



**CHAMBERS
IRELAND**
IN BUSINESS FOR BUSINESS

Chambers Ireland's Submission to the Department of Business, Enterprise and Innovation on the Action Plan for Jobs 2018

September 2017

Introduction

Chambers Ireland is the largest business network in the State. With members in every geographic region and economic sector in Ireland, we are well positioned to understand the concerns of businesses and represent their views.

The Action Plans for Jobs is an important component of Government policy on the creation of sustainable jobs across the country, and is likely to only increase in importance as Ireland is faced with responding to Brexit and potential changes in the US Tax system and the issues these will create for Irish business. We recognise the success of this initiative over the last few years and welcome its continuation. Local chambers of commerce across the country are involved in their relevant Regional Action Plans for Jobs and Chambers Ireland is supportive of the work done at local and regional levels to support job creation and enterprise growth.

The housing crisis is the most significant issue affecting Ireland at present, both in terms of social costs and economic costs. The housing crisis is a major competitiveness issue for businesses of all sizes, greatly increasing costs, affecting the quality of life of employees and in some cases threatening businesses' operations. Businesses all over the country are affected by the high cost and lack of availability of housing as it drives wages and makes attracting retaining talent difficult. Any plan for job creation must take into account the shortage of housing and the impact that this is having on Irish business and on Ireland as a destination for FDI. Without a significant increase in the supply of housing in Ireland's urban centres, any action plan for the promotion of business and the creation of jobs will not succeed. A whole of Government approach is required to tackle the myriad of issues causing

the lack of supply of housing and to support the work of the Department of Housing, Planning and Local Government.

As the economy continues to grow our infrastructure stock must be capable of keeping pace along with increases in demand and population. Insufficient investment in infrastructure is a significant issue which is restricting economic growth across the country, and Chambers Ireland continues to call on Government to commit to increasing the capital expenditure package. As we move towards the UK's exit from the European Union, Ireland's competitiveness and ability to create and support sustainable jobs across all regions only increases in importance.

In this submission we have outlined the priorities of the Chamber Network, which represents businesses in all sectors across the country. Recognising the broad scope and cross-departmental nature of the Action Plan for Jobs, the policies highlighted in our submission fall under six key priority areas: Competitiveness, Infrastructure, Education & Skills, Digital Economy, Trade & International, and the National Planning Framework.

We are conscious of the fact that the deadline for the consultation of the Action Plan for Jobs 2018 occurs in advance of the announcement of Budget 2018. As such we recommend that the impact which measures that may be announced in Budget 2018 have on the recommendations of the Action Plan for Jobs should be considered again at the appropriate time.

Chambers Ireland recognises the importance of the Action Plan for Jobs in supporting Irish business and the Irish economy and we are pleased to have the opportunity to inform this consultation process. We look forward to further engagement with the Department on the promotion of Irish business and the creation of sustainable jobs.

Competitiveness

The importance of Irish businesses' ability to compete internationally has never been more crucial. Already a relatively high cost economy, particularly for wage costs, we must ensure that our companies can compete in accessing international markets. As the UK prepares to withdraw from the European Union, it is more important than ever for Ireland to remain open for business and to increase our ability to compete internationally. Irish businesses' competitiveness is under threat from a recent series of initiatives aimed at increasing the statutory minimum wage and introducing increasingly burdensome employment regulations that will increase the cost base of many Irish businesses. Labour costs are of great concern to businesses and Government must address issues which are contributing to the high cost of living that drives wage pressures.

Policy recommendations:

- A number of tax reforms which would make Ireland more competitive to foreign direct investment and enhance Irish businesses' ability to attract talent should be implemented by Government. The marginal rate of income tax remains too high and Chambers Ireland asks for a commitment and timeframe to reduce the marginal tax rate to below 50% for all. We ask for a review of the entry point to the higher rate of tax to address competitiveness.
- Ireland's Capital Gains Tax regime must be made more in line with that of the UK.
- High labour costs affect Irish businesses' competitiveness along with Ireland's attractiveness as a destination for foreign direct investment. Issues such as the high cost of childcare, rapidly increasing house prices and the high cost of insurance are all contributing factors in the wage pressures facing businesses and should be tackled by Government.
- The work of the Low Pay Commission must occur independently. Any report issued by the Low Pay Commission should be published in a transparent manner and in advance of any decisions being made by the relevant Minister.
- Government must retain the 9% VAT rate for the hospitality and tourism sector as an important support for regional and rural employment in the tourism and hospitality industry.
- Employee share incentive schemes, or share ownership schemes, offer many benefits to business in retaining skilled and experienced staff and can help motivate employees to support business growth. We urge Government to deliver upon the commitment to introduce an employee share ownership scheme tailored to the needs of SMEs.

