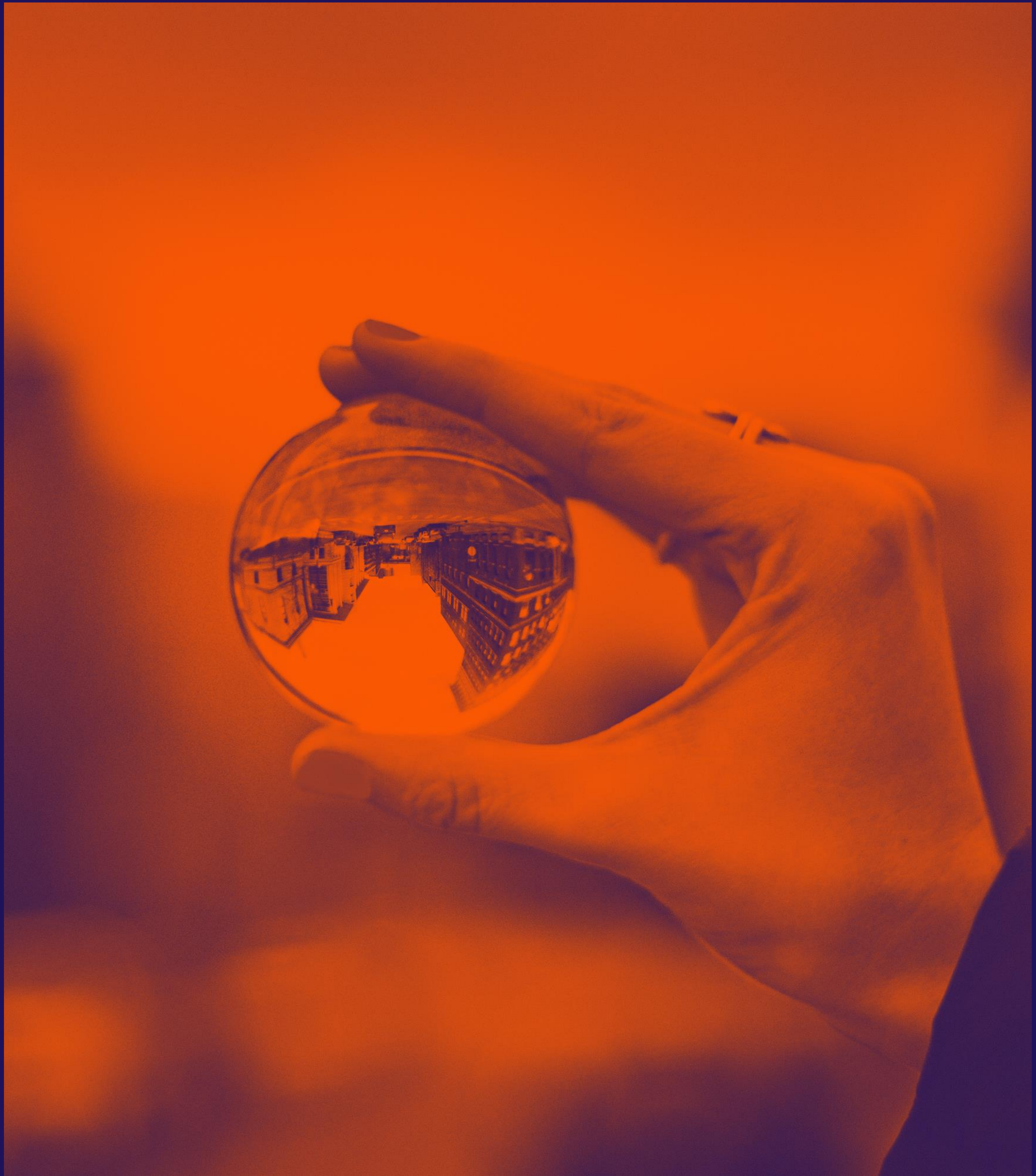
Reboot & Reimagine

Government July Stimulus Plan

Ibec priorities



Ibec
For Irish Business

Reboot & Reimagine

Ibec's Reboot & Reimagine campaign provides a blueprint for a sustainable future for Ireland addressing the economic and business impact of COVID-19 as well as a plan for achieving a better Ireland by tackling the country's acute and significant challenges.

In developing the over 200 recommendations in Reboot & Reimagine, over 550 CEOs responded to an Ibec survey providing insights on the present and future impact of COVID-19 on the Irish business model.

