



Rialtas na hÉireann
Government of Ireland

National Economic Plan Stakeholder Engagement Summary Report of Breakout Sessions

21 October 2020

Contents

Programme	2
Overview	3
Breakout 1 - Building resilience across our enterprises and sectors	5
Summary of Main Discussion Points – Breakout 1	6
Breakout 2 - An inclusive and balanced recovery	8
Summary of Main Discussion Points – Breakout 2	9
Breakout 3 - Future proofing our economy and society	11
Summary of Main Discussion Points – Breakout 3	12

Programme

10:30 OPENING SESSION

Welcome by Chair Alan Barrett (ESRI)

Opening Address by the Taoiseach

Presentation on the National Economic Plan by the Tánaiste

11:00 PARALLEL BREAKOUT SESSIONS

Introduction from Rapporteur

Chair's remarks

Panellists' remarks

Stakeholder Discussion

12:55 CLOSING SESSION

Address by Minister Paschal Donohoe, T.D.

Address by Minister Michael McGrath T.D.

Feedback from breakout sessions

Closing remarks by the Tánaiste

13:50 ENDS

Overview

The purpose of the consultation was to help inform development of the Government's National Economic Plan, which will set out the Government's guiding priorities and policy objectives for a sustainable recovery.

The Plan is a commitment of the Programme for Government, and work has been underway in recent weeks under the aegis of the Cabinet Committee on Economic Recovery and Investment. Following finalization of Budget 2021, this event was an important opportunity for engagement with stakeholders in advance of finalisation of the Plan in mid-November.

While the Plan is being prepared at a highly uncertain time, the intention is to set out a pathway to shape and build a renewed economy for the future. The objective is to ensure that decisions and investments made now, even during the crisis, are consistent with longer-term goals for the economy and society.

Work on the Plan to date has focused on a number of horizontal themes, as well as three broad goals:

- (i) building resilience across our enterprises and sectors;
- (ii) an inclusive and balanced recovery, in particular for the labour market; and
- (iii) future proofing our economy and society.

These will be grounded in an appropriate and sustainable macroeconomic approach and supporting strategic investment.

The Plan will set an overarching framework within which key workstreams can be taken forward, building on relevant Programme for Government commitments. These will include, for example, the review of the National Development Plan and a new Climate Action Plan. It will seek to carefully balance managing the short and medium-term economic impacts of COVID-19 and Brexit with positioning our economy to optimise our longer-term resilience, growth and well-being.

Many pre-existing issues and trends facing the economy and labour market that were evident pre-pandemic have now accelerated. Particularly in areas such as carbon transition, automation and digitalisation, sectoral and regional shifts and imbalances, divergence of productivity between indigenous firms and multinational companies, labour market participation levels, demographic trends, changes to global trade and supply chains and the international tax environment.

The pandemic and associated changes have also opened up big questions with regard to our economic approach; for example, regarding the future role of cities as drivers of economic activity, Ireland's economic model in a potentially less open, interconnected world economy, and the role of the State and related taxation considerations.

In examining these issues, we need to carefully consider trade-offs between different policy approaches. We need to think through where we would like the economy to be in 2025 and beyond and how best to provide a bridge for our people, firms and sectors to ensure an inclusive approach. A strong focus on education and skills will be a central component.

Out of the current crisis comes an opportunity for reform and renewal – as we plot a pathway our over-riding objective is economically, socially, and environmentally sustainable growth as

envisaged in the Programme for Government. This includes paving the way for a sustainable economy reoriented towards a low carbon and increasingly digital future. Decarbonisation will see sectors and the wider economy and society undergoing radical change, and we must prepare now for this reality. In measuring our overall progress, we will focus not just on economic growth, but on broader measures, which capture wider goals of social and environmental progress, giving a sense of our overall well-being.

The event was structured around three Breakout Sessions, each with a number of related issues to be considered, as set out below, with a view to getting feedback from stakeholders in advance of the Plan being finalised. As indicated above, the plan will provide a framework for further workstreams on specific issues, which will allow for more detailed consultation on those issues at a later stage.

Across the three breakout sessions there were definite reoccurring themes. The issues of climate change and the transition to a low carbon economy were evident throughout all discussions as was the issue of assisting SMEs as the economy recovers whether that be in the area of decarbonisation, digitalisation or general productivity. In addition, the topics of skills and education were discussed as being paramount to enable sectors and individuals to be fully enabled to contribute to the recovery of the economy. A number of discussions made the point that the Government must take the lead – in the transition to a low carbon economy, in digitalisation and in the alignment of policy initiatives to best capitalise on the small business sector. It was also evident that the position of towns and cities warranted much discussion and their future as the economic landscape changes and remote working becomes more of a norm.

