Rialtas na hÉireann
Government of Ireland

Economic Considerations for Reinstating Economic Activity

Update for Phase 2

Prepared by the Department of Business, Enterprise and Innovation and the Irish Government Economic and Evaluation Service (IGEES) of the Department of Public Expenditure and Reform and the Department of Finance.
gov.ie

Table of Contents

1. Executive Summary and Conclusions

1.1 INTRODUCTION AND PURPOSE

This paper, developed by the Department of Business, Enterprise and Innovation in conjunction with the Department of Finance and the Department of Public Expenditure and Reform, provides an updated assessment of the economic impact of the COVID-19 pandemic and identifies from an economic perspective some priority issues for re-opening of economic activity especially under Phase 2 of the *Roadmap for Reopening Society and Business*. It also draws on sectoral inputs provided by other Government Departments.

The paper is intended to complement other inputs to the Government's consideration of the Roadmap including the public health assessments of NPHET and an analysis of social policy issues.

1.2 INTERNATIONAL ANALYSIS

Stepdown measures are well under way across Europe with the majority of sectors functioning again albeit with social distancing restrictions in place. EU Member States are beginning to allow greater cross-border travel over the course of the next two months with the aim in many cases of supporting the **tourism industry** through the summer months.

1.3 ECONOMIC OUTLOOK AND SECTORAL IMPACTS

As highlighted in the previous Phase 1 report, on the basis of central scenario set out in the Department of Finance *Stability Programme Update*, **GDP is projected to decline by over 10% in 2020**. Some **220,000 jobs will be lost** with the **unemployment rate exceeding 25%** in the second quarter of the year before falling in the latter half of the year. Other, more recent, economic analyses forecast a similar contraction in Irish GDP and estimate **a contraction in consumer spending** of between 12.5% and 13.3% in 2020. The ESRI[1], under its baseline scenario, estimates that Irish **exports of goods and services are set to fall by 8.2%** this year. The heightened risk of a hard Brexit at the end of 2020 could exacerbate the difficulties facing the economy and recovery prospects.

The impact of COVID-19 on the public finances has been significant with the total value of measures introduced to date (including expenditure and liquidity) standing at **over €13 billion**. Around 40% of those previously in employment are still on COVID-19 related income support payments, with the weekly cost of the PUP now at just over €190m and around €1,244m in payments through the TWSS to date.

The **Accommodation and Food** sector continues to be the hardest hit so far with over 90% of those in employment now receiving either PUP or TWSS. Based on the current roadmap, major reopening for this sector and other **Tourism** related sectors is not scheduled until phases 4 and 5.

---

[1] ESRI Quarterly Economic Commentary 26 May 2020

The Wholesale and **Retail** sector has the largest share of employment (13.1%). While some elements of the sector have continued to trade safely throughout the pandemic, 58% of those previously working in the sector are either on the PUP or TWSS. The sector is at risk of long-term losses in activity and employment and proposals are outlined to reopen the sector where social distancing and safety guidelines can be adhered to. If possible, this could provide a significant boost to the labour market and reduce the cost of COVID-19 income supports.

Although certain components of the retail sector reopened in Phase 1, just under 180,000 people previously working in the retail sector remain on the PUP or TWSS. Similarly, the reopening of Construction and residual elements of Manufacturing in Phase 1 have yet to impact on unemployment numbers to the extent hoped for. Data on the PUP highlights the magnitude of the challenge of restarting economic activity following the lockdown with a significant lag observed between the point at which restrictions are eased and the return to employment. **This is an important consideration that should be borne in mind in decisions around reopening remaining sectors of the economy.** In addition, interdependency of sectors means that as long as many sectors remain either closed or restricted in their activity, there may be consequential restraints on other areas of the economy. For example, reduced capacity, due to the implementation of social distancing guidelines, in childcare and public transport services will act as a barrier to the return to work across sectors.

1.4 IMPLEMENTATION OF ROADMAP

Compliance with Return to Work Safely Protocol Under Phase 1

The Health and Safety Authority (HSA) has commenced a national programme of inspections to check compliance with the Return to Work Safely Protocol which was agreed by employer and trade union representatives under the aegis of the Labour Employer Economic Forum (LEEF). **Over 1,000 inspections were completed** as of close of business on the 29th of May across a range of industry sectors representing a 150% increase in inspections. **Compliance with Return to Work Safely Protocol under Phase 1 of the Roadmap is high** and employers are generally taking a responsible and proactive approach. Additional inspector numbers in excess of 500 are being made available to the HSA to support an enhanced level of inspections as the economy reopens further. The HSA is also currently working on further material for the *Lead Worker Representative* and supporting a range of stakeholder groups as they seek to develop their own plans for a safe return.

Feedback on Phase 1 of Roadmap

Feedback from stakeholders, other Departments and enterprises, especially via the Department of Business, Enterprise and Innovation's Business Support Call Centre indicates that the **primary concern among businesses remains the difficulty in ascertaining their positions on the Roadmap**. That said, Enterprise Ireland and IDA Ireland report a decline in issues being raised by client firms which is to be expected following the reopening in Phase 1 of Construction and remaining elements of Manufacturing given that their clients are predominantly in the Manufacturing and Internationally Trade Services sectors. There has also been considerable interest in the recently launched Restart Grant for small and micro businesses intended as a contribution to fixed costs and costs linked to reopening.

Options for Phase 2 Reopening of Retail

Most of the retail sector, across all sizes and settings, has continued to trade and implement national public health guidelines and social distancing guidelines as well as the National Return to Work Safely Protocol. Consumers have been shown to be very tolerant of the social distancing requirements and have learned how to adapt social distancing in a range of retail environments. Virus transmission in retail environments is reportedly low and has not been observed to be greater in larger supermarkets or large car sales showrooms.

Available data indicates that over half of retail outlets are now open in most counties. Given the experience to date, the **recommended measure (option 1) in the context of Phase 2 is to accelerate reopening and permit all retail outlets** which can implement the social distancing guidelines and National Return to Work Safely Protocol to re-open.

This approach would avoid any potential concentration of traffic and footfall in a smaller number of stores at a local level and consequent impact on public health. It would also serve to ensure all consumer needs are addressed and can be supported by the existing National Return to Work Safely Protocol which effectively sets out requirements for all stores, regardless of size.

Given the profile of retail outlets in Ireland, the vast majority of which are below a 700 meters squared size threshold (94% Dublin and 86% nationally), it is recommended to avoid concentration of consumers in smaller stores and to include the small number of larger stores which would have a better capability to meet social distancing guidelines.

The key requirement would be that **retail units reopening must be able to implement the National Return to Work Safely Protocol**, ensure entrances / exits are suitable for control of numbers of shoppers and ensure that any queues can maintain social distancing.

In the event that a limit on store size for reopening was to be considered, one option would be that retail stores and contained retail areas of 700 square metres or less that can effectively manage the entry and exit of customers to implement social distancing and public health guidelines reopen on 8th June.

Irrespective of the option chosen, all retail destinations/clusters/shopping centres, while continuing to remain closed for non-retail purposes, need to continue to facilitate the reopening of retail units.

A range of supporting requirements are set out in Section 5.3 below. The NSAI will also develop a checklist and guidance document for shopping centres based on the National Return to Work Safely Protocol.

Other Issues for Phase 2 and Beyond

As businesses continue to seek additional clarity in terms of the Roadmap especially concerning when they can reopen and under what conditions, the Department of Business, Enterprise and Innovation and other Departments are continuing to engage with the sectors concerned guided by public health advice. Adopting the suggestions outlined in this paper would bring **greater clarity and certainty for sectors especially with regard to Phase** 2. It will be important for businesses to continue working remotely as much as possible over the course of the Roadmap.

Entry Requirements Concerning Self-Isolation

Ireland is a small but advanced economy that is highly integrated into international markets and, as such, is highly dependent on expertise available internationally. The economy has been built upon the free-flowing access of talent between Ireland and other EU Member States and the UK. Critical expertise is often required by the public and private sectors to ensure critical functions and equipment are maintained. **Inbound and outbound access to critical expertise must be ensured**. Careful thought should also be given to the signalling effect of additional restrictions in the context of borders reopening internationally.

International Connectivity

The current lack of clarity as to when Ireland will be in a position to facilitate a return to overseas travel presents a significant challenge to carriers and those economic sectors that rely on international travel. The EU Commission guidance and international experience in terms of the effectiveness of measures being applied could inform Ireland's approach for restoring international connectivity, **providing some level of certainty for businesses to plan ahead in an informed manner**, and ultimately ensure that Ireland is positioned to restore its international connectivity optimally and safely.

Tourism

The elongated reopening of this sector under the Roadmap restricts the opportunities on which the sector relies given the highly seasonal nature of demand in the sector. The challenges are compounded by a plunging international tourism market while the potential for domestic custom is also weakened should domestic travel restrictions continue to apply. Finally, the current social distancing requirements could render large portions of the sector unviable. The tourism sector is a significant employer particularly in rural areas. Over 90% of those previously in employment in Accommodation and Food sector are now receiving either PUP or TWSS. The **Tourism and related sectors require prioritisation** in Phase 3 of the Roadmap.

1.5 CONCLUSIONS

COVID-19 continues to create extraordinary challenges for our economy, parts of which are in significant danger of irreparable damage. It is imperative that economic activity resumes as soon as possible while actively mitigating risks. While the reopening of construction and elements of retail and manufacturing in Phase 1 have had a positive impact, it is clear that **there is a significant lag between the lifting of restrictions and the full resumption of economic activity within a sector**. It is encouraging that **compliance rates have been observed to be high** during Phase 1 as evidenced by the HSA's inspections which are also providing additional reassurance through its significantly expanded inspection activity.

