



**CHAMBERS**  
**IRELAND**  
IN BUSINESS FOR BUSINESS

**Chambers Ireland Submission re Action Plan for Jobs 2016**

**25 September 2015**

## Introduction

Chambers Ireland represents the largest network of businesses in the State. With almost 50 Chambers located in every major town and city in the country, we are uniquely positioned to understand the needs of the business community and represent their views.

The Action Plan for Jobs 2016 is being drafted in a promising context. Since early 2014, we have seen strong growth in our economy and further progress in our national recovery. Crucially, the recovery has translated to an increase in domestic demand which has caused a reduction in unemployment levels to a six year low of 9.5%. The forecasts for 2016 again show a strong growth trajectory for GDP, increased tax buoyancy and further employment growth. We currently find ourselves in a situation characterised by a general perception that Ireland has come through the worst of the recession and that we are entering a new phase of economic growth.

Against this backdrop we are happy to submit our proposals for how Government can continue their support of jobs and business growth through the 2016 Action Plan for Jobs. As requested, we have outlined which theme our proposed actions support and the likely impact that these will have on job creation. Where possible, we have also provided an indication of the resources required to implement our recommendations.

### **1. Retain and Consolidate the Structures established under the Regional Action Plan for Jobs**

*Theme: Delivering the potential of all regions; Realising sectoral opportunities.*

Although the latest Quarterly National Household Survey showed an ongoing reduction in employment numbers and an acceleration of growth in all regions, the majority of economic activity has so far been confined to our urban centres. A sense remains of the recovery being two-tiered and East-led. We therefore believe that APJ 2016 must maintain a strong focus on regional growth to continue recent momentum.

Thus far, the implementation of Regional Action Plans for Jobs has proved an important step in ensuring that economic growth is felt throughout the country. The structures that have been established as part of the consultation on the development of the Regional Action Plans have been recognised as an effective means of both designing and delivering regional economic development initiatives. These structures should be further refined and supported to enable them to become long terms agents of delivery for regional economic development.

Each region has the opportunity to build expertise in particular areas of specialisation. By supporting the development of specialised clusters of industries and building on the relative strengths of a particular region, economic growth in all regions will be promoted.

We also believe that regional structures can play a useful role in coordinating the economic development plans being developed by Local Authorities and in the implementation of other national initiatives. In relation hereto, we advise the Department of Finance to liaise with local Chambers and Regional Assemblies which have localised expertise and established local networks.

## **2. Support Local Economic Development through Development Funds**

*Theme: Delivering the potential of all regions*

Drawing on the examples of Cork City and County Councils and international best practice, the establishment of a development fund in each Local Authority can be effectively used to support local enterprises and projects with growth potential. This practice could be incentivised by the Department of Environment, Community and Local Government (DECLG) centrally match funding a portion of the fund.

Development funds could then focus on driving business growth throughout a region by providing targeted supports into projects that enhance the business environment subject to applications detailing stated objectives for each initiative. Funds could, for example, be utilised to invest in initiatives such as start-ups, local festivals and markets, arts/craft studios, start-up hubs, etc. In this way, funds could be used to successfully support projects with both short-term and long term local growth prospects.

We also encourage DECLG and Government generally to explore the opportunities nested within crowdfunding. Faced with budgetary constraints, several British and U.S. local councils have utilised crowd-funding platforms to rejuvenate high streets and realise much-needed regeneration projects. Using crowd-funding platforms, councils can pitch ideas to the local community so that the cost of the project is shared among those who benefit. Councils use this approach to top up available funding from Exchequer funded grants, while others may look for the full cost associated with a project. There is also an opportunity to leverage investment from diaspora. As an added benefit to local economic development, crowd-funding also facilitates and encourages citizen engagement in local planning and development.

We note how the Local Government Reform Act 2014 includes provision for Members of Municipal Districts to establish community funds for the purpose of supporting community initiatives that improve local amenities, recreational facilities, the environment, social inclusion and development. At the same time, we note how local authorities may accept contributions to community funds from all sectors, including the voluntary, public, and private as well as private individuals. We therefore recommend that Government encourage the roll-out of development funds by using this provision.