Infrastructure

Investment in infrastructure is a major concern of Irish business. Ireland is currently uncompetitive when it comes to comparative investment in infrastructure. The National Competitiveness Council (NCC), in their recent report on Ireland's Competitiveness Challenges, highlighted that comparatively, Ireland's investment in infrastructure as a

percentage of GDP per capita is worryingly low when looking at investment levels in countries that Ireland typically competes with for trade and investment. Large-scale expansionary infrastructure projects are required in order to enable growth across Ireland. We recognise recent announcements by Government in this area but we must continue to highlight the importance of boosting our infrastructure and making up for several years of chronic underinvestment.

Policy recommendations:

- Major investment in Ireland’s road network is needed and new projects that will deliver inter-regional and intra-city connectivity should be prioritised.
- Government must commit to greater investment in high quality public transport provision. Enhanced urban connectivity should be delivered as a priority. As Ireland’s economic hubs continue to grow, so too must the connectivity within and between them.
- Ireland’s main ports require investment which will enable them to increase capacity in the face of a Brexit deal which is likely to see greater usage of Ireland’s ports in both importing and exporting, as well as ensuring that ports are connected to the high quality road networks necessary to connect them to their regions and the wider country.
- Ireland needs to rapidly increase the construction of the right mix of accommodation, in the right locations, and at the right price. This can only be done through a mix of increased private sector and social housing construction. Solutions to the housing crisis must be identified and implemented as soon as possible. Chambers Ireland recently made a submission to the Department of Housing, Planning and Local Government on the Review of the Rebuilding Ireland Housing Action Plan with policy recommendations on alleviating the housing crisis.¹

Education and Skills

Ireland’s education and skills provision plays a vital role in supporting businesses and individuals to access the training needed to progress and succeed. Our education and training system has seen many positive changes over recent years, but challenges remain to ensure it is capable of meeting the current and future skills needs of the economy which are vital for the resilience and growth capacity of Irish business.

Policy recommendations:

- The weighting of the National Training Fund must be amended to reflect current employment levels, providing more funding and training opportunities for those in employment to improve our growth capacity. Currently, only 23% of the National

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<http://www.chambers.ie/assets/media/Chambers%20Ireland%E2%80%99s%20Submission%20on%20the%20Review%20of%20the%20Rebuilding%20Ireland%20Housing%20Action%20Plan%20for%20Housing%20and%20Homelessness.pdf>

Training Fund is allocated for training those in the workforce, while 77% goes towards training those seeking employment. This is completely at odds with Ireland's unemployment rate, which currently stands at 6.3%.

- Greater provision of training which is specifically tailored to SMEs has the potential to boost the competitiveness and productivity of small business and should be facilitated in an accessible manner for SMEs. Through training and up-skilling those in employment we can ensure that skills mismatches and gaps are addressed, while also ensuring that the skills needs of the future will be met.
- Chambers Ireland has been encouraged by Government's commitment to increase the number of apprenticeships and traineeship placements available in Ireland. We hope to see these efforts continued through increased supports for businesses considering engaging with this model of skills provision, and through the widening of the courses available to study as apprenticeships and traineeships.
- With the potential introduction of customs tariffs between the UK and Ireland in the coming years, Ireland's SMEs must be supported to deal with customs issues and learn how to access new markets. Specialised training for up-skilling SMEs in market access and customs training will be essential in supporting Irish businesses through a potentially difficult Brexit.
- Educational facilities in Ireland's ITs and Universities urgently require increased investment in order to meet the specifications required for hi-tech, scientific and innovative disciplines. The capital allocation to the Department of Education and Skills must address the issue of investment in educational facilities to cater for increasing student numbers, a growing diversity of learning modes and upgrade of equipment within technical facilities, such as laboratories.
- Government should increase the provision of training targeted to the long-term unemployed and early school leavers in order to improve the labour market participation of low-skilled young people and negate the risk of entrenched unemployment. Youth unemployment remains an issue in Ireland. Despite falling national unemployment figures, the CSO found the youth unemployment rate was 12.3% in July 2017, an increase from 12.0% in June 2017.