Retail is the primary focus for resuming economic activity under the Roadmap's Phase 2. Analysis suggests that the distinctions made in the Roadmap concerning size, types and compositions of retail units would benefit from a revision that emphasises **the safe reopening of all retail units thereby providing clarity and predictability to business operators and their workers and customers**. The majority of retailers are currently open and have successfully implemented protective measures including social distancing. The vast majority of retail across Ireland is 'small' in size (circa 94% in Dublin and over 86% nationally of retail units are under 700 m^2 in size) thereby diminishing any necessity to distinguish on size. While the paper sets out how such a reopening could be achieved effectively, options are provided should size be an overriding determinant.

Other sectors are quickly coming into focus as we approach later phases of the Roadmap. The paper highlights the importance of **Tourism related sectors** such as Accommodation and Food and urges the prioritisation and review of current plans to reopen these and the **implications of social distancing requirements in terms of business viability**. Bringing forward the re-opening of hotels and accommodation to Phase 3 as well as cultural and social re-openings to Phase 4 would help the sector maximise the potential of the 2020 domestic tourism season and get staff off the employment support schemes. In addition, extending flexibility on travel beyond one's home area (i.e., beyond 20 kilometres) from Phase 4 to Phase 3 would complement these measures and boost domestic tourism.

Ireland is an island nation with an economy deeply integrated into international markets including the European Single Market. It must retain its access to **critical expertise** while it seeks to ensure it can service the needs of its export markets. The paper cautions against increasing restrictions on such access and also highlights the issue of **international connectivity** and the need to signal the exiting of restrictions for the sectors involved.

2. International Analysis

Internationally, sectors differ in terms of their exposure to restrictions and the demand and supply-side impacts. However, analysis by the OECD, Copenhagen Economics and the ECB provided in the previous iteration of this paper indicated that, on the whole, the sectors most impacted by the restrictions introduced as a result of the pandemic are Accommodation and Food Services, Wholesale and Retail Trade, Construction and Other NACE Services (Arts, Entertainment and Recreation and Other Services).

2.1 STEPDOWN MEASURES

Looking at the stepdown measures introduced by other countries, it was previously found that restrictions were introduced in Ireland after other countries and, therefore, it is unsurprising that our stepdown measures should also be behind most other EU Member States (MS) in terms of dates. The sequence of the phases for easing of restrictions in Ireland's Roadmap are broadly similar to those in other MS and the UK. For the most part, accommodation and food services open towards the latter phases, with outdoor services resuming first. Looking at the retail sector, most MS have small retailers opening in the first phase with larger shops and shopping centres following in the later phases of the reopening plans.

The reopening of economies continues with countries updating their stepdown measures as they move through the phases of their plans. However, additional updates to the stepdown measures reported appear to be mainly in relation to travel and tourism, more specifically on the reopening of airports (for domestic purposes initially and then international travel) and borders, and large public events including sports. These have been included at the end of the current planned phases in most countries with many EU MS thinking about the summer tourism season and how they can welcome domestic and overseas visitors.

2.2 STRINGENCY OF MEASURES

Oxford University have launched a new tracker that records and compares governmental measures in response to the coronavirus pandemic worldwide.[2] The tracker also aggregates the scores into a common Stringency Index based on publicly available information on indicators of government responses for 171 countries or recognised territories such as school closures, restrictions in movement, workplace closures and travel bans.

Table 1 below shows the highest point on the Stringency Index for EU Members States, with the exception of Latvia and Malta, and the United Kingdom, along with the scores as at 25th May, which is the last date information for all the countries is available. The data in the table indicates that, on 25th May, Ireland ranked fourth in terms of the stringency of our restrictions - behind Cyprus, Spain and Poland. Looking at the highest point on the Index reached by each country listed, Ireland again ranks joint fourth (with France) reaching a

[2] Max Roser, Hannah Ritchie, Esteban Ortiz-Ospina and Joe Hasell (2020) - "Coronavirus Pandemic (COVID-19)". Published online at OurWorldInData.org. Retrieved from: 'https://ourworldindata.org/coronavirus' [Online Resource]

peak of 90.74 on the Index between the 6th April and 15th of May. It is worth noting that when comparing all 171 countries / recognised territories, approximately 30% of them ranked above Ireland at times in terms of their highest point on the Stringency Index.

Table 1: COVID-19 Government Response Stringency Index[3], EU 27[4] and UK, 22 Jan 2020 to 1 June 2020

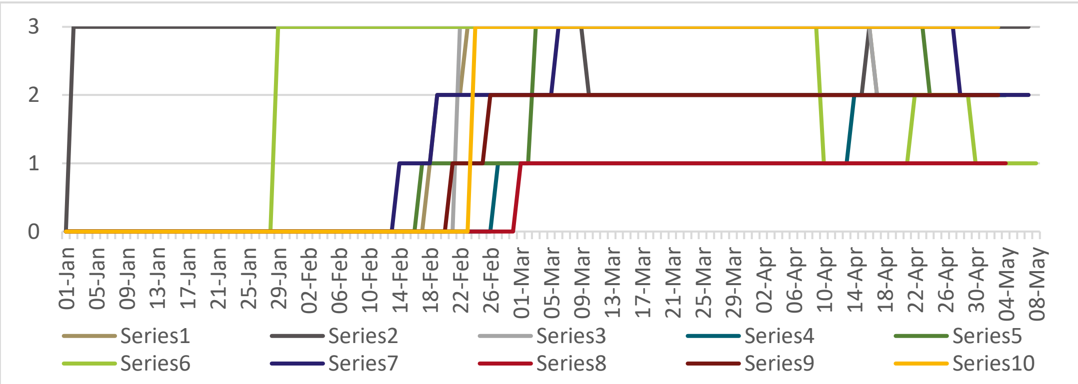
	Highest Point on Index	**Score as at 25 May**
Cyprus	94.44	82.41
Spain	85.19	81.02
Poland	83.33	79.63
Ireland	90.74	77.78
Belgium	81.48	75
Slovakia	87.04	73.15
Romania	87.04	72.22
Lithuania	87.04	71.3
Greece	84.26	68.52
Netherlands	79.63	68.52
United Kingdom	75.93	66.67
Finland	68.52	65.74
France	90.74	65.74
Denmark	72.22	62.96
Hungary	76.85	62.96
Italy	93.52	60.19
Portugal	87.96	57.41
Bulgaria	73.15	56.48
Estonia	80.56	56.02
Austria	85.19	55.56
Croatia	96.3	50.93
Germany	73.15	50
Czech Republic	82.41	46.3
Sweden	46.3	46.3
Luxembourg	79.63	43.52
Slovenia	89.81	42.13

[3] This index simply records the number and strictness of government policies and should not be interpreted as 'scoring' the appropriateness or effectiveness of a country's response.
[4] Data for Latvia and Malta is not available

Source: Oxford COVID-19 Government Response Tracker

Looking specifically at workplace closures as a result of COVID-19 restrictions, Figure 1 shows that, of the countries that required closing (or work from home) for all but essential workplaces (e.g. grocery stores, doctors), Ireland was one of the last of the selected countries to make this move and correspondingly is one of the last countries to begin to unwind these restrictions. The data also shows that while Italy began to unwind workplace closure restrictions on 4th May by moving from *closure of all but essential workplaces* to *recommending closure* it had to tighten restrictions again on 16th May. Similarly, China saw a slight easing of restrictions from 3rd April to 9th May before all but essential workplaces were again required to close.

Figure 1: Workplace Closures, 25 Jan 2020 to 1 June 2020



0 - No measures
1 - recommend closing (or work from home)
2 - require closing (or work from home) for some sectors or categories of workers
3 - require closing (or work from home) all but essential workplaces (e.g. grocery stores, doctors)

Source: Oxford COVID-19 Government Response Tracker

3. Economic Impact of COVID-19 on the Irish Economy

3.1 ECONOMIC DEVELOPMENTS AND OUTLOOK

As previously noted, under the 'central' scenario included in the Department of Finance's Stability Programme Update, GDP is projected to decline by 10.5% this year. Modified Domestic Demand, perhaps the best indicator of domestic economic conditions, is projected to fall by 15% this year. To provide some context, at the lowest point of the last crisis Modified Domestic Demand fell by 10% in 2009. Employment is projected to fall substantially, with approximately 220,000 jobs being lost. The unemployment rate is projected to dramatically rise over the first half of the year, with an average rate in the mid-20% range during the second quarter, before falling over the second half of the year, as containment measures are gradually eased.

Though the Manufacturing PMI data[5] showed a slight improvement in May compared to April, with the reading coming in at 39.2 in May compared to 36.0 in April (<50 = contraction), it is indicative of a further contraction of manufacturing activity. The services PMI data also showed an improvement in May, with the reading coming in at 23.4 in May compared to 13.9 in April. However, the May reading is the second lowest observation (the lowest is April 2020) recorded in the twenty-year history of the series. Though the slight improvement in the index in May is indicative of the initial unwinding of Covid-19 related restrictions, the low reading indicates that the services sector is still heavily impacted by Covid-19 related restrictions.

The impact of COVID-19 restrictions on consumer spending has also already been borne out in recent data releases. The volume of retail sales declined by 35% on a monthly basis in April. The sectors with the largest monthly declines were Furniture and Lighting (-84%), Bars (-77%), Textiles, Clothing and Footwear (-74%) and Motor Trades (-71%). Private cars (new and used/imported) licensed for the first time decreased by 88 % in April 2020 on an annual basis, with new private cars down 90%. However, consumer sentiment showed the strongest monthly increase since January 2015 in May potentially reflecting the planned easing of containment related restrictions and improving trend in health outcomes. It is important, however, to note that consumer sentiment had the largest monthly fall in the history of the index in April.

The economic impact of COVID-19 is perhaps best seen through the prism of the labour market. The latest data (as of May 29th) show just over 225,000 persons on the Live Register and 543,200 recipients of the Pandemic Unemployment Payment from DEASP. Separately, Revenue report that 410,000 employees are currently being supported by the Temporary Wage Subsidy Scheme having received a subsidy in their most recent pay period. This implies a total of over 1.2 million people who are currently receiving some form of income support from the State. While the standard measure of Monthly Unemployment

[5] https://www.markiteconomics.com/Public/Release/PressReleases

was 5.4% in April 2020, up from 5.3% in March, a new COVID-19 Adjusted Measure of Unemployment could indicate a rate as high as 28% if all claimants of the Pandemic Unemployment Payment were classified as unemployed.