## **3. Establish a Mediation Process for Public Interest Infrastructure Developments**

*Theme: Delivering the potential of all regions; Realising sectoral opportunities.*

Several large scale capital projects will come on stream over the next few years. Ireland's recovery has meant that several regions are now facing capacity constraints of an infrastructural nature. The business case for such investment is made in terms of direct payback in the tax growth this will afford and the rising economic growth that will help society to develop and prosper. Unlocking our cities and their clusters potential will require both infrastructural and political support. Ensuring there are no bottlenecks to Ireland's growth must be a unifying banner for the Department as it makes the case for budgets for other departments (e.g. DTTAS, DCENR)

In recent years, almost every large scale infrastructure project has suffered from undue delays and cost overruns resulting from objections and protests undertaken by individuals who have been opposed to their development. These objections and challenges impose huge costs on the Irish economy. They reduce the appetite for investment in Ireland amongst international investment funds, delay the construction of much needed national infrastructure, and cost the Irish exchequer due to deferred or reduced tax receipts.

Chambers Ireland recommends that a section of the Action Plan for Jobs 2016 focus on infrastructure development, and methods of ensuring that capital projects and infrastructural development are delivered in the most efficient means possible with a minimum of social and community disruption.

A participatory and inclusive method of community consultation involving citizens, investors, developers, relevant representative organisations and public representatives could be implemented to help ensure social support and 'social licence' in areas that will be affected by infrastructural development. While almost all developments projects currently incorporate some element of community consultations, these are often ad hoc, tend to be heavily influenced by vocal and organised minorities, and with little or no representation of the national interest.

The traditional method of a series of planning objections and appeals are too adversarial and lead to entrenched positions developing without clear information being available to parties. They are also time consuming and costly.

A State facilitated process of participatory consultation or mediation should form part of the planning stage of all large scale infrastructure projects. For a minimal investment, there are significant savings to be made and jobs to be supported through efficient delivery of infrastructure projects.

#### **4. Incentivise Employee Share Schemes**

*Theme: Driving entrepreneurship and start-up companies; Assisting indigenous businesses to grow*

In order to address issues around productivity, entrepreneurship and the growth of indigenous industries, we recommend that the Department of Finance incentivise employee share schemes by introducing changes to the current tax system.

There has been much recent public commentary on calls for increases in wages throughout the economy. We believe that 2016 will prove a crucial period in Ireland's economic recovery. There is a risk that a general upward pressure on wages throughout the economy will lead to an erosion of Ireland's international competitiveness. Notably, rising labour costs have already been identified by the National Competitiveness Council as undermining the competitiveness of Irish businesses.<sup>1</sup> Ireland already has high wage costs relative to our competitor nations and further increases to

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<sup>1</sup> National Competitiveness Council (2015), 'Cost of Doing Business in Ireland 2015'  
<[http://www.competitiveness.ie/Publications/2015/24022045-Costs\\_of\\_Doing\\_Business\\_in\\_Ireland-Publication.pdf](http://www.competitiveness.ie/Publications/2015/24022045-Costs_of_Doing_Business_in_Ireland-Publication.pdf)> accessed 24/08/2015

companies' wage costs will ultimately hinder Ireland's competitiveness and ongoing economic growth.

Many industry sectors and most small businesses are not yet in a position to increase their wage bill. A methodology to link employee remuneration directly with increased company productivity and performance would mitigate the potential erosion of competitiveness arising from general increases to wages. This could be achieved through incentivising employee share ownership schemes.

