bodies (“the code”) as published by the Department of Public Expenditure and Reform in August 2016. The following disclosures are required by the Code:

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Consultancy Costs

Consultancy costs include the cost of external advice to management and exclude outsourced “business-as-usual” functions.

| | 2019 € | 2018 € |
|----------------|------------------|------------------|
| Legal | 13,071 | 20,461 |
| Financial | 14,807 | 30,288 |
| HR and Pension | 17,966 | 12,060 |
| Other | 8,511 | 29,809 |
| Total | 54,355 | 92,618 |

Legal Costs and Settlements

Legal costs of €10,817 (2018: €0) and Termination costs of €133,349 (2018: €0) were incurred in the reporting period.

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

| | 2019 € | 2018 € |
|----------------------|------------------|------------------|
| Domestic | | |
| Council | 464 | 372 |
| Employees | 15,458 | 11,559 |
| International | | |
| Council | 1,396 | 1,875 |
| Employees | 77,133 | 91,190 |
| Total | 94,451 | 104,996 |

Hospitality Expenditure

The statement of income and expenditure includes the following expenditure:

| | 2019 € | 2018 € |
|---|------------------|------------------|
| Staff Sports & Social fund /Hospitality | 8,510 | 9,675 |
| Client Hospitality | 382 | 225 |
| Total | 8,892 | 9,900 |

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Statement of Compliance

The ESRI has complied with the requirements of the Code of Practice for the Governance of State Bodies, as published by the Department of Public Expenditure and Reform in August 2016, with the following exceptions:

The Procedures for the Identification and Selection of Board Members

The ESRI Council members are elected by the members of the Institute as set out in the Articles of Association and not appointed through the Public Appointments Service process.

Information and Communications Technology Expenditure

The ESRI has been granted a derogation from Circular 02/2016 *Arrangements for Digital and ICT-related Expenditure in the Civil and Public Service* as it could impose an unwarranted business burden on the ESRI.

Signed on behalf of the Council

Sean O'Driscoll
Chairperson of the Council

Date: 30 June 2020

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

(A Company limited by Guarantee and not having a Share Capital)

STATEMENT ON INTERNAL CONTROL

Scope of Responsibilities

On behalf of the Council of The Economic and Social Research Institute, I acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies.

Purpose of the System of Internal control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely period.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform, has been in place in the ESRI for the year ended 31 December 2019 and up to the date of approval of the financial statements except for the internal control issue outlined below.

Capacity to Handle Risks

The ESRI has an Audit and Risk Committee (ARC) comprising three Council members with financial and audit expertise, one of whom is the Chair. The ARC met three times in 2019.

The ESRI has outsourced the internal audit function, which operates in accordance with a charter that takes account of the guidance set out in the Code of Practice for the Governance of State Bodies 2016. The work programme of the internal audit is informed by analysis of the risk to which the Institute is exposed. The analysis of risk and the internal audit plans are endorsed by the Audit Committee and approved by the Council.

The ARC has developed a risk management policy which sets out its risk appetite, the risk management processes in place and details the roles and responsibilities of staff in relation to risk. The policy has been issued to all staff who are expected to work within the ESRI's risk management policies, to alert management on emerging risks and control weaknesses and assume responsibility for risks and controls within their own area of work.

Risk and control Framework

The Council has taken steps to ensure an appropriate control environment by

- clearly defining management responsibilities and
- establishing formal procedures for reporting significant control failures and ensuring appropriate corrective action.

The system of internal control is based on a framework of regular management information, administrative procedures including segregation of duties and a system of delegation and accountability. In particular it includes:

- comprehensive budgeting system with an annual budget which is reviewed and agreed by the Council;
- regular reviews by the Council of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- formal project management disciplines;
- systems to safeguard the assets.

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Ongoing monitoring and Review

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to the management and the Council, where relevant, in a timely way. At least annually, the Internal Auditor provides the Council with a report of internal audit activity. The report includes the Internal Auditor's opinion on the sufficiency and operation of internal control to mitigate and/or manage risks.

I confirm that the following ongoing monitoring systems are in place:

- 1- key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies,
- 2- reporting arrangements have been established at all levels where responsibility for financial management has been assigned
- 3- regular reviews by senior management of periodic and annual performance and financial reports which indicate performance against budgets/forecasts.

Procurement

I confirm that the ESRI has procedures in place to ensure compliance with current procurement rules and guidelines. Matters arising regarding controls over procurement are highlighted under control issues below.

Review of Effectiveness

The Council's monitoring and review of the effectiveness of the system of internal control is informed by the work of the internal auditor, the Audit Committee which oversees the work of the internal auditor, the executive managers within the Institute who have responsibility for the development and maintenance of the financial control framework, and comments made by the Office of the Comptroller and Auditor General in management letters or other reports.

The Institute continues to develop its system of internal control through the refining of business continuity procedures and the ongoing development of the risk management framework.

I confirm that for the year ended 31 December 2019 the Council has conducted a review of the effectiveness of the system of internal control. The review was finalised by the Council on 25 February 2020 following consideration by the Audit and Risk Committee on 12 February 2020.