Breakout 1 - Building resilience across our enterprises and sectors

Rapporteur: Dr Cathal Fitzgerald (NESC)

Chair: Minister for Housing, Local Government and Heritage, Darragh O'Brien T.D.

Panellists: Julie Sinnamon (CEO, Enterprise Ireland)

Martina Lawless (Research Professor, ESRI)

The pandemic has exacerbated a two-tiered economy, increasing the gap between domestic and export orientated firms. The economic shock has impacted sectors differently with employment intensive non-traded sectors being disproportionately affected by the crisis. Supporting viable businesses and jobs in these sectors to reach a sustainable resilient model is vital.

Significant structural vulnerabilities remain an issue for the Irish economy, for example, the concentrated nature of the economy highlights a need for increased diversification. Low productivity levels in many small to medium-sized enterprises as well as infrastructural and skills constraints, and uncompetitive cost levels in some key areas compound this vulnerability.

At the same time, disruptive macro trends such as the green and digital transition and societal changes are redefining business models and giving rise to new economic opportunities and indeed challenges.

Participants were asked to consider the following questions in advance

- ❖ How do we reduce the risk of a two-tiered economy and instil resilience and dynamism in indigenous SMEs?
- ❖ How do we maintain and grow our FDI in an increasingly competitive and uncertain global environment?
- ❖ How do we address the productivity gap and truly boost productivity in our SMEs (e.g. digitalisation, skills)?
- ❖ Where should our priorities be / how should be best position ourselves internationally in terms of trade policy given current trends?
- ❖ How do we balance reallocation of capital and labour with helping struggling sectors to rebuild and remodel to ensure sustainability into the future?

Summary of Main Discussion Points – Breakout 1

- Participants observed that resilience can be strengthened by factors such as propensity to innovate and financial literacy – businesses with high levels of these attributes will be more likely to survive and prosper.
- Climate-related issues and how the environment feeds in to resilience were discussed. Currently, three planets worth of resources are being used up. The 'Reuse Model' is needed in Ireland to make the country more resilient. The concept of the "15-minute City" was mentioned and encouraged.
- It was suggested that the Small Business sector is undercapitalised and, as a result, more open to shocks. As a result, it was recommended that the Government align their initiatives to better capitalise this sector. Exporting-based SMEs are chief contributors to the wider economy and should continue to be promoted.
- Transport, particularly air transport, was highlighted as a priority. As an island, air access is fundamental for the broader economy, for exports and imports, for FDI, and for the tourism industry. It was suggested that since the virus has shattered air connectivity, the main economic priority should be to support and sustain airports and airlines. Other countries are moving quicker than Ireland on testing to allow for air travel to recommence safely and Dublin risks falling behind to rivals as a hub between North America and Europe.
- Continued investment in capital infrastructure was recommended by participants. To continue to attract FDI, known issues such as housing, transport and technological offerings need to be addressed. An area where Ireland could take a lead is cyber security. As host to over 30% of European data, the Government should prioritise a cyber strategy. The Government should also do more to promote 5G – where the need for the rollout of this technology has been highlighted by the pandemic. Government should communicate the benefits and address misplaced health concerns.
- Free trade was brought up as a main focus point for resilience. It was suggested that Ireland uses its voice in Europe to advocate for free trade to a greater degree. Actions like this are noted by investors and can influence location decisions for FDI. Similarly, the COVID-19 response should be proportionate and in line with actions taken in peer jurisdictions.
- It was recommended that there needs to be a renewed focus on indigenous SMEs. The NEP should incorporate the recommendations regarding existing tax expenditures targeted at the indigenous sector (e.g. KEEP, EII, Entrepreneur Relief, R&D tax credit) to maximise their effectiveness in fostering innovation. To retain Ireland's status as a leading location for BioPharma, investment should be ramped up in areas such as cell and gene therapy, Pharma 4.0 and digitisation, and talent retention and development. The indigenous biotech sector should be developed to build out the life sciences sector in Ireland.