Digital Economy

Connectivity is key to businesses' ability grow and thrive in all regions of the country. Broadband provision is an essential requirement for Irish businesses to expand their trade internationally and to increase online service provision and e-commerce opportunities, as well as to attract FDI. A significant digital divide currently exists between urban and rural areas. Accelerated investment is required across the country to reduce this divide and to enable Irish SMEs to compete on a level playing field. The lack of broadband infrastructure and high speed internet access outside of Ireland's urban areas is hampering employment opportunities in regional Ireland. The National Broadband Plan is critical to rural development and overall national competitiveness and must be delivered upon as soon as possible.

Policy recommendations:

- We ask Government to rollout the National Broadband Plan as soon as possible. The NBP is an opportunity to improve the competitiveness of Ireland's regions and increase employment.
- We ask Government to examine suitability of download and upload speeds contained in the current plan to take into account future needs of business.
- We also ask that future-proofing provisions are examined as part of the bidding process for the NBP.

Trade and International Markets

The uncertainty surrounding Ireland's future trading relationship with the UK is likely to have a disproportionate impact on Ireland's indigenous firms, especially exporting SMEs, which are hugely reliant on the UK as their primary market. While larger multi-nationals which trade in international markets are likely to be better insulated from the consequences of a UK exit from the EU, smaller firms will feel a more profound impact and will be less capable of absorbing a reduction in trade with the UK. Some sectors have already felt the effects of the extreme currency fluctuations following the referendum result. More disruption of this nature is likely to follow in the months and years to come, and is likely to not only reduce our exports but also lead to job losses in sensitive sectors.

Government must take steps to support Irish businesses to be resilient, remain competitive and mitigate the risks of Brexit. Chambers Ireland takes the view that given the severe impact a Brexit will likely have on our SME exporters, now is the appropriate time to introduce a trade finance programme. Similarly, by investing in our diplomatic and trade networks abroad we will be in a better position to capitalise on opportunities in new markets.

Policy recommendations:

- Following on from our recommendations last year, the Action Plan for Jobs 2017 included a commitment to develop an Export Finance Initiative, working with the Department of Finance/SBCI to roll out new support to export orientated SMEs, with a pilot to be launched this year. We call on Government to continue this work.
- Adequately resource state agencies, such as Enterprise Ireland, the IDA, Local Enterprise Offices and InterTrade Ireland, so that they can assist businesses in planning for Brexit. Of particular concern to the Chamber Network is that Government ensures that micro-businesses which operate cross-border are supported through such agencies.
- Continue to invest in our network of embassies and state agencies operating in regions of strategic interest to the Irish economy. It is our view that these networks must be better resourced so they can provide trade and commercial assistance to Irish businesses working in high value markets, including those who export into these regions and those with operations based there.

National Planning Framework

Earlier this year Chambers Ireland engaged in consultations on the development of a spatial plan for Ireland, the National Planning Framework. Ireland needs a robust National Planning Framework to ensure that capital investment plans are implemented through best practice planning. We intend to continue to engage with the Department of Housing, Planning and Local Government on the NPF. The significance of the NPF means that it will require support across all Government Departments and we hope to see the Department of Business, Enterprise and Innovation engage in its implementation. Chambers Ireland will work with our network of local chambers to encourage them to continue to engage in the current consultation process and support the Government in adopting and implementing the NPF.

Policy recommendations:

- The NPF should provide a strategic context for the development of all regional economic and spatial strategies. In order for this to be a success all national plans, including the Action Plan for Jobs and the eight Regional Action Plan for Jobs, must be drafted and implemented in a manner which complements and is coordinated with the NPF and future Capital Plans.