The pandemic will have a dramatic impact on the public finances. The May Exchequer returns showed a deficit of €6.1 billion. This deficit reflects the extraordinary measures that the Government has taken in recent months to support companies and workers so that we can limit income loss and preserve economic activity and living standards. Expenditure was up by just over €5 billion year-on-year, driven primarily by expenditure in the areas of Health and Social Protection. Tax revenue collected in the first five months of the year was €21.7 billion, the same amount as last year. However, with the exception of corporation tax, receipts from all other tax heads were down in May relative to the same month last year.

3.2 OTHER RECENT ECONOMIC FORECASTS

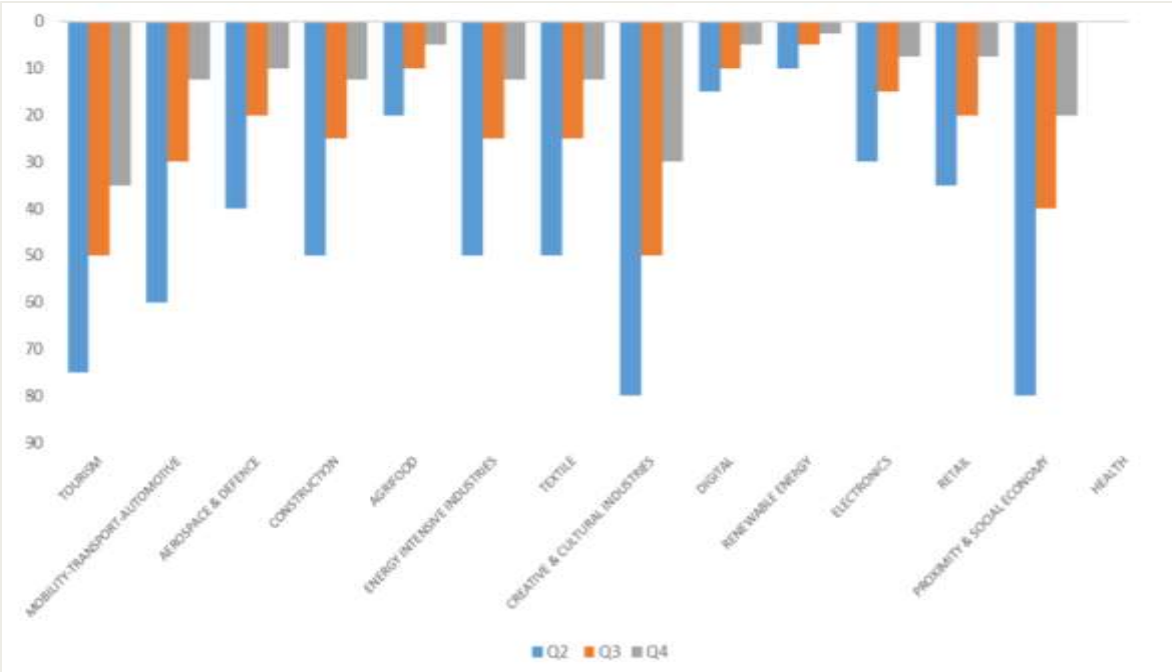
Recent ESRI commentary on the impact of COVID-19 on the Irish economy presents three different scenario outcomes, taking into consideration the Government Roadmap for reopening the economy and varying epidemiological developments for the rest of the year. Under the most likely ‘Baseline’ scenario which assumes physical distancing and containment measures to the end of 2020 the ESRI forecast economic output to decline by 12.4% in 2020. Unemployment is set to average 17.4% for 2020, unemployment is likely to peak in Q2, averaging just over 24% and will decline to just under 17% in Q4. Consumption is forecast to decline by 13.3% while investment falls by over 27% in 2020. Irish exports of goods and services are set to fall by 8.2% in this scenario. Fiscal accounts will now be facing a deficit of at least 9% of GDP or €27.5 billion. The severe scenario which assumes a second wave of the virus prompting another lockdown in the Autumn of 2020 would see economic output contract by 17% for the present year.

In a recent publication, Davy forecasts a 10% contraction in Irish GDP in 2020 with a 7% rebound in 2021. The unemployment rate is forecast to average 16% in 2020 and falling to average 12% in 2021 with the 2021 level of employment predicted to be 5% lower than pre-COVID-19 outbreak levels. A 12.5% contraction in Irish consumer spending is forecast for 2020. Housing completions are expected to fall to just 13,800 with dwellings investment forecasted to fall by 35% and non-residential construction activity declining by 36%. A partial rebound in 2021 is expected with activity up 22.5%. This is accompanied by a 5% decline in house prices through 2020 followed by a 3.5% rebound in 2021. The report also forecasts a 7.4% contraction in Irish exports in 2020 followed by a 7.2% rebound in 2021, implying that Ireland will outperform the broader slowdown in global trade. The report expects the government deficit to equal €29bn (9% of GDP) in 2020, falling to €18bn (5% of GDP) in 2021.

3.3 EUROPEAN COMMISSION ASSESSMENT OF ECONOMIC AND INVESTMENT NEEDS

The European Commission have used survey data to give an indicative estimate of the drops in revenue expected by 14 industrial ecosystems across the EU as a rough proxy for how different ecosystems are impacted. [6] This data shows that the Tourism, Creative and Cultural Industries and Proximity and Social Economy ecosystems are expected to see the highest declines in turnover in each quarter from Q2 2020 to Q4 2020, Figure 2.

Figure 2: Current and expected drops in turnover reported by industry (share of turnover) Q2 – Q4 2020[7]



Source: DG GROW survey, March and April 2020

Two scenarios were used to determine the possible equity losses for these sectors as a result of lower profits in 2020; a baseline scenario for country-sector shocks and a stress scenario assuming a longer lockdown. In the baseline scenario, businesses in the Tourism sector could face €171 billion in equity losses or €285 billion in the stress scenario. Equity losses in the Construction sector could range between €113 billion and €188 billion. The Retail sector could face losses of between €57 billion and €94 billion and the Agri-food sector could see loses of €22 billion to €37 billion.

---

[6] Commission Staff Working Document - Identifying Europe's recovery needs, Brussels, 27th May 2020

[7] Data aggregated by ecosystem. For the scope of this exercise, each ecosystem has been defined in a relatively narrow way to avoid double counting of losses. The retail ecosystem does not include sales and repair of vehicles, which are included in the mobility ecosystem.

4. Sectoral Impact Analysis

4.1 SECTORAL IMPACTS OF COVID-19 AND FUTURE PROSPECTS

Economic Impact

Following the implementation of Phase 1 of the Roadmap for Reopening Society and Business the economic impact of COVID-19 remains grave:

- The easing of restrictions as per Phase 1 of the roadmap has not yielded a significant positive impact on the labour market. Despite expectations that the lifting of restrictions would lead to a return to high levels of activity in the construction sector, almost four fifths of construction workers on the PUP pre-phase 1 remain, two weeks into Phase 1. Unsurprisingly, given the cautious approach to the easing of restrictions in Phase 1, the share moving off the PUP is even smaller across all other sectors;
- The economic challenge remains formidable. For example, retail, the biggest sector in terms of employment in Ireland, has been partially reopened in phase one with further phased reopening planned from Phases 2-5. Large numbers (currently just under 180,000 people) previously working in this sector are still on the PUP or TWSS. Bringing forward the reopening of other retail where social distancing is possible, in line with the approach of some other countries, could provide a significant boost to the labour market.
- The most recent data on the PUP highlights the magnitude of the challenge of restarting economic activity following the lockdown even in the viable sectors, with a significant lag observed between the point at which restrictions are eased and the return to employment;
- Slow outflow from income supports to employment has a direct impact on Government expenditure. Two weeks into Phase 1 of the roadmap, the cost to the Exchequer of income supports continues to be large and unsustainable. Around 40% of those previously in employment are still on COVID-19 related income support payments with the weekly cost of the PUP now at just over €190m and around €1,244m in payments through the TWSS to date. The speed at which recipients of COVID-19 income supports move to employment will have a direct impact on the fiscal position and the availability of funds to provide other supports to the economy through the Roadmap phases and beyond;
- The impact of COVID-19 on the public finances has been colossal: the total value of measures introduced to date (including expenditure and liquidity) has been over €13 billion. The deficit for 2020 could reach up to 10% of GDP, or €30 billion. This reflects both the scale of the expenditure measures implemented by Government as well as the decline in taxation revenue arising from the COVID-19 crisis;
- Interdependency of sectors means that as long as many sectors remain either closed or restricted in their activity, there will be a negative cascading effect on other areas of the enterprise base. Reduced capacity, due to the implementation of social distancing guidelines, in childcare and public transport services may act as a barrier against the return to work across sectors.
- Finally, some sectors are not scheduled to open until the last phase of the roadmap. Extended closures not only compound the already large fiscal impact, but also reduce the prospects of recovery for significant segments of the enterprise base and are likely to lead to permanent loss of output and employment in some sectors.

A sector by sector summary of the impact of COVID-19, an update on return to employment based on phase one reopening and the potential longer-term recovery are provided below for some of the key sectors.