Internal Control Issues

The audit of the 2019 Financial Statements identified non-compliant procurement expenditure of €7,757 (2018 €9,578) in relation to telecommunication services. A procurement process for these services is scheduled to be carried out in quarter 3 in 2020

In 2018 an amount of €95,830 was paid to Amarach in respect of survey services for a specific project. As the funding for this project was uncertain due to the withdrawal of the main funder, it was not feasible to operate a tender process as planned in 2018. The project came to a completion in April 2019.

Signed on behalf of the Council

Sean O'Driscoll
Chairperson of the Council

Date: 30 June 2020

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

(A Company limited by Guarantee and not having a Share Capital)



Ard Reachtaire Cuntas agus Ciste **Comptroller and Auditor General**

Report for presentation to the Houses of the Oireachtas

Economic and Social Research Institute

Opinion on the financial statements

I have audited the financial statements of the Economic and Social Research Institute (a company limited by guarantee and not having a share capital) for the year ended 31 December 2019 as required under the provisions of section 5 of the Comptroller and Auditor General (Amendment) Act 1993. The financial statements comprise the statement of income and expenditure and retained revenue reserves, the statement of comprehensive income, the statement of financial position, the statement of cash flows and the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements

- give a true and fair view of the assets, liabilities and financial position of the Economic and Social Research Institute at 31 December 2019 and of its income and expenditure for 2019
- have been properly prepared in accordance with Financial Reporting Standard (FRS) 102 — The Financial Reporting Standard applicable in the UK and the Republic of Ireland, and
- have been properly prepared in accordance with the Companies Act 2014.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Institute and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions related to going concern

The Council members have prepared the financial statements on a going concern basis. As described in the appendix to this report, I conclude on

- the appropriateness of the use by the Council members of the going concern basis of accounting and
- whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern.

I have nothing to report in that regard.

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

(A Company limited by Guarantee and not having a Share Capital)

Opinion on matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, I report that, in my opinion,

- the information given in the Council members' report is consistent with the financial statements, and
- the Council members' report has been prepared in accordance with the Companies Act 2014.

I have obtained all the information and explanations that I consider necessary for the purposes of my audit.

In my opinion, the Institute's accounting records were sufficient to permit the financial statements to be readily and properly audited, and the financial statements are in agreement with the accounting records.

Report of the C&AG (continued)

The Companies Act 2014 also requires me to report if, in my opinion, the disclosures of Council members' remuneration and transactions required by sections 305 to 312 of the Act are not made. I have nothing to report in that regard.

Report on information other than the financial statements, and on other matters

The Council members have presented a report and a statement on internal control with the financial statements. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Orla Duane

For and on behalf of the

Comptroller and Auditor General

3 July 2020

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

(A Company limited by Guarantee and not having a Share Capital)

Appendix to the Report

Responsibilities of the Council members

As detailed in the Council members' report, the Council members are responsible for

- the preparation of financial statements in the form prescribed under the Companies Act 2014
- ensuring that the financial statements give a true and fair view in accordance with FRS 102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 5 of the Comptroller and Auditor General (Amendment) Act 1993 to audit the financial statements of the Economic and Social Research Institute and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.

- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Institute to cease being a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted. I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

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(A Company limited by Guarantee and not having a Share Capital)

STATEMENT OF INCOME AND EXPENDITURE AND RETAINED REVENUE RESERVES FOR THE YEAR ENDED 31 DECEMBER 2019

| | <i>Notes</i> | <i>2019</i> | <i>2018</i> |
|---|--------------|-------------------|-------------------|
| | | € | € |
| Income | | | |
| Oireachtas Grant -Department of Public Expenditure and Reform. Vote 11 Subhead A3 | | 2,775,000 | 2,775,000 |
| Research Income | 2 | 7,924,358 | 8,335,658 |
| Miscellaneous Income | 3 | <u>167,860</u> | <u>238,765</u> |
| Total Income | | <u>10,867,218</u> | <u>11,349,423</u> |
| Expenditure | | | |
| Remuneration | 4 | 8,371,511 | 8,329,133 |
| Direct Project Expenses | 5 | 1,106,456 | 1,479,053 |
| Establishment | 6 | 744,802 | 770,257 |
| Administration | 7 | <u>577,961</u> | <u>623,740</u> |
| Total Expenditure | | <u>10,800,730</u> | <u>11,202,183</u> |
| Surplus for the Year before Appropriations/Transfers | | 66,488 | 147,240 |
| Transfer from Capital Reserve | | | |
| Surplus/(Deficit) for the Year after Appropriations /Transfers | 19 | <u>85,000</u> | <u>85,000</u> |
| | | 151,488 | 232,240 |
| Balance Brought Forward at 1 January | 19 | <u>1,124,543</u> | <u>892,303</u> |
| Balance Carried Forward at 31 December | 19 | <u>1,276,031</u> | <u>1,124,543</u> |

The Statement of Cash Flows and notes numbered 1 to 22 form an integral part of these financial statements and should be read in conjunction therewith.