In addition, businesses of all sizes and activity engaged through the Ibec Board, National Council and policy committees. We also listened to the challenges and opportunities identified by Ibec's 36 Trade Associations, sector by sector, who were actively engaged in the development of this campaign.

More information about the campaign, our events and podcast is available at Ibec's website.

Key messages

- The Government July Stimulus plan must ensure that liquidity and business supports reach struggling businesses much quicker and more effectively than has been the case to date
- The Restart grant scheme should be significantly upscaled in order to provide a more meaningful cash injection to struggling SMEs
- Liquidity must also be supported through improvements to the credit guarantee scheme and the establishment of an export credit insurance scheme as Ireland is a significant outlier in not having such a scheme
- The Wage Subsidy Scheme should be extended to year-end, tapered to avoid a cliff-edge impact for companies in the fragile recovery phase, and repurposed as a short-term working scheme. This is in line with schemes in other EU countries, with a view to protecting employment in the face of a difficult Brexit.
- A VAT reduction to 9% for the food and hospitality sectors most impacted by the crisis should be introduced immediately
- A range of training grants, active labour market policies and measures supporting firms to hire new staff should be rolled out immediately. The JobsPlus scheme has previously been very effective in supporting job creation at times of high unemployment and it should be further enhanced.
- A broad range of 'shovel ready' public infrastructure and investment projects, which will have an immediate impact on economic activity should be rolled-out, with a particular focus on advancing regional development, housing, and sustainable transport objectives. Given the challenges facing retail and hospitality businesses, a major town centre renewal initiative should be advanced as quickly as possible.

SME and Liquidity Priorities

- **Significantly improve the Restart Grant:** Increase the fund to over €1 billion, including a flat rate payment of €15,000 per company to match the German and UK schemes and remove the link to the rates system which disqualifies so many smaller operators.
- **Draft in urgent administrative support for stimulus measures:** The backlog in applications for enterprise supports is growing exponentially, putting at risk the core purpose of getting money to businesses. The enterprise support system must be urgently scaled to cope with the short-term pressures it is currently facing. This could be a mix of building on the Revenue Commissioners' track record in new scheme deployment, pooling or sharing of existing public sector resources to clear the backlog and using external providers during the peak application processing period. Weekly reporting of data must include number of applications approved and total payments made under all new and existing enterprise support schemes.
- **Introduce a new and radically improved 'bounce-back' credit guarantee scheme for firms with below 50 employees:** with 100% guarantees on loans, no portfolio limit and an interest rate holiday of 12 months followed by interest rates well below the eurozone average.
- **Introduce a State supported export credit insurance scheme:** To ensure the expected gap in supply of export credit insurance does not impact on the ability of Irish firms to export, introduce a new scheme covering short-term export credit insurance for companies in line with the new temporary state aid framework

SME and Liquidity Priorities

- **Extend the commercial rates exemption to six months:** Provide funding to local authorities to extend the rates exemption for impacted companies to six months and to support a further six-month deferral. There should be consideration given to extending the duration of these supports for companies in sectors which face extended recovery timelines such as those in retail, tourism, hospitality and entertainment.
- **Introduce a binding mandatory arbitration model for disputes over commercial leases:** This should include a facility for some State burden sharing and provide short-term protection from eviction. The State burden sharing model should be based on the recent Swedish state-aid approved model which covers up to 50% of rent reductions negotiated between tenants and landlords for the period of the crisis at a cost of €450 million.
- **Provide ongoing flexibility on tax compliance:** Ensure Revenue takes a 'maximum flexibility' approach with long-term debtors under the 'warehousing' scheme where those debts are the result of the COVID-19 related disruption. This may include both long-term payment plans with suspended interest and debt forgiveness in cases where tax debts are the biggest obstacle to business viability.
- **Re-introduce and extend the 9% VAT rate:** For companies in the hospitality and personal services industries along with the on-trade and other badly impacted sectors for a three-year period.
- **Allow employers to provide up to €2,000 in tax free vouchers:** Introduce a one-time extension of the small benefits exemption to benefit-in-kind to allow employers to give a voucher in 2020 or 2021 up to the value of €2,000, on a tax free basis (the Exchequer cost would be in the region of €400-500 per voucher – depending on take-up).