Figure 3 – Estimated numbers still in employment, on PUP (2nd June) and TWSS (28th May) by sector

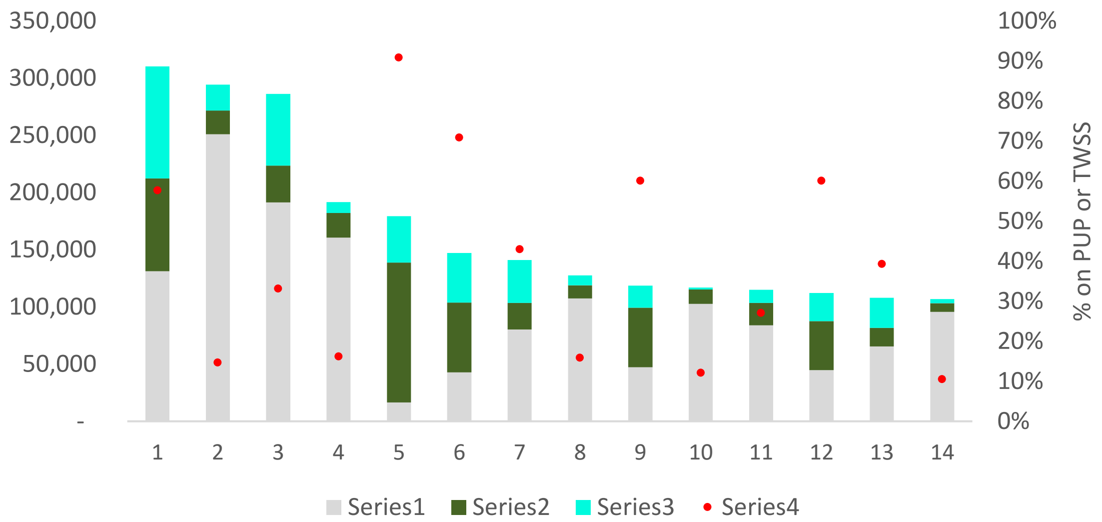
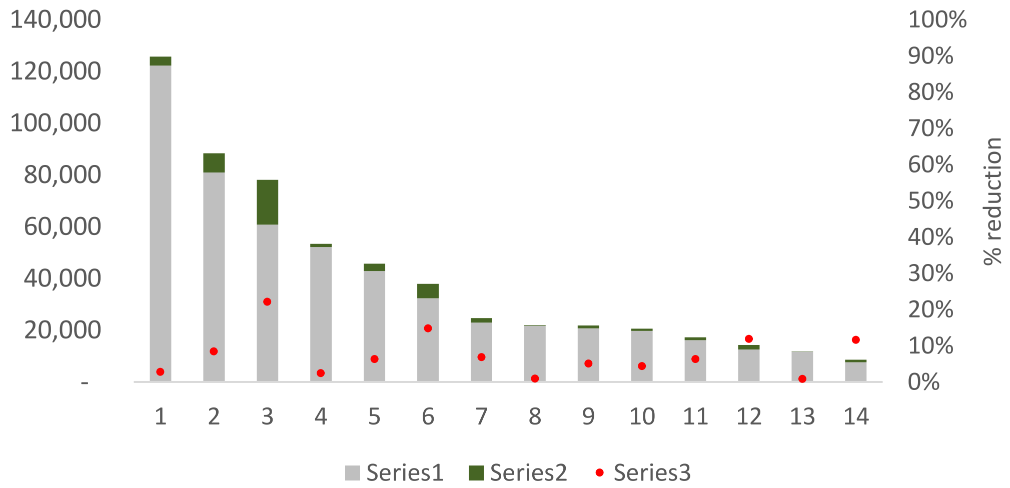


Figure 4[8] – Change in the number of PUP recipients by sector between pre-phase 1 (May 12th) and June 2nd



High Impacted Sectors

High Impacted Sectors are those where over 50% of the workforce are estimated to have moved to COVID-19 income supports.

[8] The available data does not allow for a similar comparison of numbers on the TWSS by sector.

Accommodation and Food

The sector has been the hardest hit as a result of COVID-19 so far with over 90% of those in employment now receiving either PUP or TWSS. The sector is labour intensive (8% of overall workforce) and is characterised by a relatively high level of part-time work and lower levels of income. There has been little change in reopening of the sector as a result of Phase one of the roadmap. Around 3,500 (2.8%) previously working in this sector have moved off the PUP since May 12th, although some of those may have moved on to the TWSS[9]. Based on the current roadmap, major reopening for this sector is not scheduled until phases four and five which will have an impact on businesses in terms of generating activity to account for lost income in recent months. In terms of future prospects, the sector will likely see a lower level of activity in the scenario of continued restrictions and the overall decline in international tourism will play a further negative role.

Construction

The sector accounts for a relatively large element of the overall workforce (6%) and is characterised by a high number of small firms and wage levels that are above the national average. The sector has been hit significantly by COVID-19 with approximately 70% of those previously employed in the sector on the PUP or TWSS. The move to Phase 1 of the roadmap has allowed for some resumption of activity in the sector with outdoor workers allowed to return to work. The number of those previously working in construction on the PUP has decreased by 17,300 (22%) since phase one, although some of these may have moved on to the TWSS. In comparison to other sectors, the construction sector is more likely to be in a position to return to high levels of activity more quickly given underlying demand, the implementation of the NDP and the nature of the sector.

Admin and Support Services

Due to the nature of its subsectors (e.g. building services, travel agencies, business support) the sector is highly integrated with all sectors of the Irish economy. The impact of COVID-19 has been significant with an estimated 60% of those previously employed in the sector (112,100, 5% of total employment in Q4 2019) now availing of PUP or TWSS. The potential of enterprises to return to normal functioning is highly dependent on which sub-sector they fall into. Some building services and landscape activities which occur outdoors may have been able to return to work in phase one. Around 2,900 (6%) of those previously working in the overall sector who were on the PUP prior to phase one have since moved off the PUP, although it is possible that some of these will have moved on to the TWSS. Travel agency and tour operating services as well as aircraft leasing are still heavily restricted until the latter phases of the reopening. Compounding the recovery issues for these sub-sectors are widespread predictions of an ongoing cooling of demand in the tourism sector for 2020 and possibly beyond.

---

[9] Some of those moving off the PUP may have moved on the TWSS. Sectoral data on these flows are not available although they are likely to be a low share of outflows from the PUP.

Arts, Entertainment and Other Services

The sector includes hair and beauty, sports activities and entertainment. Average gross weekly earnings in the sector are the second lowest in the economy after accommodation and food. The impact of COVID-19 has been significant with 60% of those previously working in the sector, 118,700, 5% total employment in Q4,2019, estimated to be on the PUP or the TWSS. The live nature of activities in the sector and the indefinite duration of government restriction on large public gatherings suggest that a date for a return to full function in this sector is unclear. While some easing of restrictions in phase 1-3 will have a positive impact on the sector, it will not be until large gatherings are allowed that a sectoral recovery can be expected to begin. Around 1,300 (2%) of those previously working in the sector that were on the PUP before phase one have since moved out of the PUP, although it is possible that some of these will have moved on to the TWSS. Complementarity across sectors is important to highlight, with this sector highly affected by the accommodation and food services sector.

Wholesale and Retail

The sector has the largest share of employment (13.1%) and contains some of the lowest paid jobs in the economy. Hardware stores; opticians; hearing aid retailers; motor and bicycle sale and repair; and IT, electrical and phone sale and repair shops have been permitted to reopen from phase one. These retailers account for a relatively small share of the sector. 58% (just under 180,000 people) of those previously working in the sector are either on the PUP or TWSS. The number of PUP recipients formerly working in the retail sector has decreased by around 7,500 (8%) since phase one, although some of those may have moved on to the TWSS. Large numbers previously working in the more discretionary side of the retail sector are still on the PUP or TWSS. Bringing forward the reopening of other retail where social distancing is possible, in line with the approach of some other countries, could provide a significant boost to the labour market and reduce the cost of COVID-19 income supports. The sector is at risk of long-term losses in activity and employment, particularly in retail of discretionary items with the problem exacerbated for retailers who cannot reopen until phase five (e.g. those in enclosed shopping centres). The increase in online retail with more purchasing from abroad is changing consumer behaviour which may have long-lasting effects on local retail in Ireland. There will be a cost to facilitating social distancing measures and related occupancy constraints may threaten the viability of some retailers. Those who can manage social distancing protocols and make best use of online ordering may be the most resilient.

Moderate to Low Impacted Sectors

Moderate to Low Impacted Sectors are those where under 50% of the workforce is estimated to have moved to income supports.

Transportation and Storage

The sector is largely comprised of land transport (e.g. taxis, road freight, couriers) and importantly includes public transport and air transport. The sector accounted for 5% of total employment in Q4 2019. The sector has not seen any direct changes from phase one, although the demand for public transport, taxi and courier services may have increased slightly with the return to work in other sectors such as construction and a portion of retail. 39% of those previously working in the sector are either on the PUP or TWSS. Since phase one, the number PUP recipients formerly in this sector has decreased slightly by around 1,100 (6%), although some of these may have moved on to the TWSS. Going forward, taxi businesses may benefit from an aversion to public transport while postal and courier may benefit from a huge increase in online retail which is likely to have a permanent effect on the retail sector. The air transport sub-sector faces the most challenging outlook in the sector with ongoing concerns about viability while social distancing measures and stops on international travel are in place, with job losses already announced at Aer Lingus and Ryanair. Public transport is also exposed to similar risks, which may put an additional burden on the Exchequer. Capacity of public transport and willingness to use it is linked to the return to work across sectors.

Industry

This sector is the largest contributor to GVA comprising 36.5% of GVA in 2018. Industry has the largest share of employment after retail (12.1% of all employment) and is a very important sector regionally, accounting for almost 15% of all employment outside Dublin compared to around 7% in Dublin. A lot of manufacturing has continued operating during the lockdown. 33% of those previously working in the sector are either on the PUP or TWSS. Since phase 1, the number of PUP recipients formerly in this sector have decreased by around 5,600 (15%), although some of these may have moved on to the TWSS. Timeliness of reopening is vital based on the competitiveness of contracts internationally in the sector. The longer-term behaviour of trading partners while COVID-19 remains a threat to the global supply chain is very uncertain and could have dramatic longer-term implications for the sector in Ireland.