- It was observed that Ireland's competitiveness needs to be boosted, especially post-COVID when competition for FDI will be intense. Ireland has a strong reputation abroad and many good contacts and it should continue to be positioned as a bridge into Europe from across the Atlantic and elsewhere.

Breakout 2 - An inclusive and balanced recovery

Rapporteur: Dr Helen Johnston (NESC)

Chair: Minister for Social Protection and for Community and Rural Development and the Islands, Heather Humphreys T.D.

Panellists: Andrew Brownlee (Chief Executive Officer, SOLAS)

Philip O'Connell (Director, UCD Geary Institute)

The pandemic has brought about structural changes to the labour market, with some jobs permanently lost. More vulnerable and lower paid workers and younger workers have been the most significantly affected by the pandemic. Our core labour market approach must centre on developing and nurturing human capital, minimising long term unemployment, and supporting individuals to secure sustainable and quality employment, and in particular, providing a bridge to more vulnerable cohorts through structural change.

As we navigate the COVID-19 pandemic, we must place a renewed focus on improving people's quality of life. As envisaged in the Programme for Government, we will focus on improving living standards. In this context there is a recognised need for more comprehensive and holistic tools to measure well-being in a meaningful way, that reflects the welfare and quality of life of those living in Ireland.

Regional economic disparities have persisted in Ireland for some time. These divisions have been recently demonstrated by the scale of the labour market impacts of the COVID-19 pandemic in different counties and regions. Furthermore, Brexit is likely to exacerbate these disparities with some regions more exposed UK trade than others. Climate change and the digital revolution could also create new disparities in the absence of policy interventions.

Participants were asked to consider the following questions in advance

- ❖ How can activation be reimagined in the context of the pandemic?
- ❖ What growth areas should be targeted for reskilling and upskilling?
- ❖ How do we best reduce barriers of entry and progression within the labour market to target higher quality jobs?
- ❖ What do improved living standards and well-being look like – which dimensions are most important to capture across the economic, social, environmental and health spheres?
- ❖ How might we rethink our villages, towns, and cities in the context of accelerating trends such as remote working and digitalisation?

Summary of Main Discussion Points – Breakout 2

- The pandemic has caused a significant increase in unemployment and a large portion of this may turn into long-term unemployment. The need to increase investment in active labour market programmes was highlighted as a result. It was also suggested that there is a need to increase the Public Employment Service's capacity.
- With regard to skills, it was argued that all levels of education should increase collaboration with employers. There should also be increased investment in effective education and training, particularly for those affected by the pandemic. The pandemic is an opportune time for the employers to upskill their employees. However, it was noted that there is some difficulty in accessing some skills/educational programmes in certain parts of the country. The importance of career guidance in this space was also mentioned, as was the need to improve the attractiveness of apprenticeships as a career option.
- It was suggested that the growth areas for skills development and upskilling are in products and industries that support the goals of the EU Green Deal. Additionally, digital skills training will be important. It was suggested that the National Training Fund could be used to facilitate greater availability of digital skills training to improve the basic digital skills of the population. The importance of the public investment in science, research and innovation was also cited as a critical component in developing human capital capacity.
- The role of remote working in the context of the economic recovery was raised by participants. Participants were in favour of supporting remote working into the future and incorporating it into a strategy to support rural and regional development in Ireland, so that job opportunities are more evenly dispersed. It was suggested that a 'Town Centre First' initiative could be complementary to working from home. The issue of high-quality broadband availability was raised during this discussion.
- Regionally, the role of airports was discussed in relation to FDI opportunities. Strong regions also need strong regional cities that are not in competition with each other, but which complement each other and drive regional growth.
- There was a reference made to the OECD's work on social dialogue and labour market outcomes, and it was requested that OECD's recommendations in this area are reflected in Ireland.
- It was observed that the NEP must deliver a fair and inclusive recovery, and that the environment, society and the economy should be given the equal priority. It was suggested that there are opportunities for social dialogue during the twin transition, and that wellbeing and social progress indicators would be useful for measuring the success of the plan.
- It was suggested that there is a need to update our approach to indigenous enterprise, and that while the FDI sector contributes significantly to Ireland's resilience, the country may have reached its peak for attracting FDI. The ability of

indigenous enterprises to scale was discussed, as were framework conditions for enterprises in areas such as tax and planning. The NEP could provide an opportunity to provide more strategic support for SMEs and the self-employed.

- It was also observed that there are opportunities to connect SMEs and MNCs and educational providers to improve Ireland's human capital.