Sean O' Driscoll
Council Member:

Date: 30 June 2020

Alan Barrett
Council Member:

Date: 30 June 2020

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

(A Company limited by Guarantee and not having a Share Capital)

STATEMENT OF COMPREHENSIVE INCOME

| | 2019 | 2018 |
|---|--------------------|------------------|
| | € | € |
| Surplus/(Deficit) for the Year after Appropriations/Transfers | 151,488 | 232,240 |
| Experience gains/(losses) on pension scheme liabilities | (2,202,000) | (1,761,000) |
| Change in pension liability assumptions | <u>(8,818,000)</u> | <u>1,689,000</u> |
| Total actuarial gain/(loss) in the year | (11,020,00) | (72,000) |
| Adjustment to deferred exchequer pension funding | 11,020,000 | 72,000 |
| Total Gains/(Losses) recognised for the year | <u>151,488</u> | <u>232,240</u> |

The Statement of Cash Flows and notes numbered 1 to 22 form an integral part of these financial statements and should be read in conjunction therewith.

Sean O'Driscoll
Council Member:

Date: 30 June 2020

Alan Barrett
Council Member:

Date: 30 June 2020

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

(A Company Limited by Guarantee and not having a Share Capital)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

| | <i>Notes</i> | as at 31 December 2019 € | as at 31 December 2018 € |
|---|--------------|-----------------------------------|-----------------------------------|
| FIXED ASSETS | | | |
| Property Plant and Equipment | 8 | <u>11,350,275</u> | <u>11,727,827</u> |
| CURRENT ASSETS | | | |
| Inventory | | 3,624 | 3,352 |
| Receivables | 9 | 2,356,519 | 1,959,929 |
| Cash and cash equivalents | 10 | <u>1,382,020</u> | <u>947,672</u> |
| | | <u>3,742,163</u> | <u>2,910,953</u> |
| CURRENT LIABILITIES | | | |
| Payables (Amounts falling due within one year) | 11 | <u>3,464,552</u> | <u>2,628,928</u> |
| NET CURRENT ASSETS | | 277,611 | 282,025 |
| TOTAL ASSETS less CURRENT LIABILITIES | | <u>11,627,886</u> | <u>12,009,852</u> |
| Long Term Loans (Amounts falling due after one year) | 12 | 7,211,855 | 7,660,309 |
| Long Term Pension Liability Less Deferred Pension Asset | 17 | (68,323,000) | (55,997,000) |
| | 17 | 68,323,000 | 55,997,000 |
| NET ASSETS | | <u>4,416,031</u> | <u>4,349,543</u> |
| Representing | | | |
| Retained Revenue Reserves | 19 | 1,276,031 | 1,124,543 |
| Capital Reserve | 19 | <u>3,140,000</u> | <u>3,225,000</u> |
| | | <u>4,416,031</u> | <u>4,349,543</u> |

The Statement of Cash Flows and notes numbered 1 to 22 form an integral part of these financial statements and should be read in conjunction therewith.

Sean O'Driscoll
Council Member:

Date: 30 June 2020

Alan Barrett
Council Member:

Date: 30 June 2020

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

| | 2019 | 2018 |
|---|-----------------|------------------|
| | € | € |
| Net Cash Flows from Operating Activities | | |
| Excess Income over Expenditure | 66,488 | 147,240 |
| Depreciation and Impairment of Property, Plant and Equipment | 418,234 | 416,485 |
| (Increase)/Decrease in Receivables | (396,590) | (25,848) |
| Increase/(Decrease) in Payables | 835,624 | (1,514,666) |
| (Increase)/Decrease) in Inventory | (272) | (691) |
| Interest payment on mortgage in year | 51,938 | 56,083 |
| Bank Interest Received | <u>0</u> | <u>0</u> |
| Net cash inflow/(outflow) from Operating Activities | 975,422 | (921,397) |
| Cash Flows from Investing Activities | | |
| Payments to acquire Property, Plant and Equipment | <u>(40,682)</u> | <u>(163,469)</u> |
| Net Cash Flows from Investing Activities | (40,682) | (163,469) |
| Cash Flows from Financing Activities | | |
| Mortgage repayments in year | (448,454) | (434,803) |
| Interest payment on mortgage in year | (51,938) | (56,083) |
| Bank Interest Received | <u>-</u> | <u>-</u> |
| Net Cash Flows from Financing Activities | (500,392) | (490,886) |
| Net Increase/(Decrease) in cash and cash equivalents | 434,348 | (1,575,752) |
| Cash and cash equivalents at 1 January | <u>947,672</u> | <u>2,523,424</u> |
| Cash and cash equivalents at 31 December | 1,382,020 | 947,672 |

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting Policies

The principal accounting policies adopted by the Institute in determining the amounts included in the Statement of Financial Position and in determining the results for the year are as follows. They have all been applied consistently throughout the year and for the preceding year.

a) General Information

The Institute was established on the 24th June 1960 as a Company Limited by Guarantee and was known then as the Economic Research Institute. The title of the Institute was later changed to the Economic and Social Research Institute. The head office is at Whitaker Square, Sir John Rogerson's Quay.