Agriculture, Forestry and Fishing Sector

The sector represented 5% of total employment in Q4 2019 and is important for employment from a regional perspective, accounting for higher levels of employment in the Border, Midlands, West, Mid-West and South-East regions. It is estimated that 11% of those who were employed in the agriculture, forestry and fishing sector are now availing of the PUP or TWSS. Farming, fisheries, and forestry have been designated as essential services in the context of the current public health emergency meaning production has been permitted to continue. However, due to the impact of the pandemic on the supply chain (e.g. cessation of marts) and market-demand (e.g. collapse of demand), prices have experienced a sharp and significant drop. Beef prices have started to recover in recent weeks. Direct Payments through the EU’s Common Agricultural Policy have provided some stability to the sector in the face of reduced demand.

Data in respect of Sectoral Overview of Economic Impact is provided in the Appendix.

5. Implementation of Roadmap

5.1 COMPLIANCE WITH RETURN TO WORK SAFELY PROTOCOL UNDER PHASE 1

Upon the commencement of Phase 1 of the Roadmap the Health and Safety Authority commenced a national programme of inspections to check compliance with the Return to Work Safely Protocol. As of close of business on the 29th of May, approximately 1,000 inspections were completed across a range of industry sectors including construction which accounted for around half of the inspections. This represents a 150% increase in inspections taking into account that the HSA normally undertakes about 200 inspections per week as part of its workplace health and safety remit.

The results from inspections are encouraging. Broadly speaking and based on an initial analysis of the inspections, compliance with the Return to Work Safely Protocol is high and employers are generally taking a responsible and proactive approach.

- Approximately three quarters of employers had a Response Plan in place, as required by the Protocol.
- Almost 9 in 10 had completed employee induction training, again as required by the Protocol.
- The HSA checklists and templates to support implementation of the Protocol have now been downloaded some 30,000 times and feedback on these from a range of employer and employee groups has been very positive.

The HSA are currently working on further material for the *Lead Worker Representative* and supporting a range of stakeholder groups as they seek to develop their own plans for a safe return.

Where issues have been identified, Health and Safety Authority inspectors have been engaging with the employer and providing verbal and written advice and direction.

This level of activity is on foot of the HSA deploying all of its available field inspectors to carry out both spot checks and other inspections to check compliance with the Protocol. It has been decided that the HSA inspectorate will be supplemented significantly by deploying, under the authority of the HSA, other inspectors from across the system who already have environmental health, agriculture or other workplace/business inspection responsibilities including from areas such as the WRC, Environmental Health Officers and the Department of Agriculture, Food and the Marine. This will result in additional inspector numbers in excess of 500 being made available to the HSA to support an enhanced level of inspections as the economy reopens further.

In terms of contacts being made to the HSA, the vast majority so far have been in relation to Requests for Information. Since the 1st March some 4,262 Requests for Information were made along with 664 complaints. Of these, 64% of Requests for Information (2,735) related to COVID-19, and 56% of complaints (371) related to COVID-19. The Health and Safety Authority is received more requests for information than complaints.

Each complaint is initially followed up with the relevant company or employer by the HSA. An inspector will follow up with the employer if: there is no response; if the response is not satisfactory; or if multiple or serious allegations are arising. Inspections will be pre-arranged or unannounced depending on the circumstances.

5.2 FEEDBACK ON PHASE 1 OF ROADMAP

Aside from specific issues being raised in terms of compliance, covered above, generally the matters being raised by enterprises relate to Phase 2 and beyond. The previous iteration of this document identified the **difficulties that businesses had in ascertaining their position on the Roadmap**. Feedback from stakeholders, other Departments and enterprises, especially via the Department of Business, Enterprise and Innovation's Business Support Call Centre indicates that many businesses remain unsure of where they lie on the Roadmap.

Enterprise Ireland and IDA Ireland's clients are predominantly in the Manufacturing and Internationally Traded Services sectors. The **agencies report that the level of issues being raised by clients has declined**. This is to be expected on foot of the reopening in Phase 1 of Construction and residual elements of Manufacturing.

5.3 OPTIONS FOR PHASE 2 REOPENING OF RETAIL

Large parts of the retail sector have continued to trade and implement social distancing guidelines since the beginning of the national emergency. For the most part, food and grocery, convenience and newsagents retail stores, together with filling stations and related convenience retail, of **all sizes**, have continued to trade and effectively implement national public health guidelines.

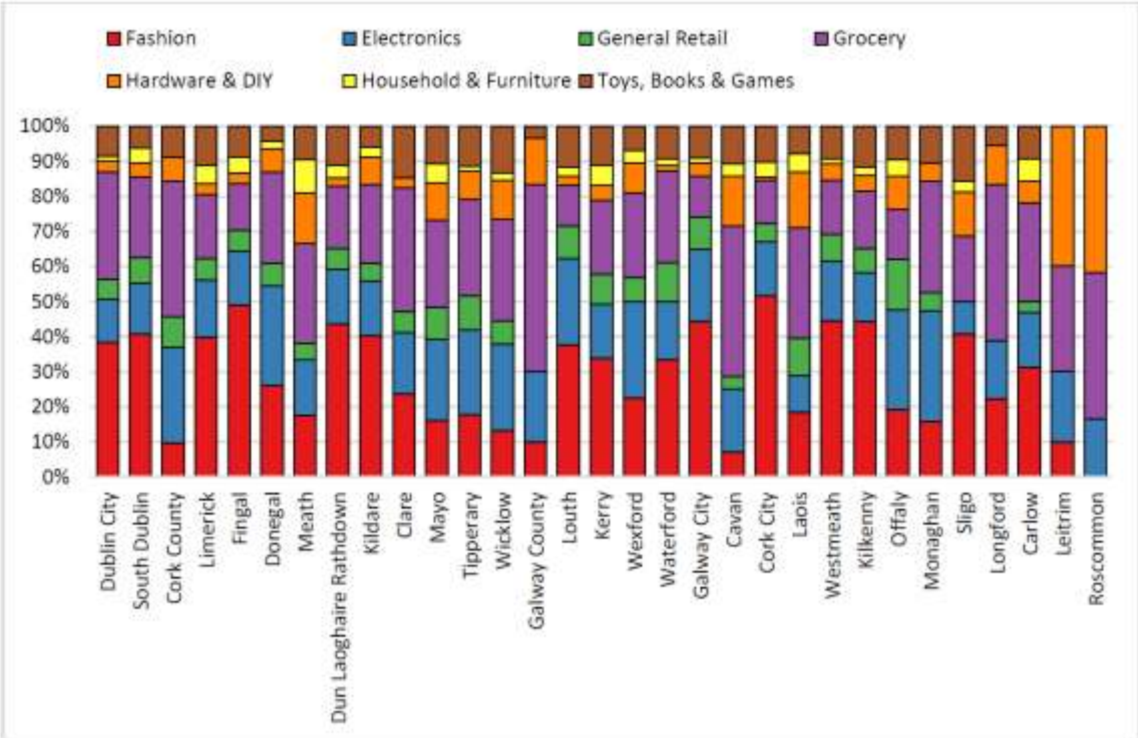
Consumer behaviour shows **consumers are very tolerant of the social distancing** requirements in a retail environment from supermarkets, pharmacies, hardware and other stores of all sizes.

Infection rates and **virus transmission in retail environments are reportedly low** and no persistent clustering in retail or through retail have been reported over the last three months.

Many of the retail outlets that have remained open, such as supermarkets and pharmacies are **trading in both an on-street context and also in a clusters/shopping centre** context and have effectively implemented national public health guidelines and the National Return to Work Safely Protocol, regardless of setting. Those clusters/shopping centres that are open to facilitate access for essential stores have had controls in place to manage queuing and to ensure they do not develop as locations for social gatherings and other social activity that might undermine public health objectives.

Following Phase 1 of reopening under the Roadmap on 18th May, **over half of retail outlets are now open in most counties**. Based on CSO/OSI/VO/Gamma indicative data for retail (available as of 4th June) and wholesale sectors in Ireland, Figure 5 illustrates the share of retail outlets for shopping areas for each county. From 18th May under the Phase 1 reopening, Electronics, Hardware & DIY and Grocery are all permitted to open regardless of size. For most counties the largest share of retail outlets that remain closed are **Fashion** and the category **Toys, Books & Games**. **Household & Furniture** stores are a small percentage of the stores that remain closed.

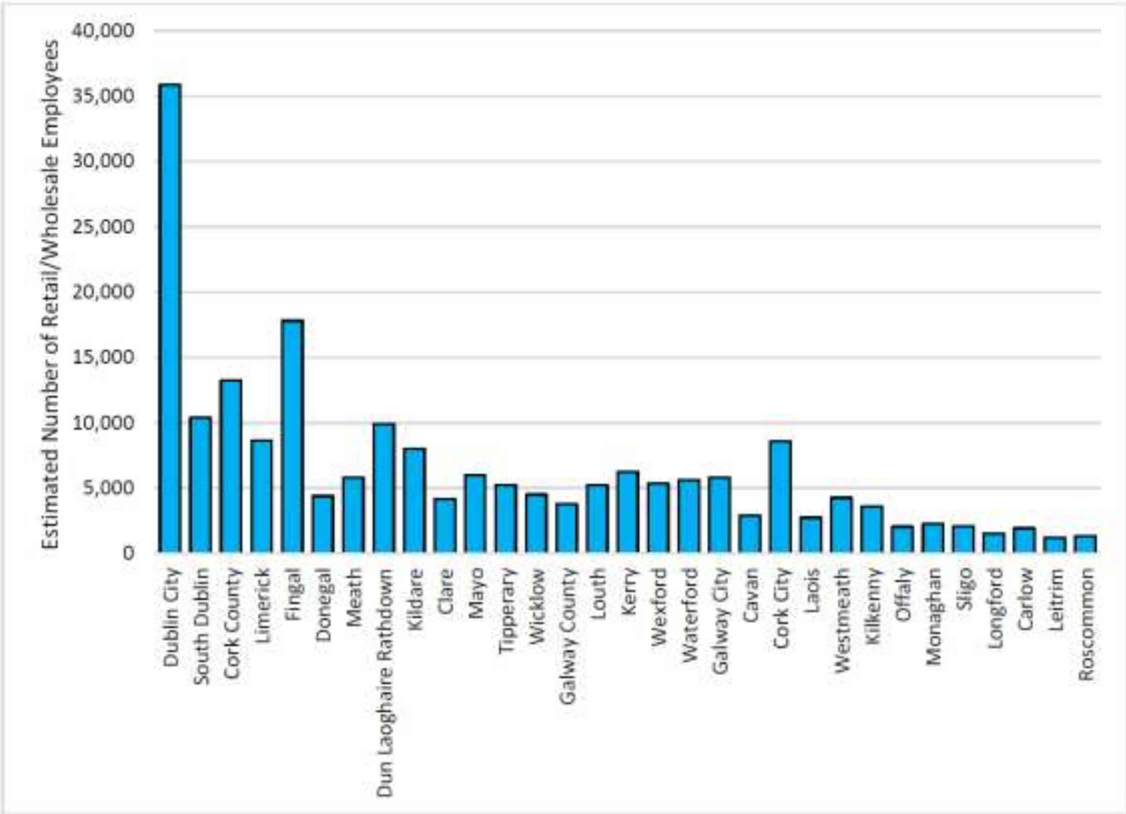
Figure 5. Profile of Retail Outlets by Store Type and County



The CSO/OSI/VO/Gamma indicative data in Figure 6 is based on a dataset of 50,356 retail and wholesale units.