Reshaping the Wage Subsidy Scheme

- **Retain an adjusted WSS until at least the end of 2020:** As the economy re-opens, the role of the WSS will shift from an income support for workers (operated through their employers payroll) to a support for employers in order to guard against significant layoffs. The early or ‘cliff-edge’ withdrawal of the WSS risks triggering a significant amount of redundancies in firms which are open but facing a deeply uncertain demand scenario. In the first instance, the WSS should be left in place until the end of the year.

- **Remove eligibility for the scheme on a phased basis:** The current legislation, which removes firms from the scheme once they hit 75% of pre-Covid turnover, will create an incentive to re-open more cautiously and minimise headcount in doing so. This is because firms would lose the subsidy completely and may only have the benefit of a small amount of additional demand above the threshold. Over the period, to the end of the year, firms should be given a line of certainty by removing them only on a graduated basis as demand reaches a level consistently above 75% of normal demand and moving toward 90% over a period of time.

- **Broaden the scheme to include new hires and seasonal workers:** From July the scheme should be broadened to include new hires and seasonal workers. This would encourage firms to take on workers to deal with seasonal demand and new hires over the summer months and into Autumn. This change will be an important incentive to grow employment and support additionality in economic activity.

Reshaping the Wage Subsidy Scheme

- **Determine the future of WSS style labour market supports through social dialogue:** The WSS was an important but necessarily imperfect solution to a sudden economic crisis. It has proven a significant economic support for workers and the broader economy. A permanent scheme, of a similar nature, should be put in place which allows firms to maintain employment during periods of temporary economic or sectoral fluctuation. This should be introduced to replace the WSS from the end of 2020 and should build on the lessons learned from the WSS.

  This permanent footing will be important in the context of both Brexit, the ongoing impact of COVID-19, and the low carbon transition. Government should convene a social dialogue of relevant stakeholders, involving employers and unions, to design a workable new model. Such a short-term working scheme would be in line with labour market policy in other EU countries.

Job creation, upskilling and reskilling

- **Invest in new or reimagined labour market activation programmes to support the rapid re-employment of those newly unemployed:** Such programmes should be strongly connected to the labour market (e.g. Back to Work Enterprise Allowance; JobBridge; JobPath and JobsPlus).

- **Target labour market activation programmes towards specific sectors and regions hardest hit by the crisis:** this would enable a multifaceted approach to encourage a faster recovery and the avoidance of labour market black spots.

- **Provide access to upskilling and reskilling supports across sectors** to allow organisations to train employees for necessary changes in their business models and enable workers in vulnerable sectors to upskill for alternative roles or to retrain for redeployment to opportunities in other sectors.

- **Provide particular supports for youth unemployed building on the Youth Employment Support Scheme:** Younger workers are disproportionately represented in pandemic related unemployment payments and the sectors heavily impacted by COVID-19 with many further disadvantaged by low education or skills levels. Targeted supports will keep them close to the labour market and avoid the long-lasting crisis impact on their future earnings, employment opportunities, health and wellbeing.

Job creation, upskilling and reskilling

- **Significantly increase funding to the JobsPlus scheme:** Double the hiring grants to €15,000 and €20,000 (as appropriate based on eligibility criteria) over 24 months for firms worst impacted by COVID-19 or in regions with persistent unemployment as a result of COVID-19 (e.g. areas reliant on tourism employment). Leave the duration of the changes open-ended until the unemployment rate falls below 6%.

- **Maintain the pre-crisis work on addressing structural challenges in the labour market facing people with disabilities and other marginalised groups:** Tailored solutions will be needed to avoid distancing cohorts that may be more marginalised by the crisis given their additional challenges (e.g. people with disabilities, lone parents etc).

- **Provide learning supports and learning programmes for SMEs:** Given the unique constraints that SMEs face, specific and targeted programmes are necessary to help business develop their people and enhance their management and strategic capability to build stronger indigenous enterprises.

- **Provide €500m for in-employment training voucher:** to improve skills, adaptability, and long-term employment prospects of the labour force.

- **Increase investment for Generation Apprenticeship:** to encourage enterprise engagement, reduce on the job training costs and support strategic programme management and innovation.

‘Shovel-ready’ infrastructure priorities

- **Bring forward projects under the National Development Plan 2021–27:** Prioritise immediate commencement of shovel-ready projects and programmes. Conclude procurement processes for all infrastructure-related projects (e.g. business case; procurement advice; construction etc).