The Institute produces research that contributes to understanding economic and social change in the new international context and that informs public policymaking and civil society in Ireland.

b) Statement of Compliance

The financial statements of the Institute for the year ended 31 December 2019 have been prepared in accordance with FRS 102, the financial reporting standard applicable in the UK and Ireland issued by the Financial Reporting Council (FRC), as promulgated by Chartered Accountants Ireland.

c) Basis of Preparation

The financial statements have been prepared under the historical cost convention, except for certain assets and liabilities that are measured at fair values as explained in the accounting policies below. The financial statements are in the form approved under the Companies Acts and the generally accepted accounting principles (GAAP). The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Institute's financial statements.

d) Revenue

Oireachtas Grants

Revenue is recognised on an accruals basis; one exception to this is the case of Oireachtas Grants which are recognised on a cash receipts basis.

Research Income

Research income represents the value of work completed on individual projects during the year. Where the value of work completed on a project exceeds the amounts received or invoiced, the difference is included in the Statement of Financial Position under receivables as work in progress. If the value of work completed is less than the amounts received, the difference is included in the Statement of Financial Position under creditors as deferred income.

Capital Grants

Capital grants from the Department of Public Expenditure and Reform received towards the cost of tangible assets are transferred to the Capital Reserve and amortised in line with depreciation on the associated assets.

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e) **Property Plant and Equipment**

Property, Plant and Equipment are stated at cost less accumulated depreciation, adjusted for any provision for impairment. Depreciation is provided on all property, plant and equipment, other than freehold land and artwork, at rates estimated to write off the cost less the estimated residual value of each asset on a straight-line basis over their estimated useful lives, as follows:

| | |
|--|-------|
| Computer equipment | 33.3% |
| Other equipment, fixtures and fittings | 20% |
| Building | 2% |

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of an age and in the condition expected at the end of its useful life.

If there is objective evidence of impairment of the value of an asset, an impairment loss is recognised in the Statement of Income and Expenditure and Retained Revenue Reserves in the year.

f) **Receivables**

Receivables are recognised at fair value, less a provision for doubtful debts. The provision for doubtful debts is a specific provision and is established when there is objective evidence that the Institute will not be able to collect all amounts owed to it. All movements in the provision for doubtful debts are recognised in the Statement of Income and Expenditure and Retained Revenue Reserves.

g) **Employee Benefits**

Short-term Benefits

Short-term benefits such as holiday pay are recognised as an expense in the year, and benefits that are accrued at year-end are included in the Payables figure in the Statement of Financial Position.

Retirement Benefits

A defined benefit scheme is in place for all employees of the ESRI, as appropriate. The assets of the Institute's pension schemes were transferred to the National Pension Reserve Fund (NPRF) on the 30th June 2010 under the provisions of the Financial Measures (Miscellaneous Provisions) Act 2009. The scheme continues to operate for existing members with no change to benefits or associated provision for members.

The Institute also operates the Single Public Services Pension Scheme ("Single Scheme") which is a defined benefit scheme for pensionable public servants appointed on or after 1 January 2013. Single Scheme members' contributions are paid over to the Department of Public Expenditure and Reform (DPER).

Pension costs reflect pension benefits earned by employees and are shown net of staff pension contributions which are remitted to the Department of Public Expenditure and Reform. An amount corresponding to the pension charge is recognised as income to the extent that it is recoverable.

The Institute is required to make an annual employer contribution to the Department of Public Expenditure and Reform in respect the schemes transferred to the NPRF.

Actuarial gains or losses arising on scheme liabilities are reflected in the Statement of Comprehensive Income, and a corresponding adjustment is recognised in the amount recoverable from the Department of Public Expenditure and Reform.

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The financial statements reflect at fair value the assets and liabilities arising from the Institute's pension obligations and any related funding and recognises the costs of providing pension benefits in the accounting periods in which they are earned by employees. Retirement benefit scheme liabilities are measured on an actuarial basis using the projected unit credit method.

h) Loans

Loans are recognised initially at the transaction price (present value of cash payable, including transaction costs). Loans are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Loans are classified as current liabilities unless there is a right to defer settlement of the loan for at least 12 months from the reporting date.

i) Critical Accounting Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements.

Impairment of Property, Plant and Equipment

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

Depreciation and Residual Values

The Directors have reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of fixtures and fittings and have concluded that asset lives and residual values are appropriate.

Retirement Benefit Obligation

The assumptions underlying the actuarial valuations for which the amounts recognised in the financial statements are determined (including discount rates, rates of increase in future compensation levels, mortality rates and healthcare cost trend rates) are updated annually based on current economic conditions, and for any relevant changes to the terms and conditions of the pension and post-retirement plans.

The assumptions can be affected by:

- (i) the discount rate, changes in the rate of return on high-quality corporate bonds
- (ii) future compensation levels, future labour market conditions
- (iii) health care cost trend rates, the rate of medical cost inflation in the relevant regions.