Figure 6 above below sets out the numbers at work in retail and wholesale in retail destinations/clusters/shopping centres by county (over 200,000 workers in total) and considering that it is estimated that over half of retail is now open, the remaining numbers of workers to return to work are low for most counties.

Figure 6. Retail and Wholesale Employees by County, 2017



Option 1 for Phase 2 - Reopening all Retail Outlets

In the context of Phase 2 reopening, the recommended measure now is to accelerate reopening and allow all retail outlets that can implement the social distancing guidelines and National Return to Work Safely Protocol to reopen.

Consideration was given to the more gradual reopening as proposed in the Roadmap of *small* retail units only in Phase 2. Such an approach was adopted in other countries, such as Germany, with stores below 800 m^2 opening at the end of April. However, it will be recalled that the designation of only 'small' retail outlets to reopen in Phase 2 was included in the Roadmap ***prior*** **to the launch of the National Return to Work Safely Protocol** which effectively sets out requirements for all stores regardless of size.

The reopening of just small outlets in an Irish context could result in an unwarranted **concentration of traffic and footfall to a small number of stores at a local level** and impact on public health considerations. Such a limited reopening could also serve to impact on consumer choice and special needs, as smaller stores may not have the full range of options for certain customers, e.g., furniture stores with the range of orthopaedic beds or ergonomic chairs and desks for remote and home working.

Based on CSO/OSI/VO/Gamma indicative data there are 12,341 retail outlets for Dublin, with 11,655 (94%) below the 700 m^2 size threshold, and over 86% nationally.

Table 2 Distribution of Retail Outlets by Size (square metres) and County

COUNTY_NAME	Total Retail Outlets	0-700 meters sq	701-1000 meters sq	1001-1500 meters sq	1501-3000 meters sq	3001-6000 meters sq	>6000 meters sq	No Area Captured
Carlow	745	693	19	11	16	6	0	0
Cavan	934	885	17	13	13	5	0	1
Clare *	1,231	941	17	10	10	6	2	245
Cork *	5,773	3,650	74	70	72	44	37	1,826
Donegal *	1,997	1,377	31	35	26	13	6	509
Dublin	12,341	11,655	201	166	177	83	45	14
Galway *	2,732	1,927	21	26	38	13	9	698
Kerry *	1,894	1,333	24	18	23	8	8	480
Kildare	1,965	1,857	18	32	33	14	8	3
Kilkenny	996	932	21	17	21	3	2	0
Laois	788	732	14	13	23	2	4	0
Leitrim	445	432	2	5	4	2	0	0
Limerick	2,305	2,161	53	30	35	15	7	4
Longford	543	505	14	9	9	4	1	1
Louth	1,701	1,591	33	28	31	11	6	1
Mayo *	1,622	1,188	12	19	16	15	3	369
Meath	1,542	1,456	22	17	37	10	0	0
Monaghan	717	683	12	10	7	3	1	1
Offaly	871	826	13	9	14	7	2	0
Roscommon	754	701	19	10	14	4	2	4
Sligo	780	725	16	11	24	3	1	0
Tipperary	2,036	1,921	40	28	30	11	5	1
Waterford	1,438	1,356	18	19	25	19	1	0
Westmeath	1,259	1,186	22	19	20	11	1	0
Wexford	1,632	1,529	33	23	36	7	4	0
Wicklow	1,315	1,250	23	21	12	8	1	0
	50,356	43,492	789	669	766	327	156	4,157

** Retail in these counties has not been revalued by the Valuation Office and some areas data is still in an update process.*

Source: CSO/OSI/VO/Gamma 2020 (indicative data as of 4th June 2020)

On this basis, and as a measure to reduce risk, it makes sense to avoid concentration of consumers in smaller stores and to **include the small number of larger stores which would have a better capability to meet social distancing guidelines**. Hence a focus on limiting to just "small" could negate the focus on public health objectives as larger retailers tend also to be more capable of ensuring spacing and have larger numbers of staff to oversee social distancing. It also provides much needed clarity to the businesses and workers concerned. An additional benefit is that a wider choice can also be helpful to low income households during this emergency.

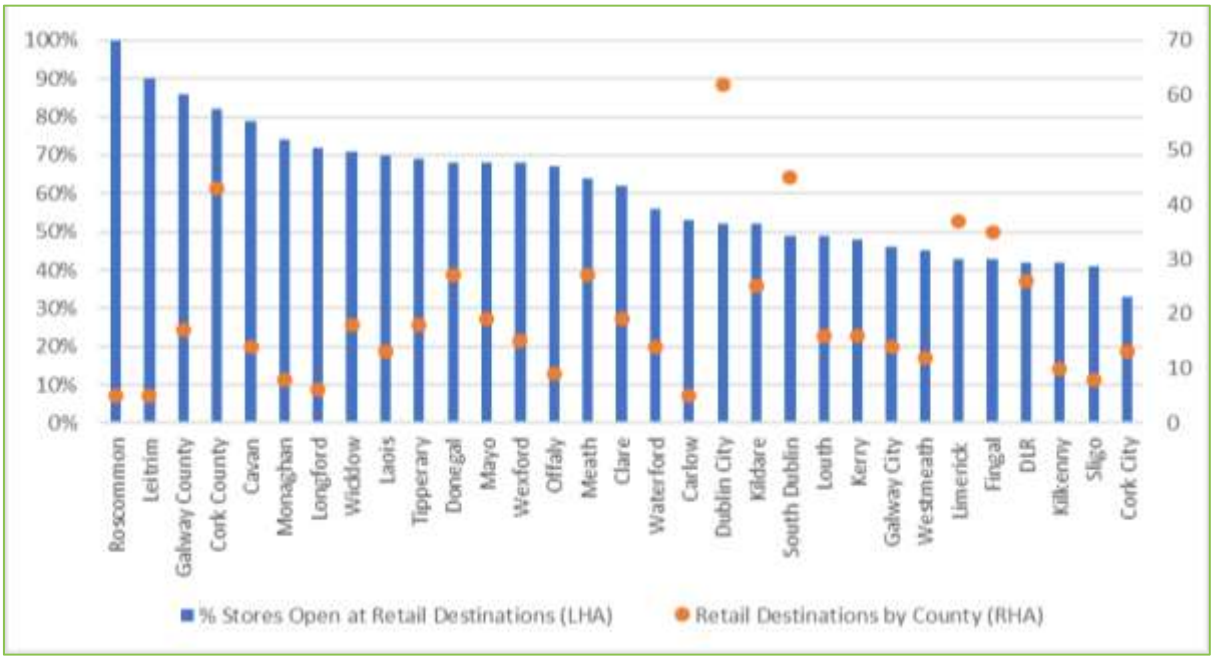
It will be recalled that the opening of motor garages and car sales showrooms was not restricted by size with all showrooms opening on the 18th May and no significant issues have been reported.

Finally, Ireland's retail structure with a large number of local and small grocery and other essential retail outlets means Irish consumers have learned how to adapt social distancing in a retail environment, while other European countries have a structure of hyper-markets and large stores, where adapting to wider opening of retail could take time in terms of social norms.

Retail Clusters/Shopping Centres

Retail has changed dramatically over recent decades in Ireland and is now characterised by a combination of on-street retail, clustering of shops, destinations and shopping centres, retail parks, together with dispersed retail in towns and villages serving local needs, reflecting our dispersed settlement patterns. The CSO/OSI/VO/Gamma data provides indicative data on retail 'destinations' as an indication of retail concentrations or clusters of retail outlets by county, which includes shopping centres and significant town areas, together with key retail brands or outlets by destination.

Figure 7 Retail Destinations by County and Percentage of Outlets Open in Phase 1, 18th May 2020



Based on an analysis of the retail sectors that opened in Phase 1 (Grocery, Electronics, Hardware & DIY), excepting the main cities, over half of retail is now open:

- 9 counties have 70% of more of retail outlets that can or are open in retail 'destinations', most notably Cork County with 13 destinations and 82% of outlets open;
- 11 counties have between 50-70% of retail open in retail destinations, many of which have been 10 and 20 retail 'destinations', or clusters and shopping centres;
- Cork City has lowest share of outlets open with 13 destinations and just a third open;
- Dublin City has 62 destinations and 52% of retail categories are open. Galway City has 46% open and Limerick has 43% open.