Breakout 3 - Future proofing our economy and society

Rapporteur: Dr Damien Thomas (NESC)

Chair: Minister for the Environment, Climate and Communications, Eamon Ryan T.D.

Panellists: Laura Burke (Director General, EPA)

Peter Clinch (Jean Monnet Full Professor and Chair of Public Policy, UCD)

In the long-term the future composition of the Irish economy is likely to look quite different as many occupations, businesses and sectors will be transformed. Decoupling our growth from carbon emissions and capturing the benefits of decarbonisation, digitalisation and automation is now critical to our competitiveness and long-term economic and social welfare. We are committed to an average 7% per annum reduction in overall greenhouse gas emissions from 2021 to 2030 and to achieving net zero emissions by 2050.

Boosting our research and innovation capacity and ensuring a strong pipeline of talent through investment in education and skills is essential to sustain Ireland's attractiveness for inward investment and support a productive, prosperous and sustainable indigenous economy. In particular, the knowledge and technology intensive sectors are a key element of our economy and will become increasingly important as the impact of COVID-19 accelerates the rate of automation.

Participants were asked to consider the following questions in advance

- ❖ How do we best structure our approach to the green and digital just transition for our workers, sectors and firms?
- ❖ How do we protect and garner the support of individuals and communities that are vulnerable to these transitions?
- ❖ What are the different roles that business, government, civil society and individuals play in decarbonising and digitising the economy?
- ❖ What economic strengths should Ireland aspire to achieve after these transitions?
- ❖ How to prepare for the profound impact of decarbonisation on all sectors of the economy?
- ❖ How can we positively reimagine our sectors' future as part of this transition, for example, higher quality lower quantity, diversified land use, increasing proportion of domestic tourism?
- ❖ How do we best address the digital divide?
- ❖ How do we truly boost innovation and collaboration, and further develop our knowledge economy?

Summary of Main Discussion Points – Breakout 3

BREAKOUT SUBGROUP 3A

Rapporteur: Jeanne Moore (NESC)

- With regard to climate action, it was suggested that Ireland should be specific about our goal, rather than 'low-carbon', the discussion should be about a "no carbon" or "net zero" objective. It was observed that this requires dramatic changes in approach to infrastructure, enterprise sectors, energy and retrofitting. Retrofitting promotes benefits across a number of perspectives; energy efficiency, rural regeneration, employment and reskilling opportunities, air quality improvements, reduced emissions, regional development angles.
- It was stated that Irish businesses – and SMEs in particular – should be shown the benefits and opportunities of the twin transition. Policy should support and facilitate digitalisation and the transition to a low carbon economy. In tandem, skills gaps need for this twin transition should be addressed.
- An observation was made that Government will need to show leadership through the transition and make it inclusive and participative by involving and engaging with affected communities and stakeholders. Government will also need to deliver the required infrastructure and incentivise the behavioural changes required for the transition.

BREAKOUT SUBGROUP 3B

Rapporteur: Annemarie McGauran (NESC)

- It was stated that the twin transition will affect all industries in Ireland and will offer significant opportunities for some sectors such as agri-food where existing strengths intersect with new technologies and processes that improve efficiency. Energy is another sector that could benefit from the twin transition – how Ireland produces, uses and transports energy should be looked at to evaluate where opportunities lie and what needs to be done to meet these opportunities.
- A conversation is also needed about how Ireland commercialises opportunities for indigenous enterprises. A potential solution is using public money to de-risk private investment. Scaling up Irish start-ups was also discussed as an enterprise issue in need of attention. Significant investment in clusters is needed, as these clusters can be used as vehicles to help transition companies to the new green economy through training, upskilling, and innovation.
- The twin transition will bring a lot of opportunities for businesses, but they will need a stronger indigenous engineering and technology skills base. In order to achieve this, Government will need to support the education sector to maximise the ability of our population to participate in these sectors. Greater support for new approaches to

education will help – such as apprenticeships for example. Greater opportunities for blended learning will increase the ability of people to upskill. Injecting new skills into traditional businesses will help manage the digital transition. Partnerships between third level institutions and businesses will help manage the skills gaps.

- The twin transition was discussed as a chance to rethink the education system – instead of thinking about education as something done before someone’s career, learning new skills should be a continuous process throughout life. More flexible and shorter duration learning models need to be considered and education institutions should consider what businesses need. Similarly, businesses need to think about what skills they require, but Government needs to persuade them of the importance of skills and upskilling their own staff.