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2. Research Income

| | <i>2019</i> | <i>2019</i> | <i>2019</i> | <i>2019</i> | <i>2018</i> |
|------------------------------|------------------|-------------------|---------------------|------------------|------------------|
| | <i>State</i> | <i>Semi-State</i> | <i>Non-State/EC</i> | <i>Total</i> | <i>Total</i> |
| | € | € | € | € | € |
| Commissioned Research | 122,780 | 499,684 | 179,886 | 802,350 | 969,625 |
| Research Grants | - | 714,799 | 707,580 | 1,422,379 | 1,348,990 |
| Research Programmes | 2,087,969 | 1,270,379 | 112,960 | 3,471,308 | 3,394,573 |
| Growing up in Ireland Survey | <u>2,228,321</u> | <u>-</u> | <u>-</u> | <u>2,228,321</u> | <u>2,622,470</u> |
| | <u>4,439,070</u> | <u>2,484,862</u> | <u>1,000,426</u> | <u>7,924,358</u> | <u>8,335,658</u> |

3. Miscellaneous Income

| | <i>2019</i> | <i>2018</i> |
|------------------------------------|----------------|----------------|
| | € | € |
| Members' subscriptions | 30,896 | 38,067 |
| Sale of publications | 8,504 | 11,122 |
| Hospital In-Patient Enquiry Scheme | - | 18,812 |
| Rental income | 111,044 | 92,151 |
| Other Income | <u>17,416</u> | <u>78,613</u> |
| | <u>167,860</u> | <u>238,765</u> |

Over the period January 2014 to February 2018, a number of the Institute's staff were seconded to the Healthcare Pricing Office (HPO) in the Health Services Executive (HSE) for the Hospital In-Patient Enquiry Scheme. The Institute recouped the cost of staff seconded on an annual basis. In addition, the HSE made an annual contribution to the ESRI's overheads in recognition of costs involved in providing payroll, payment processing, HR and other services to the seconded staff. No amounts were recouped from the HSE in 2019, following the transfer of the seconded staff to the HSE in February 2018. The full income and costs associated with HPO staff in 2018 is set out below:

| | <i>2018</i> |
|---|---------------|
| | € |
| Refund of Seconded Staff Costs | 122,252 |
| Less | |
| Salaries | 80,962 |
| Employers PRSI | 8,243 |
| Pension Costs | 14,169 |
| Other Fees and Permanent Health Insurance Costs | - |
| Direct Costs | - |
| Travel Costs | <u>66</u> |
| Total Costs | 103,440 |
| Contribution to Overheads | <u>18,812</u> |

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4. Remuneration

4.1 Aggregate Employee Benefits

| | 2019 | 2018 |
|---|------------------|------------------|
| | € | € |
| Short Term Benefits | 6,801,157 | 6,808,177 |
| Termination Benefits | 133,349 | - |
| Retirement Benefit Costs | 684,523 | 773,417 |
| Other Fees and Permanent Health Insurance Costs | 56,036 | 70,435 |
| Employer Contribution to Social Welfare | <u>696,446</u> | <u>677,104</u> |
| | <u>8,371,511</u> | <u>8,329,133</u> |

4.2 The number of persons employed (full-time equivalents) in the financial year was 116 (2018:120). Total includes 91 (2018:93) permanent staff (full-time equivalents). This does not include staff employed on short-term contracts for interviewing. Full-time equivalent figure at 31/12/19 was 91 (2018:94)

4.3 Staff Short-Term Benefits: :

| | 2019 | 2018 |
|------------|------------------|------------------|
| | € | € |
| Basic Pay | 6,504,273 | 6,506,331 |
| Overtime | 0 | 2,405 |
| Allowances | <u>296,884</u> | <u>299,441</u> |
| | <u>6,801,157</u> | <u>6,808,177</u> |

The 2018 staff benefits figure of €6.81 million above excludes staff seconded to the HPO. See note 3 above

4.4 Termination Benefits:

| | 2019 | 2018 |
|-------------------------------------|---------|------|
| | € | € |
| Termination benefits charged to I&E | 133,349 | - |

Termination payments of €133,349 made in the year relate to one settlement and statutory redundancy payments to ten individuals working on a specific survey which was discontinued in April 2019.

Legal costs of €10,817 were also incurred in relation to concluding the agreements

4.5 From 1 January 2019 onwards, members of public service defined benefit pension schemes pay an additional superannuation contribution (ASC) arising from the Public Service Stability Agreement (2018- 2020) and the Public Service Pay and Pensions Act 2017. ASC replaced the pension-related deduction (PRD) which ceased at the end of 2018. While PRD was a temporary emergency measure, ASC is a permanent contribution in respect of pensionable remuneration. €254,842 of ASC was paid over to the Department of Public Expenditure and Reform in 2019 (2018: - PRD €347,325).

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4.6 The charge to salaries includes costs of €1,904 (2018: €1,874) incurred in respect of the production of the Economic and Social Review by Economic and Social Studies. (See Note 15)

4.7 Director's Remuneration

| | 2019 | 2018 |
|------------------------------|----------------|----------------|
| | € | € |
| Salary | 178,996 | 172,553 |
| Superannuation Provision | 44,749 | 43,138 |
| Income Continuance Provision | <u>1,790</u> | <u>1,726</u> |
| | <u>225,535</u> | <u>217,417</u> |

Pension entitlements do not exceed the standard entitlements provided in the model public sector defined benefit superannuation scheme.

The Director's travel and subsistence expenses in 2019 amounted to €2,810 (2018: €4,445).

No bonuses or perquisites were paid to the Director in 2019.