Retail destinations/clusters/shopping centres, while continuing to remain closed for cafes and restaurants until phase 3 and for all other activities until Phase 5, need to **continue to facilitate the reopening of self-contained retail areas in Phase 2**. Shopping centres/retail destinations where facilitating such access to retail outlets in Phase 2 should ensure that, among other measures:

- **Opening times are coordinated with transport providers** and other retail outlets at those destinations, to ensure safe pre-arrival of staff using public transport and staggering of opening and closing hours so as to ensure social distancing on transport and other public health measures can be implemented;
- Staggering and coordination of opening times to ensure **allocated times for elderly, vulnerable and at-risk groups** and that these times be coordinated with existing local practices of grocery and other essential retail outlets already open as part of Phase 1. This will include allocated times on first opening so as to ensure transport and other services can be prioritised for such groups;
- **Controls are in place to manage the number of people** in buildings at any one time;
- **Effective queuing systems for entry and direct exit** from centres are in place;
- Customer entry and exit to and from car parks is managed to ensure social distancing and implement public health guidelines;
- Queuing systems and measures for **continuous sanitation** of lifts are in place and that numbers are controlled;
- Escalators and travellators and walkways have **clear markings for social distancing** and together with keep-left protocols etc to minimise public interaction;
- Effective queuing systems to individual stores are in place that can ensure separate queues for individual retail outlets and maintain social distance guidelines on malls and thoroughfares;
- Where public toilets and other facilities are open, that queuing systems, hygiene and separation of facilities are in place, such as the installation of urinal and hand basin covers etc;
- That **all mall furniture be removed or made inaccessible, communal, recreational, amenity and other gathering areas remain closed** and/or sealed off;
- Shopping centres may also consider making **face coverings** available (free of charge – not mandatory for shoppers) at entrances.

The **NSAI will develop a checklist and guidance document for shopping centres** based on the National Return to Work Safely Protocol. Compliance with the National Return to Work Safely Protocol will continue to be led by the HSA and will work with other public sector regulatory bodies, including the HSE Environmental Health Officers (EHOs), as appropriate.

In addition, local authorities will develop initiatives to support social distancing in public realm including temporary **pedestrianisation** in commercial environments with narrow pavements etc, compliance with planning and other requirements. Local authorities will also have a general remit in relation to access to destinations/shopping centres and all retail.

Option 2 for Phase 2 - Reopening of Retail Outlets below 700 m2

If a limit on store size for reopening is to be introduced, another possible option would be that retail stores and contained retail areas of 700 m^2 or less which can effectively manage the entry and exit of customers to implement social distancing and public health guidelines can open on 8th June. This option would be inclusive of the measures set out in *Retail Clusters/Shopping Centres* section above.

This size specification aligns with the approach adopted in Germany and is aligned to the specification in the Retail Planning Guidelines 2012 of 700 m^2 as a size threshold that is accommodated in most urban settings and generally for non-bulky goods. The 2012 Retail Planning Guidelines settled on minimum size of 700 m^2 as '…units of less than 700 square meters gross floor space are more easily capable of being accommodated in urban centres and in any event tend to sell less bulky goods…'. By comparison, the average size of new supermarkets in Ireland is 1,701 m^2 with grocery outlets being 1,529 m^2.

700 m2 is just below the size that Germany used at the end of April for their first phase of reopening of retail and they also allowed other stores to open at the same time regardless of size '…Stores with a shop floor of up to 800 m^2 (8,610 square feet) may re-open, as well as car dealers, book and bicycle shops regardless of size…'

The key requirement would be that retail units reopening must be able to implement the National Return to Work Safely Protocol, following the necessary employer-employee consultation and training and have necessary sanitation and other facilities in place. A range of checklists and supports are available from the Health and Safety Authority and NSAI for these businesses.

Retailers reopening should ensure entrances / exits are suitable for control of numbers of shoppers and ensure that any queues can maintain social distancing.

5.4 OTHER ISSUES FOR PHASE 2 AND BEYOND

Clarity for Businesses

Concerning Phase 2, **businesses continue to have challenges in interpreting the Roadmap**. Businesses have sought more information concerning the mechanism envisaged in Phase 2 for "supporting, advising on, assessing, regulating planning for return to onsite working by organisations" and have queried what is captured by the reference to "other workers". **Retailers** have sought a clear definition for "small" with regard to retail, and clarity in respect of retail units located within shopping centres. Reconfiguration of stores, to ensure they can be considered 'small', has also been flagged. Specific guidance is being sought especially where, personal contact may arise in retail settings e.g. clothing / footwear fittings. Options are set out above which would address these issues.

Later phases of the Roadmap are being raised with **growing calls by sectors for earlier openings where businesses are confident that they can implement social distancing** and other public health requirements. Priority sectors in this regard include Tourism related sectors e.g. Accommodation and Food which is addressed later in this paper.

It is anticipated that Phase 2 will present further challenges for businesses in terms of being able to prepare for reopening. Phrases such as 'other workers due to the nature of work, can maintain 2m distance constantly' (Section 4 – Phase 2) and 'organisations where employees have low levels of daily interaction' (Section 4 – Phase 3) are difficult to distinguish without a clear insight into the public health objectives underpinning them. It is likely that **these terms will also present challenges for the issuing of guidance and enforcement.** It is unsurprising that the **issue of 2m distancing continues to be raised**. The impact of this in terms of employment in the Tourism sector is explored later.

The clients of EI and IDA Ireland are generally in manufacturing and internationally traded services sectors. The internationally traded services sectors are operating within the current restrictions largely through **remote working**. However, while this has enabled continued activity, it is now beginning to create efficiency challenges for a number of clients. While remote working, when properly phased in can provide tremendous benefits, the manner in which this pandemic thrust the transition to remote working upon them severely hampers productivity in many instances. For agency clients and many other businesses across the country, remote working when applied to all staff, all of the time, presents challenges not only in terms of costs and efficiencies but also in terms of ensuring compliance, security and confidentiality.

Entry Requirements Concerning Self-Isolation

The Department of Health is leading a process that follows through on the Government's intention to **strengthen the regulations around the 14-day self-isolation requirement**. New regulations to make filling out the passenger location form mandatory for international arrivals to Ireland came into force recently. It is understood that the focus now is to strengthen the requirement, currently with the status of guidance, to self-isolate / restrict movement for 14 days.

DBEI, its agencies and other Departments have received concerns from businesses on the requirements to self-isolate for 14 days upon arrival into the country. While cognisant of the public health rationale behind the requirement, any move to a mandatory regime should be proportionate and only apply to non-business travellers or include a specific list of exempted **critical workers and travel purposes so as to avoid significant disruptions and potential job losses** for Irish businesses and citizens across a range of sectors. Any exempted categories or workers should continue adhere to public health guidelines to the maximum extent.

A concern is that highly specialised workers and business travellers will not travel to or from Ireland for one-off engagements if required to self-isolate for 14 days. This could result in delays in manufacturing, construction projects, critical data centre maintenance and could jeopardise ongoing medical devices projects, where in some cases, regulators from other jurisdictions must be able to visit freely to assess local production operations on a short-term basis. It will also damage prospects for attracting investment into Ireland by hampering IDA Ireland showcasing of potential locations for FDI.

Additionally, there are a number of Irish based companies who frequently send specialised workers abroad for short-term work at customer premises and / or related sites abroad. These critical workers are also required in Ireland upon their return. The requirement to self-isolate would jeopardise these companies' overseas operations and ultimately business continuity.

Reassurance is needed that travel for business purposes will be exempt or that exemptions will be specified for international workers and business travellers in any strengthening of requirements concerning self-isolation / restricted movement upon entry into the country. DBEI has formulated appropriate exemptions in this regard. Any exemptions regime would need to be revisited if the regulations went beyond the short term.

Cognisance should also be given to the issues set out in International Connectivity and Tourism below in terms of **signalling effect** internationally about the environment for doing business out of Ireland, which is ordinarily positive. Ireland may introduce these strengthened measures at a time when most countries are loosening international travel restrictions. Grounds for reciprocal action should be avoided in the context of our relationships with EU member states and other countries. The messaging, and how this is perceived by the international business community, is of concern.

Skills and Training

As sectors of the economy move to reopen, it is important that the supply of skills and labour continues to be addressed. Measures adopted by tertiary education and training providers to secure the continuity of learning and introduce alternative assessment arrangements have enabled large numbers of learners to progress in or complete their courses. However, it has not been possible to put in place satisfactory alternatives for practical assessments in a number of programmes.

As the construction sector returned in phase one, issues arose with access to **mandatory safety training**. SOLAS and the Department of Education and Skills are making arrangements for the return of these programmes as part of phase 2 of the Government's Roadmap. Building on this approach, the supply of skills to important and active sectors such as the construction and motor industries and areas of manufacturing can be addressed through an early and careful reinstatement of practical assessments in tertiary institutions in line with public health advice. Due to their practical nature, many of these programmes, including apprenticeship, enable participants make an immediate productive contribution in workplaces.

In appropriate institutions, the backlog of practical assessment activity can be cleared over the summer, starting in Phase 2. Arrangements for undertaking this work have been developed by further education and training providers and are being considered by SOLAS and the Department of Education and Skills with public health advice.

International Connectivity

A key factor in Ireland's successful emergence from the previous recession was an export-led recovery. Given the continued reliance of Ireland's economy and competitiveness on international trade and connectivity, the impacts of prolonged overseas travel restrictions (6 to 12 months) are potentially severe and will be felt disproportionately in Ireland. A prolonged shut-down in international connectivity could severely damage Ireland's transport sector which has underpinned Ireland's international trading position and connectivity over many years and may take years to recover.

Over the last three months, international connectivity has taken an unprecedented hit and longer-term impacts of reduced connectivity are likely to be significant across the Aviation, Maritime and Tourism sectors. Over 140,000 jobs are supported by the air transport sector in Ireland and the air transport industry, including airlines and its supply chain, is estimated to support €9 billion of GDP. Every enterprise in the aviation value chain, with the sole exception of dedicated cargo operators, have seen severe depletion of business and are facing various degrees of financial challenge. Ireland is a significant player globally for aircraft leasing, an industry which contributes a further €541 million to the Irish economy, supporting nearly 5,000 jobs. The prolonged disruption of Ireland's air connectivity with the rest of the world could also impact on our competitiveness in the FDI sector. Where air services are suspended, re-activation is not automatic as restrictions are lifted. Developing services to particular markets – particularly long-haul - is a long-term investment and some of these hard-won routes may be lost for some time.

