



Chambers Ireland Statement to the Joint Oireachtas Enterprise, Trade and Employment Committee

March 2023

Chambers Ireland Perspective on the Current Challenges for SMEs

Chambers Ireland represents 38 affiliated Chambers throughout the length and breadth of the country. As part of our support for the Sustainable Development Goals, Chambers Ireland tries to lead businesses towards the attainment of these goals. For many businesses at the moment keeping their attention on the medium term is a challenge. With businesses experiencing crisis after crisis, year after year, it can be difficult to prioritise the longer-term crisis. However, those firms which acted early on Climate Action by reducing their energy usage, or building on-site microgeneration and storage have demonstrated how efficient and resilient these investments can be.

The greatest challenge that is facing small and medium enterprises this year is the lack of available talent which is driven by affordable and appropriate housing being unavailable across most of the country.

With a small number of exceptions, all our chambers have housing as the main cause of their businesses' challenges, which highlights how important it is for us to achieve the goal of Sustainable Cities and Communities – the transformation of our built environment to support sustainable living is not simply an aspiration, it is a necessity.

There are regional differences which are occurring; in the north and west the mica issue is interacting with higher interest rates to make it harder to finance the kind

of once-off housing which traditionally is the primary source of increased supply there.

In the mid-west there are challenges with local authorities and affordable housing bodies buying out scheme housing developments in their entirety. In the southwest about two thirds of houses are one off builds; of the balance, about two thirds are being bought by state supported institutions. This means that the real market for housing in that area is tiny. It also means that it is a distorted housing market, with institutional buyers driving up the prices of homes.

Imagine being a young couple trying to build a life for yourselves and finding that you are bidding on a house where your competition is the County Council. Now imagine you're their employer; there's an enormous scarcity of talent, you can't find anyone else in your area where the same skills, you can't afford to pay them more, but they need to increase their income if they are going to get a mortgage that can compete with the Local Authority.

Those staff leave, they move to a different area, or they get a remote or hybrid job which pays them extra and allows them to stay close to their roots and their community. It's very hard to compete with that.

Our members are having to take on new people, people without the skills or experience which their business needs, they train them up, and then when they are becoming productive members of staff they need higher wages for rent, soon the house hunting begins again, and then the cycle reoccurs. This is having a tremendous effect on the productivity of the Irish labour market.

In the cities it's an even greater challenge, the competition for talent is even higher, employees are able to find work in large multinationals across a wide variety of industries and sectors. It is becoming ever harder for smaller and medium sized firms to compete. Already, across the country large employers are buying up individual homes and houses so that they can ensure their employees have somewhere to stay. Several times in the last year we were contacted by businesses hoping to make big investments, potentially supporting hundreds of jobs, that were considering buying out entire housing estates, if that would allow them to grow their workforce.

We know that the Irish units of multinationals are often not competitive for further internal investments because they cannot meet their existing employment targets never mind expand their workforce.

We are growing as an economy, but we are not growing at the pace we could grow. Our domestic market has been constrained by this lack of housing.

Up and down the country our members are telling us that businesses are busy, but they are leaving opportunities on the table because they do not have the capacity to take on more work. This is a good kind of challenge, but it remains a challenge, because if a business is to be sustainable over the longer term it needs to grow, and to invest, both in its capital and in its people.

At the moment, the other big conversation about our members is about uncertainty; most businesses – outside of sectors which have specific issues – are saying that they are busy now, but concerned about what will happen in three months' time. This seems to be the new normal we spoke about over Covid. Businesses are finding it hard to plan for the future because of the uncertainty, and the volatility of recent years makes a mockery of many of the plans our members had. Brexit, Covid, supply chains, sanctions, energy costs, interest rates have all interacted to impact businesses. But by and large, they have struggled on. This is not surprising though, these are the businesses that either survived the Great Financial Crisis or were formed by brave people in the wake of it. They are fit for growth, but they are constrained by the lack of talent, the lack of housing, the lack of infrastructure.

Our members are increasingly worried about the capacity of the state, and the wider economy, to deliver on the aims of the National Development Plan and our Climate Action Plan. If we fail in the execution of these programmes achieving our climate targets, and the Sustainable Development Goals, is unlikely. Our members are concerned that the uncertainty, and the delays, to projects mean that the

labour will not be available when it is needed should all these many projects be commenced in a rush towards the end of the decade.

They are also uncertain that the planning system will be able to perform as needed if we are to have €165 Billion in infrastructure investment out to 2033. With housing needing at least a hundred billion in investment, and likely much more to hit the 300,000 target for 2030, they are wondering if our planning decision-making capacity will be robust enough to make good decisions that will survive the challenges in the courts which our common law system make inevitable. With 7 gigawatts planned for offshore planned for 2030, our members are concerned that the initial ORESS 1 action of 2.5 gigawatts will be all that is in the water in 2030.

Business owner-operators can have confidence in themselves, they can have confidence in their business model, they can have confidence in their staff, but it is increasingly difficult for them to have confidence in the economic environment which they are trying to operate their business within.

This is demonstrated by the failure of a policy like TBESS. The lesson that we should have learnt during covid; that supports are only effective when they are accessible, and targeted at sectors that are vulnerable but viable, seems to have been forgotten. Instead, we had a scheme that was available for everyone, but with such constraints put on it that it was useful to no one. The manufacturing business in Limerick that saw its energy bill increase from €500k to €1.5m saw no benefit

from TBESS because their problem was so large. The Waterford hotel that saw its annual electricity bill go from €900k to €2.7m and decided to bring forward refurbishment in order to drive down operating costs couldn't be helped by TBESS. Then there's the printers in North Dublin that saw the Department and the CRU raise their bills by an extra €20k in October. This does not inspire confidence.

In summary, our members were very clear that their principal policy concerns this year are:

- Housing and Urbanisation
- Skills & Talent
- Energy & Decarbonisation
- Productivity & Competitiveness

These are issues for businesses because these are issues which the businesses themselves cannot address. We need politicians and officials to deliver on them, for everyone.

If there is one overriding thing that is needed for confidence to be restored, it is the fixing of the planning system. The planning authorities and courts needs to be staffed, and staffed by people with expertise, not generalists. They need people with the technical capacity to make decisions that can withstand scrutiny. It is extremely hard for businesses to plan, when the State is bad at planning.