4.8 Board Fees and Expenses

The members of the ESRI Board do not receive fees. Board members do not travel on official business as members of the Institute. They are entitled to claim travel and subsistence for their attendance at board meetings. Expenses incurred by the Board members in 2019 amounted to €1,860 (2018: €2,247).

4.9 Employee benefits breakdown

Range of total employee benefits Number of employees

| From | To | 2019 | 2018 |
|----------|----------|------|------|
| €60,000 | €69,999 | 11 | 3 |
| €70,000 | €79,999 | 6 | 4 |
| €80,000 | €89,999 | 3 | 6 |
| €90,000 | €99,999 | 5 | 6 |
| €100,000 | €109,999 | 2 | 4 |
| €110,000 | €119,999 | 7 | 7 |
| €120,000 | €129,999 | - | 1 |
| €130,000 | €139,999 | 1 | 1 |
| €140,000 | €149,999 | 2 | - |
| €150,000 | €159,999 | 1 | 1 |
| €160,000 | €169,999 | - | - |
| €170,000 | €179,999 | 1 | 1 |

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Note: For the purposes of this disclosure, short-term employee benefits in relation to services rendered during the reporting period include salary, overtime, allowances and other payments made on behalf of the employee but exclude employer's PRSI.

5. Direct Project Expenses

| | 2019 | 2018 |
|----------------------------------|------------------|------------------|
| | € | € |
| Consultants and Network Partners | 58,606 | 22,714 |
| Field Staff Fees | 547,000 | 850,173 |
| Other Direct Costs | 408,259 | 503,417 |
| Travel- Foreign | 77,133 | 91,190 |
| Travel- Domestic | <u>15,458</u> | <u>11,559</u> |
| | <u>1,106,456</u> | <u>1,479,053</u> |

6. Establishment Costs

| | 2019 | 2018 |
|---------------------------------------|----------------|----------------|
| | € | € |
| Rent & Rates | 5,197 | 1,620 |
| Interest Costs | 51,938 | 56,083 |
| Heat, light, maintenance and cleaning | 269,433 | 296,069 |
| Depreciation | <u>418,234</u> | <u>416,485</u> |
| | <u>744,802</u> | <u>770,257</u> |

7. Administration

| | 2019 | 2018 |
|---|----------------|----------------|
| | € | € |
| Printing and Stationery | 40,730 | 38,794 |
| Postage, insurance, telephone and general expenses ¹ | 198,871 | 220,587 |
| Computer Costs (including license fees) | 167,998 | 164,649 |
| Travel | 67,984 | 75,397 |
| Library books and subscriptions | 19,706 | 15,695 |
| Professional Fees- Legal | 23,888 | 20,461 |
| -Tax and Financial | 14,807 | 30,288 |
| -Pension and HR | 17,966 | 12,060 |
| -Other | 8,511 | 29,809 |
| Audit Fees | <u>17,500</u> | <u>16,000</u> |
| | <u>577,961</u> | <u>623,740</u> |

¹ Included in the figure are €56,324 (2018: €47,037) which relates to staff canteen and other staff related costs, conference and other events and €7,998 (2018: €8,943) which relates to a contribution to the employee's sports and social club activities.

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8. Property Plant and Equipment

| | <i>Computer equipment</i> | <i>Equipment, fixtures and fittings</i> | <i>Building</i> | <i>Total</i> |
|-------------------------------------|-------------------------------|---|-------------------|-------------------|
| Cost: | € | € | € | € |
| At beginning of year | 854,075 | 672,927 | 15,582,273 | 17,109,275 |
| Additions | 33,695 | 6,987 | - | 40,682 |
| Disposals | (217,890) | - | - | (217,890) |
| | ----- | ----- | ----- | ----- |
| At end of year | 669,880 | 679,914 | 15,582,273 | 16,932,067 |
| Accumulated Depreciation: | | | | |
| At beginning of year | 736,299 | 601,686 | 4,043,463 | 5,381,448 |
| Provided in year | 81,743 | 24,846 | 311,645 | 418,234 |
| Disposals | (217,890) | - | - | (217,890) |
| | ----- | ----- | ----- | ----- |
| At end of year | 600,152 | 626,532 | 4,355,108 | 5,581,792 |
| Net book value at beginning of year | <u>117,776</u> | <u>71,241</u> | <u>11,538,810</u> | <u>11,727,827</u> |
| Net book value at end of year | 69,728 | 53,382 | 11,227,165 | 11,350,275 |

9. Receivables

| | 2019 | 2018 |
|------------------------------------|------------------|------------------|
| | € | € |
| Revenue from projects | 455,059 | 207,930 |
| Work-in-progress | 1,668,061 | 1,528,747 |
| Other debtors and prepaid expenses | <u>233,399</u> | <u>223,252</u> |
| | <u>2,356,519</u> | <u>1,959,929</u> |

10. Cash and Cash Equivalents

| | 2019 | 2018 |
|---------------|------------------|----------------|
| | € | € |
| Bank Accounts | 1,381,965 | 947,617 |
| Cash | <u>55</u> | <u>55</u> |
| | <u>1,382,020</u> | <u>947,672</u> |

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11. Payables (amounts falling due within one year)

| | 2019 | 2018 |
|--------------------|------------------|------------------|
| | € | € |
| Payroll Taxes | 241,302 | 246,834 |
| Value Added Tax | 142,102 | 195,659 |
| Deferred Income | 1,195,421 | 428,875 |
| Trade Creditors | 102,084 | 44,899 |
| HPO Advanced Funds | 861,810 | 630,082 |
| Accrued Expenses | 491,168 | 660,538 |
| Other Creditors | 364 | 14,402 |
| Havbell Mortgage | <u>430,301</u> | <u>407,639</u> |
| | <u>3,464,552</u> | <u>2,628,928</u> |

No security has been provided by the Institute in respect of the above creditors with the exception of the Havbell Mortgage.