The current tax regime nevertheless stifles employee ownership models. In Ireland shareholders are liable for income tax, PSRI, USC immediately on the value of shares acquired. For example, a company that attracts an employee with a salary as well as shares of €50,000 will be hit with a 52% tax bill or €26,000 in cash even though those shares are illiquid. This kills the attraction of using shares to attract staff. In addition, employees are hit with capital gains tax if shares are disposed of (which increases their tax bill to almost 90% taxation of the shares' value). Consequently, share schemes are rarely used by small private companies who see them as too complicated, costly and difficult to administer.

In the UK, the Enterprise Management Incentive scheme has been successfully utilised for SMEs and start ups to grow for over 15 years. It is our view that a similar scheme should be adopted here. There are multiple reasons for why ownership models should be encouraged, including:

- *Attraction:* Employee owned companies achieve higher growth, much higher staff retention, significant reductions in absenteeism, and improve the attraction of SMEs giving smaller companies the ability to compete with larger businesses to attract talent.
- *Retention:* Share models facilitate SMEs to retain their base in their native county and for employees to stay within a company.
- *Profitability:* Employees owned companies achieve higher productivity and innovation, and also tend to be more profitable (in UK 55% of companies have seen financial results significantly improve after adopting a form of employee ownership).
- *Growth:* Employee owned companies think and act for the long term, which in turn facilitates long term growth and allows SMEs to develop into larger companies.

While this measure would require changes to the tax system, we believe that the cost to the Exchequer of this measure would be negligible while the effect would be increased competitiveness and productivity. We consider this proposal to have a long-term positive impact on the expansion and retention of high-potential start-ups in Ireland.

## **5. Investing in Better Childcare Provision**

*Theme: Improving competitiveness, Assisting indigenous businesses to grow*

As we are entering a new phase of economic growth, we must address the risks that may jeopardise our future sustainable development and social wellbeing. One of the challenges ahead is to ensure that Ireland has the right physical and social infrastructure in place to maintain its international competitiveness. Ireland is competing against the top performing countries in the OECD for

investment and for access to markets, and if we are to position ourselves as a knowledge economy with a highly skilled workforce, our human capital must be developed to its fullest.

Having an effective child and after-school care sector constitutes a critical part of this objective. The importance of well functioning childcare services has nevertheless not been sufficiently prioritised by successive Governments. Given that Government now aims at a return to full employment by 2018 and is using the Action Plan for Jobs as a tool to reach this goal, Chambers Ireland believes that Action Plan for Jobs 2016 must recognise the need for implementing a childcare strategy that will allow for full employment.

CSO figures show that 50% of female employees leave the workforce once they have two children or more. The reason for this is largely linked to the fact that Irish childcare costs are three times higher than the OECD average whereby it does not make economic sense for many families to remain in employment after having children. The consequence for business owners of high childcare costs is a loss of knowledge and experienced staff, whom they could otherwise have relied on to grow their business.

High childcare costs also add pressure to wage demands from working parents. Rising labour costs have already been identified by the National Competitiveness Council as undermining the competitiveness of Irish businesses.<sup>2</sup> As long as the costs of our childcare services remain extortionate, working parents will be under financial pressure to seek higher wages in order to meet their expenses. The consequences of this will not only be a slowdown in new job creation, but also a reduction in our national competitiveness.

By failing to invest in public childcare facilities we are also disproportionately damaging our SMEs which are in direct competition against large firms and multinationals to attract and retain talented employees. Unlike large companies and multinationals, SMEs are not in a position to provide employees with in-house childcare facilities to subsidise the cost of childcare. Unless we reform our model of childcare provision, SMEs will continue their struggle to retain employees against multinationals offering attractive work packages. Affordable and accessible childcare should therefore also be seen as means of allowing SMEs to compete with larger firms in terms of attracting highly skilled staff.

In order for many more people to be in a position to take up and retain their jobs, we recommend Government to increase investment in early childhood and afterschool care services to improve the affordability and accessibility of childcare services.

Although the problems related to accessibility and affordability of childcare services will not be fixed within the coming year and largely would require a complete re-think of the current model of service provision, parents need immediate assistance that will also benefit businesses and the wider economy.