- **Deliver national road projects:** Deliver strategic road infrastructure projects to improve connectivity, overcome peripherality and ensure regions are well connected to Dublin and to each other.

- **Remove development contributions to incentivise non-exchequer infrastructure investment:** Introduce government-backed exemption from local authority charges to incentivise non-exchequer investment in infrastructure provision such as housing, renewable energy and 5G.

- **Accelerate the rollout of the National Broadband Plan:** Deliver on its ambition as quickly as possible to enable regional growth and support remote working opportunities.

- **Ramp up expenditure through capital programmes:** All government departments, agencies and relevant public bodies should ensure that capital programme commitments are delivered; the priority being the clearing of existing backlogs and bringing forward projects for commencement in 2020.

‘Shovel-ready’ infrastructure priorities

- **Launch a national maintenance programme:** Government should launch a national maintenance programme for State-owned infrastructure across all sectors during the transition phase.

- **Roll-out an ambitious national deep retrofit programme:** Use the recovery phase to begin upgrading large sections of our building stock to B1 and A BER ratings.

- **Reinvigorate regional development:** Launch new calls under the Urban Regeneration and Development Fund and the Rural Regeneration and Development Fund and bring forward €3 billion of expenditure by the end of 2023.

- **Revitalise town centres:** Create a €200 million annual “town growth fund” to support the revitalisation of town centres. Funding can be sourced from local resources but based on a match funding principle. Projects will be funded through a competitive bidding process. It would unlock a minimum of €1.2 billion investment over three years.

- **Boost urban and town centre resilience and recovery:** Introduce a new Resilience and Recovery Fund, managed by the local authorities, to support immediate priorities of town and urban centres during reopening and recovery phase.

‘Shovel-ready’ infrastructure priorities

- **Government should fund local authority capital programmes:** Central government to provide funding for early delivery of local authority capital programmes; targeting local road works, housing, flood relief works, environmental protection, culture, recreation and amenity, in addition local flagship projects.

- **Increase the pace of housing delivery:** Ramping up of shovel-ready construction projects will be key to delivering quality and affordable homes and encouraging urban infill through regeneration supports such as the Serviced Sites Fund, Living Cities Initiative etc.

- **State must be more ambitious in its approach to direct building:** Increased housing provision by the local authority sector would provide immediate economic and social benefit across the country.

- **Prioritise investment in water and wastewater infrastructure:** Direct exchequer support should be given to Irish Water’s pipeline of shovel-ready projects, which would have the added benefit of stimulating employment across the regions.

- **Investment in sustainable mobility:** Provision of exchequer support to facilitate bus and rail upgrades; fleet renewal; and essential rail maintenance works.

- **Ambitious investment in active mobility:** Provide capital funding to local authorities to support active mobility through measures such as pavement works, greenways and urban cycling infrastructure.

‘Shovel-ready’ infrastructure priorities

- **Accelerate roll-out of planned alternative road fuel transport infrastructure:** Use the recovery phase to advance the build out of planned charging and refuelling projects to support the decarbonisation of road transport.

- **Address the infrastructure deficits in education:** Increase capital investment in key underpinning education infrastructure (primary, post-primary and higher-education sectors) to address infrastructure difficulties faced across the education system ranging from deteriorating and/or inadequate buildings, outdated ICT facilities and the need for increased capacity for online education, specialist laboratories and equipment.

- **Provide for increased capacity in healthcare:** Investment is needed in providing new, additional capacity and upgraded facilities across acute hospitals, social and older persons care, primary care and mental health services; ensure adequate equipping and commissioning of such facilities; and facilitate timely delivery of projects underway.

- **Prioritise investment in the tourism infrastructure and new product development:** Investment should visitor experience development, upgrading of existing attractions and sites, visitor awareness and accessibility.

- **New sports capital funding programmes:** New call for proposals covering investment and upgrading of sports facilities and infrastructure across the country.

About Ibec

We are Ireland’s largest lobby group, campaigning for real changes to the policies that matter most to business.

Policy is shaped by our diverse membership, who are home grown, multinational, big and small and employ 70% of the private sector workforce in Ireland.

With 36 trade associations covering a range of industry sectors, 6 offices around Ireland as well as an office in Brussels and connections in the U.K. and Washington, Ibec communicates the Irish business voice to key stakeholders at home and abroad.

We also provide a wide range of professional services and management training to members on all aspects of human resource management, occupational health and safety, employee relations and employment law.

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Priorities for July Stimulus Plan