12. Long Term Loans (amounts falling due after one year)

| | 2019 | 2018 |
|-------------------------------|-----------|-----------|
| | € | € |
| Havbell mortgage: Euribor +1% | | |
| Due after one year | 7,211,855 | 7,660,309 |

The 30 year mortgage loan commenced in 2006. Havbell Limited have first legal charge over the property at Whitaker Square, Sir John Rogerson's Quay, Dublin 2

13. Taxation

The company is exempted from liability to corporation tax under Section 227 Schedule 4 of the Taxes Consolidation Act 1997.

14. Commitments – Capital and Others

The Institute had no capital or other commitments at the reporting date.

15. Related Company

At 31 December 2019 the following related undertaking was in existence.

Economic and Social Studies (ESS):

This is an associated company established in 1969 at the initiative of the ESRI to foster and promote the education of the Irish public in the social and economic sciences with particular reference to economic and social conditions in or affecting Ireland. The main activity of ESS is the publication of the *Economic and Social Review* journal. The ESRI provides administration services to ESS on a pro-bono basis (See Note 4.6).

During the year, the ESRI paid expenses of €19,892 on behalf of ESS and received income of €263 on behalf of ESS. As at 31 December 2019, ESS owed the ESRI €19,629.

The ESRI and ESS are considered connected parties due to common Council members.

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16. Contingent Liabilities and Other Matters

The Council Members are not aware of any material contingent liabilities at the reporting date.

17. Pensions

(a) Pension Liability and Asset

As outlined in Accounting Policy (g) above, the assets of the Institute's pension schemes were transferred to the National Pension Reserve Fund (NPRF) on the 30th June 2010 in accordance with the provisions of the *Financial Measures (Miscellaneous Provisions) Act 2009*.

Following the transfer of scheme assets, the Institute is required to pay the Department of Public Expenditure and Reform an annual pension contribution after taking account of pension benefits paid by the Institute. The Act enables the Minister to make good any deficiency in the relevant pension scheme if contributions paid by members and employer are insufficient to meet the obligations of that scheme.

The ESRI is subject to the Public Service Pensions (Single Scheme and other Provisions) Act 2012. Since 2012 new entrants joining the Institute become members of the Single Public Services Pension Scheme. Section 44 of the Act provides for payments from the Exchequer or vote to the employer for scheme obligations.

The Institute has adapted the treatment and disclosures required by the accounting standard Financial Reporting Standard 102 (Retirement Benefits) to reflect the arrangements in operation. While the funding arrangement operates on a net pay over basis with the Department, the Institute believes the nature of the arrangement is akin to a full reimbursement of the pension liability when those liabilities fall due for payment and therefore recognise its right to the reimbursement to a separate asset in an amount equal to the liability at the year-end.

The FRS 102 pension liability at 31 December 2019 is €68,323,000 (2018: €55,997,000) based on an actuarial valuation of the pension liabilities in respect of Institute staff as at 31 December 2019 carried out by a qualified independent actuary for the purpose of FRS 102. A deferred funding asset of €68,323,000 equal to the liability at 31 December 2019 is recognised as a separate asset in the Statement of Financial Position.

| Movement in Pension Liability | 2019 € | 2018 € |
|--|-------------------|-------------------|
| Present Value of Scheme Obligations at beginning of year | 55,997,000 | 54,913,000 |
| Current Service Cost | 1,660,000 | 1,562,000 |
| Interest Cost | 1,233,000 | 1,179,000 |
| Actuarial (Gain)/Loss | 11,020,000 | 72,000 |
| Benefits Paid | (1,587,000) | (1,729,000) |
| Premiums Paid | - | - |
| Present Value of Scheme Obligations at end of year | <u>68,323,000</u> | <u>55,997,000</u> |

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The net effect on the Statement of Income and Expenditure and Retained Revenue Reserves of the above is nil.

(b) Pension Costs

The pension costs of the year as measured under FRS 102 amounted to €2,893,000. These are offset by a corresponding amount of funding receivable. The net impact on the Statement of Income and Expenditure and Retained Revenue Reserves is as set out below.

| | 2019 | 2018 |
|--------------------------------|----------------|----------------|
| | € | € |
| Current Service Cost | 1,660,000 | 1,562,000 |
| Interest | 1,233,000 | 1,179,000 |
| HPO Contribution | - | (14,169) |
| Pension payments not offset | 66,444 | 67,700 |
| Adjustment to Deferred Funding | (2,893,000) | (2,741,000) |
| Employer contributions | <u>618,079</u> | <u>719,886</u> |
| | <u>684,523</u> | <u>773,417</u> |

The Institute made payments of €66,444 to individual defined benefit plans (pre 1974 employees) from its own resources which are not offset against the amount payable under the *Financial Measures (Miscellaneous Provisions) Act 2009*.