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<sup>2</sup> National Competitiveness Council (2015), 'Cost of Doing Business in Ireland 2015' <[http://www.competitiveness.ie/Publications/2015/24022045-Costs\\_of\\_Doing\\_Business\\_in\\_Ireland-Publication.pdf](http://www.competitiveness.ie/Publications/2015/24022045-Costs_of_Doing_Business_in_Ireland-Publication.pdf)> accessed 24/08/2015

For 2016, we recommend Government to build on the existing ECCE model by extending it to 48 weeks to align with the working year of parents as well as expanding the scheme to cover a second free year. Furthermore, Government should continue efforts of increasing staff qualification within the childcare sector to maximise the return on investment. We therefore suggest that the level of funding for the ECCE scheme should be increased to allow for the recruitment and retention of qualified staff. By doing so, service providers currently operating at a loss will also be supported to remain in business and provide much-needed childcare places.

## **6. Mediation for Business Disputes – Alternative Dispute Resolution**

*Theme: Improving competitiveness*

Chambers Ireland, in conjunction with bodies from the legal and mediation professions, has launched a pilot scheme for *Business and Commercial Mediation*. The pilot was developed by a cross section of bodies (Chambers Ireland, the Chartered Institute of Arbitrators, the Law Society, the Bar Council of Ireland and the Mediator’s Institute of Ireland) with the objective of promoting awareness of mediation as a cost and resource efficient way for businesses to resolve commercial disputes.

Many Irish businesses are unaware of the availability of alternative dispute resolution (ADR) processes for commercial disputes and we believe that the pilot scheme we have developed will help promote to the business community that mediation should always be the first option when faced with a dispute. There is strong evidence that mediation processes lead to more satisfactory outcomes for both parties in a dispute, ensure commercial relationships are maintained, significantly reduces costs, and allow the courts system to focus their resources on more appropriate cases.

The cost savings to businesses that would otherwise be exhausted in pursuing litigation will help support job retention and competitiveness in companies generally. Increased use of mediation as a means of resolving business disputes would also have knock on benefits for the broader economy as resources allocated to administering the judicial system could be used more efficiently, generating significant cost savings to the State. In a report published in 2014, by the Directorate-General for Internal Policies, it was found that even low, in percentage terms, success rates for mediations would still yield time and cost savings as compared to litigation. The study predicted that, across the EU, in terms of time savings, only a 19% success rate would be needed, or 24%, in terms of cost savings.<sup>3</sup>

At present, Chambers Ireland is administering and promoting this mediation scheme to the business community on a pilot basis until July 2016. Should the pilot be successful, we would like to extend the service. To do this, State support in promoting and administering the scheme would be welcome.

If Chambers Ireland were to continue to administer and promote this service, there would be a need for some further staff resources to administer and monitor the mediation service and its outcomes.

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<sup>3</sup> “Rebooting the Mediation Directive: Assessing the limited impact of its implementation and proposing measures to increase the number of mediations in the EU” available at [http://www.europarl.europa.eu/RegData/etudes/etudes/JOIN/2014/493042/IPOL-JURI\\_ET\(2014\)493042\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/etudes/JOIN/2014/493042/IPOL-JURI_ET(2014)493042_EN.pdf)

This action should be supported by a steering group involving Department of Jobs, Enterprise and Innovation; Department of Justice and Equality; with input from the Judiciary; the Courts Service, and private sector mediation associations.

The Pilot Scheme is already up and running with an official launch due to take place in early October. However, we would like to see the mediation scheme offered to the business community in Ireland on a more long-term basis and we would welcome support from the State in to help realise this in early 2016.

There are numerous court alternative mediation schemes in operation across Europe and internationally that can provide examples of best practice. Chambers Ireland has developed such a scheme with a cross section of partners in the legal and mediation profession and we would welcome the opportunity to engage in dialogue with the relevant Departments with a view to assessing the viability of prolonging the scheme.

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For further information please contact [sarah.foley@chambers.ie](mailto:sarah.foley@chambers.ie).