BREAKOUT SUBGROUP 3C

Rapporteur: Barry Vaughan (Department of the Taoiseach)

- The formation of policy was discussed in the context of the need to include industry in the creation of regulations that affect them, and how to include broader society in technological changes. Also discussed were the sectors which could take advantage of the opportunities available in the green and digital space and expected future growth sectors.
- The need for funding and structural changes in education from preschool to and beyond third level was considered, as was the continued need for increasing investment in education and research and development. This includes the need for longer term thinking in policy formation and investment (for example the time taken for increased investment in education to be realised in the economy). This will assist in preparing the country for changing employment environment and improve individuals long-term economic outlook.
- The session also discussed an increased role for local authorities in creating linkages, regional development and implementing national policy locally. A large number of companies are not covered by Enterprise Ireland or the IDA and need an agency to a one-stop-shop service in a prompt and efficient manner. There may be a role for local government in assisting local companies’ growth. Some SMEs also need assistance in developing financial literacy in advance of the existing digitisation help available.

BREAKOUT SUBGROUP 3D

Rapporteur: Sharon Finegan (D/Taoiseach)

- The general consensus was that it is of vital importance that every sector would have a digital strategy. The need for this was particularly evident in recent times whereby those sectors that were ‘digitally ready’ struggled less at the start of the pandemic.

The recent digital transition by many sectors and businesses though should not be interpreted as meaning that Ireland is a leader in this area.

- There was a call for the Government to lead by example in this policy area and to have a National Digital Strategy itself, and to examine the digitalisation of the Public Sector. The question was posed about whether the Public Sector has enough engineers and scientists and does this negatively impact policy delivery? The point was raised that in terms of digitalisation that serious work needs to take place in the area of health – it would be paradoxical if Ireland is to be the base for pharma companies developing cutting edge digital tools that then the Irish health system doesn't have the capacity to use.
- In terms of 'green' opportunities, contributors brought attention to the areas of transport, renewable energy and agriculture as specific areas that need to be addressed – transport was seriously affected during lockdown but it cannot be assumed that this will continue and needs policy direction. It was suggested that Ireland is underperforming in the renewable energy sector and in the area of agriculture and land use.
- There was a discussion regarding the role of communities– how to ensure engagement, how to energise them, how to protect them during the various transitions in the future, and how to optimise the 'spill-over' from a multinational company in a community to local businesses and to individuals. It was suggested that examples such as in Ludgate hub could be used as a template. The idea of funding was also flagged and encouraging communities to take initiative and approach MNEs in their areas so that crucial connections could be made. There are many opportunities for Ireland to be innovative not just in individual sectors as silos but also in the spaces where sectors intersect e.g. public and private and then SMEs and MNEs.

BREAKOUT SUBGROUP 3E

Rapporteur: Nigel Clarke (D/Taoiseach)

- The need for a change of approach in the education system was a significant topic during the session, as was the need to develop a sustainable and fit for purpose planning and permitting systems. This was mentioned alongside the development of off-shore wind farms and opportunities for marine development, particularly for the West of Ireland and Gaeltacht areas.
- With regard to education, it was suggested that there was a need to have a less hierarchical approach to education, and that an emphasis on life skills and life-long learning should be introduced – rather than the current system where education is 'frontloaded'. Given all the foreseen change in the times ahead, it was felt that people will need additional skills throughout life.
- When asked if the Higher Education system is equipped to deal with a very challenging ten-year period of decarbonisation and digitalisation, participants noted

that crises give opportunities to rethink the system and that Ireland has been very remiss in not investing in Higher Education. The establishment of the Department of Further and Higher Education, Research, Innovation and Science was seen as a positive development.

- The judicial review process was mentioned throughout with the general view being that the public have the ability to stop necessary projects that should not be stopped, and that while the system shouldn't be weakened there is a need to speed up the process and resource the Courts to do so.
- Digitalisation was seen by participants as being a great enabler for changes and the COVID-19 pandemic has advanced this and opened up opportunities for people to work where they are instead of having to come to urban centres. Conversely, there was a question asked by participants about how the pandemic could negatively affect people living in cities.
- There was also a discussion point raised that the people likely to be on the frontlines of a transition toward a greener, low-carbon economy appear to believe in it least and as such there is a need for people to be told of the benefits and consensus achieved through providing vision and including people in decision making about the transition.