(c) Contributions Paid to the Department of Public Expenditure and Reform

The Institute paid over total contributions of €965,428 (2018: €1,091,442) to the Department of Public Expenditure and Reform before taking account of pension benefits amounting to €1,046,642 (2018: €1,729,000) paid in the year. The difference between benefits paid by the Institute over contributions due in 2019 of €81,214 was refunded to the Institute.

The total contributions were made up of employer contributions of €618,079 (2018: €719,886) and employee contributions of €347,349 (2018: €371,556). The employee contributions included Single Pension Scheme Contributions of €122,095 (2018: €120,537).

(d) Description of Scheme and Actuarial Assumptions

Pension benefits are conferred by the ESRI under three pension schemes:

- Supervisors, Clerical and Other Administrative Staff
- Research Staff Scheme

These are defined benefit schemes. Employer and employee contributions are paid to the Department of Public Expenditure and Reform. Pensions of both schemes are subject to the pension reduction provisions of the *Financial Emergency Measures in the Public Interest (No.2) Act 2010*.

- Single Public Service Pension Scheme

This is a defined benefit scheme. Employee contributions are paid to the Department of Public Expenditure and Reform.

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Actuarial Assumptions

The principal Financial Assumptions used at 31 December 2019 and 31 December 2018 are shown in the table below.

The assumptions as at the reporting date are used to determine the Pension Asset/Liability at that date and the pension expense for the following year.

| Valuation Date | 31/12/2019 | 31/12/2018 |
|------------------|------------|------------|
| Discount Rate | 1.3% | 2.2% |
| Salary Increase | 1.9% | 2.1% |
| Pension Increase | 1.9%/1.4% | 2.1%/1.6% |
| Inflation (CPI) | 1.4% | 1.6% |

e) Funding of pensions

Estimated employer and employee pension contributions of €891,828 will be due to the Department of Public Expenditure and Reform in respect of 2020 before deduction of estimated pension benefits of €1,591,207 which will be paid by the Institute in 2020. The net difference of €699,379 will be due to the Institute.

18. Irish Fiscal Advisory Council

The Irish Fiscal Advisory Council (IFAC) is an independent statutory body established in June 2011 by the Irish Government. It assesses the appropriateness of the Government's macroeconomic projections, budgetary projections and fiscal stance. The Council also examines the extent of compliance with legislated fiscal rules. The Institute provides administrative support to the Council.

An amount of €25,767 is included in the financial statements in Receivables representing an amount due to the ESRI by IFAC at 31 December 2019 in relation to administrative support provided during the year.

19. Reserves

| | Retained Revenue Reserves | Capital Reserve | Total Reserves |
|--|---------------------------------|--------------------|-------------------|
| Balance as at 1 st January 2019 | 1,124,543 | 3,225,000 | 4,349,543 |
| Surplus for the Year after pension appropriation to DPER | 66,488 | | 66,488 |
| Transfer from Capital Reserve | <u>85,000</u> | <u>(85,000)</u> | <u>-</u> |
| Balance as at 31 st December 2019 | <u>1,276,031</u> | <u>3,140,000</u> | <u>4,416,031</u> |

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The capital reserve represents capital grants received from the Department of Finance in 2008 and the Economic and Social Research Trust in 2016 to assist the Institute in the funding of its premises. The grant amounts are amortised in line with depreciation on the building.

20. Related Party Disclosures

Key management personnel in the ESRI consist of the Director and the members of the Council. Total Compensation paid to key management personnel, including Council members expenses and total Director remuneration, amounted to €230,205 (2018: €224,109).

For a breakdown of the remuneration and expenses paid to key management personnel, please refer to Note 4.7 and Note 4.8.

The Council adopted procedures in accordance with the guidelines issued by the Department of Public Expenditure and Reform in relation to the disclosure of interests by Board Members and these procedures have been adhered to in the year. There were no transactions in the year in relation to the Council's in which the Council Members had an interest.

21. Events after the Reporting Date and Going Concern

There are no events between the reporting date and the date of approval of these financial statements for issue that require adjustment to the financial statements.

The Council recognises the Covid-19 pandemic as a significant event which has occurred since the reporting date. The Council and management are monitoring the situation, on an ongoing basis. Staff are working remotely and services continue to be provided, where possible. Due to lack of access to data, some projects have been deferred to later in the year, while work is being undertaken on a number of Covid-related projects not previously budgeted for. While the ESRI is unable to reliably predict the impact of Covid-19 on its cash flows, the performance and operations of the ESRI are being monitored closely and regular cash flow forecasts are provided to the Council and to ESRI's parent department [DPER].

After making enquires and on the basis that the Oireachtas grant continues at the appropriate level, the Directors consider that the Institute has adequate resources to continue operating for the foreseeable future. For this reason, they have continued to use the going concern basis in preparing the financial statements.

22. Approval of Financial Statements

The Financial Statements were approved by the Council on 30 June 2020.

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