The maritime sector is critical to the continued supply of goods in and out of the country, accounting for 90% of Ireland's international trade in volume terms. While shipping services are still running and have maintained capacity which has proven essential to sustain the supply of essential goods, maritime passenger movements are down 95% and freight volumes down by approx. 40%. Operating at significantly reduced levels of demand for both freight and passengers cannot continue indefinitely. It is unclear for how long this reduction in demand can be sustained by the sector.

The international transport sector makes investment decisions based on a long-term view - where financial risks associated with substantial capital costs are spread over time based on projections around the socio-economic context in which they operate. The current lack of clarity as to when Ireland will be in a position to facilitate a return to overseas travel presents a significant challenge for the sector.

The EU Commission has developed guidance, based on advice from the ECDC, to facilitate a managed and safe return to cross border, international travel. Ireland will benefit from the experience of others in terms of the effectiveness of measures being applied. Effectively, this could feed into Ireland's approach for restoring international connectivity, providing some level of certainty for carriers and those economic sectors that rely on international travel to plan ahead in an informed manner, and ultimately ensure that Ireland is positioned to re-engage its international connectivity optimally and safely. A consistent all island approach with alignment of re-opening dates (North & South) for the sector is desirable.

Tourism

European Commission data shows that Tourism is one of the sectors expected to see the highest declines in turnover in each quarter until year-end. Significant attention has been given to these sectors, internationally, with regard to stepdown measures especially with regard to the reopening of airports (for domestic purposes initially and then international travel), border control, and large public events including sports.

Ireland's tourism sector is deeply dependent on overseas visitors who account for 75% of overall tourism revenue. Approximately 6.8% of GDP was supported by air transport and foreign tourists arriving by air in 2018 and spending by foreign tourists supports a further €8.7 billion of GDP. In a worst-case scenario of no international tourists coming into Ireland for the remainder of 2020 - in addition to a decline of 20% in domestic tourism – this could lead to an overall loss to the economy of €2.3bn. Of the 260,000 jobs supported by the tourism and hospitality sector, 180,000 of these are supported by overseas visitors, and 80,000 are supported by staycations. In this regard domestic consumers spend on overseas travel was worth €3.1bn in the period August to December 2019 while domestic consumers staycations in the August to December period of 2019 was worth €1bn.

Given the restrictions on international travel, the focus for 2020 must be on reviving the domestic tourism market to ensure a return to work for as many employees as possible. The peak summer season of July and August is traditionally more important to rural and regionally based tourism enterprises and the shortening of the season would potentially have a disproportionate impact on employment in those areas. It is worth noting in this regard that 70% of employment in tourism is outside of Dublin.

Against this backdrop, the phasing of the Roadmap for reopening society and business poses particular challenges for tourism enterprises given the relatively short duration of the peak season for Irish tourism. Fáilte Ireland research indicates that traditionally almost 50% of domestic tourism expenditure in Q3 occurs in July.

Hotels and other accommodation are due to reopen in Phase 4 (currently scheduled for 20 July) as are museums and galleries. This leaves a very short period to generate revenue from the domestic market before the return to school for families.

Bringing these measures forward to Phase 3 would help hotels and important visitor attractions to generate revenue and get staff back on the payroll earlier and off the Covid related employment support schemes. The development of protocols current being prepared by the sector would help to ensure a safe return to these activities and would also assist in boosting consumer confidence.

In addition, bringing forward reopening of hotels, museums and galleries while at the same time allowing people to travel beyond the 20k limit would boost domestic demand in other tourism and hospitality services such as cafes and restaurants which are due to open in phase 3.

In similar vein bringing the cultural and social re-openings forward from Phase 5 to Phase 4 would enhance the tourism product on offer to domestic tourists. For example, theatres and cinemas would provide potential evening activities for families taking a break in Ireland.

The Department of Transport, Tourism and Sport (DTTAS) reports that feedback from the sectors is that the economic impact of reducing the **social distancing** from 2m to 1m would be significant as it directly impacts capacity. It is difficult to give an average impact of the social distancing as it is dependent on the physical nature of each business. Table 3 below shows Fáilte Ireland’s estimates of the economic impact at this time, primarily estimated on capacity implications i.e. estimates are based on the potential capacity under the social distancing restrictions and assumes consumer demand will fill this capacity. Demand forecast projections have not been built into these estimates.

Table 3 Fáilte Ireland estimated impact of social distancing rules on employment numbers

SECTOR	EMPLOYMENT 2019	ESTIMATED EMPLOYMENT POST COVID 2M SOCIAL DISTANCING	ESTIMATED EMPLOYMENT POST COVID 1M SOCIAL DISTANCING
ACCOMMODATION (HOTELS)	78,000	18,000	26,000
RESTAURANTS	72,000 (120K restaurants, cafes and catering)	7,800	47,500
BARS	45,000	13,500	27,000
ATTRACTIONS	9,500 (privately owned)	2,400 to 2,800	4,300
ACTIVITIES	6,300	1,600	4,500
OTHER	59,000	19,500	39,000
TOTAL	260,000	63,200	148,300

Fáilte Ireland has provided a summary of feedback from sectors as follows:

- *Restaurants*: Current predictions are 90% of restaurants will not open if 2 metres social distancing is in place. If 1m social distancing is implemented estimates are 66% will open.
- *Bars/Pubs*: 2m social distancing will result in a reduction in capacity of 87% in a bar with mostly standing capacity and a reduction of 66% in a bar which has seating with tables. 1m social distancing would result in a 50% and 35% reduction respectively.
- *Hotels*: Hotels have indicated that with 2m social distancing 70% of hotels will not be able to operate on a break-even basis, with only 23% of workforce employed. If 1m social distancing is in place the estimate is that 33% of previous workforce will be employed. A key factor in this reduction is the loss of wedding and events business.
- *Activities and Attractions*: Social distancing will have a significant impact on indoor attractions which is very dependent on the physical space of the business and whether guided or self-guided. For example, Guinness Storehouse did an economic assessment of 2m social distancing. Pre-Covid: 8000+ per day capacity. Post-Covid with a 2-metre restriction would bring capacity down to 1500 visitors per day.

Childcare

As the economy reopens, the **provision of childcare will be vital to support parents as they return to work**.

The Roadmap for Reopening Society and Business sets out the plan for re-opening of Early Learning and Care and School-Age Childcare (ELC and SAC) services. This will further be underpinned by the Government's Return to Work Safely Protocol, expert advice, available evidence and consultation with ELC and SAC stakeholder representatives and providers themselves.

Initial plans for re-opening ELC and SAC services under Phase 3 have been agreed and guided by the detailed public health guidance specific to ELC and SAC services received from the Health Protection Surveillance Centre (HPSC).

Detailed planning and costing of proposals is ongoing to provide a sustainable and viable funding model which can be applied across the Roadmap phases reaching full capacity when public health guidance allows.

Appendix - Sectoral Overview of Economic Impact – Some Indicators

Sector	Enterprises (2017)	% Enterprises (2017)	Employed (Q4 2019)	% Total Empl. (Q4 2019)	% of Employees in Firms < 50	GVA €m (2018)	% Total GVA (2018)	Average Weekly Gross Earnings	PUP Recipients as % of Q4	TWSS Recipients as % of Q4	PUP or TWSS as % of Q4 2019	Weekly cost of PUP*
Agriculture	N/A	N/A	106,900	5%	N/A	3,645	1%	N/A	7%	3%	11%	€3m
Industry	18,817	6%	286,300	12%	28%	109,985	36%	€920	11%	22%	33%	€11m
Construction	57,255	17%	147,100	6%	83%	8,578	3%	€822	41%	30%	71%	€21m
Wholesale and Retail Trade	48,598	14%	310,200	13%	54%	22,599	7%	€604	26%	32%	58%	€28m
Transportation and Storage	25,736	8%	108,000	5%	51%	7,567	2%	€810	15%	24%	39%	€6m
Accommodation and Food	19,205	6%	179,200	8%	56%	5,391	2%	€382	68%	23%	91%	€43m
Information and Communication	15,953	5%	127,600	5%	38%	36,765	12%	€1,241	9%	7%	16%	€4m
Financial, Insurance and Real Estate	23,299	7%	115,100	5%	32%	40,976	14%	€1,115	17%	10%	27%	€7m
Professional, Scientific and Technical	43,587	13%	141,100	6%	66%	12,555	4%	€973	16%	27%	43%	€8m

Administrative and Support Service	18,716	6%	112,100	5%	30%	18,734	6%	€617	38%	22%	60%	€15m
Public Administration and Defence	N/A	N/A	117,000	5%	N/A	8,832	3%	€972	11%	1%	12%	€4m
Education	14,440	4%	191,600	8%	24%	9,055	3%	€874	11%	5%	16%	€8m
Health and Social Work	20,989	6%	294,300	12%	35%	14,058	5%	€758	7%	8%	15%	€7m
Other NACE Services	32,134	9%	118,700	5%	77%	4,318	1%	€517	44%	16%	60%	€18m

Source: Enterprises – CSO Business Demography, Employment – CSO LFS Q4, GVA – CSO National Accounts, Average Earnings – CSO EHECS Survey. TWSS – Revenue Statistics (As of 28th May 2020), PUP – DEASP (As of 2nd June 2020). Note: % of employees on PUP/TWSS estimated based on latest admin data for the schemes and Q4 2019 CSO LFS data. This should be treated with caution given the changing level of recipients over time. TWSS data refers to all employees who have received a payment. Weekly cost of PUP calculated by multiplying PUP recipients from latest data by €350.

Department of Business, Enterprise and Innovation

Department of Public Expenditure and Reform

Department of Finance

Irish Government Economic and Evaluation Service

Rialtas na hÉireann
Government of Ireland